

## Factoring companies a source of revenue

by Philip Haldiman - Apr. 2, 2009 11:09 AM  
*The Arizona Republic*

---

Micro Tech Manufacturing is a contract electronics-manufacturing company that assembles circuit boards, and it takes cash flow to build those parts and pay for labor.

But sometimes, Scottsdale-based Micro Tech doesn't get paid for as many as 120 days after providing its services.

That puts Micro Tech owner Doug Brown into a bit of a bind.

"Everybody is slower to pay than they used to be," Brown said.

Enter **Factors Southwest**, a Northeast Valley factoring company that supplies the money based on a company's receivables. Brown has been working with the firm since November.

"For a small percentage of the invoice, I get the money quicker," Brown said. "It's a finance solution that works well with me."

Factoring is a way for a company to pay its bills while waiting for contractors to pay for services. In the current economy, factoring has become an important method for businesses to keep their cash flow healthy amid lagging payments.

Factors Southwest saw a revenue increase of 40 percent from 2007 to 2008, lending \$25 million to 35 companies in Arizona.

It is a form of financing that is used in almost every industry today that sells business-to-business or business-to-government, and it is certainly nothing new. It has been used largely in the apparel industry.

"Factoring is a way to rev up cash flow," said Robyn Barrett, founder and managing member of Factors Southwest. "It's like stretching out the electric bill so that you can buy groceries."

Her company and others like it offer advantages to small- and mid-sized businesses in need of cash and those faced with credit issues when the banks cannot offer assistance. Until the economy improves and banks begin handing out more loans, factoring agencies are likely to remain busy.

"We're getting more calls from banks that have clients who they can't service like they used to," Barrett said. "Banks look at us as a great source. If not for companies like mine, there'd be a real gap."