

# AREA42

Creating a world where trade is frictionless  
Solving your working capital needs

## The SME Cash Flow Survival Guide

Practical tips to keep your business moving...

...even when payment challenges  
slow you down.



Mini Guide



 TERMSTECH is an AREA42 working capital solution.

# Introduction

**Cash flow is one of the biggest problems small and medium-sized businesses (SMEs) face.** You need money to pay your teams, buy supplies, and keep things running. But customers often take months to pay you, and often pay late! So, things can get stressful.



## Cash flow is (still) king

Cash flow allows your company to honour its commitments and operate smoothly and continually.

**Let's keep it simple:** profit indicates long-term success potential, but cash flow looks at right now. Can you pay your bills? Can you pay your employees? Can you pay the companies you've been buying from?

### What do European SMEs say about cash flow?

**62%**

of European SMEs cited delays and unpredictable cash flow as their company's biggest problem\*

**72%**

of European SMEs accept payment after delivery, thus exposing themselves to the risk of late payment and cash flow challenges\*\*

### How do faster B2B payments improve cash flow?

**3.69m**

aggregate euro per day cash flow increase for SMEs in the EU for each day payment duration gets reduced\*\*\*

**This mini guide helps you to reduce cash flow stress. We look at:**



Cash flow is (still) king  
4 common cash flow pain points  
Cash flow health & tips  
Short-term financing options  
The right financing partner  
Payment terms with BNPL for B2B

## 4 common cash flow pain points

SMEs are often challenged by cash flow pain points. Do any of these sound familiar to you?

### Late payments from customers or long wait periods to receive payment

The time to receive B2B payments in the EU is getting longer!\*\*\*\*

2022 = 52 days

2024 = 62 days

10 more days!

### Slow-moving inventory

Exaggerated forecasts by sales teams. Buying more supplies than needed. Physical space and storage costs. All these burn cash flow.

### High upfront costs

Paying large bills to suppliers or logistics before you get paid quickly drains your cash reserves.

### Mismatch between revenue and expenses

You're making sales, but the timing of getting paid doesn't match when you need to make payments. The point is this: revenue does not equal cash on hand.

\*WUSME: European SMEs face challenges with payments speed, study shows

\*\*AREA42: European SME Landscape 2024

\*\*\*European Commission: Assessing the economic impact of faster payments

\*\*\*\*European Commission: The 2025 Annual Single Market and Competitiveness Report

# Know your cash flow health: 4 metrics\* to watch

## Cash Conversion Cycle

The time it takes to convert your company's investment in its inventory into incoming cash by making sales.



## Operating Cash Flow

The amount of cash generated by your company's core business operations over a period of time.



## Days Sales Outstanding

The average number of days it takes your company to collect payment from sales on credit.



## Burn Rate (for startups)

When your company is not making a profit yet, the burn rate is how fast you use your cash reserves.



# Improve your cash flow: 5 practical tips



## Tighten payment terms or offer early payment incentives

Merchants: decrease the time you expect your customers to pay. Or, offer discounts for quick payments.

## Renegotiate supplier terms

Buyers: do you have a good track record? Can you negotiate a longer time to pay?

## Delay non-essential expenses

Prioritise your outgoing payments. If it's not urgent or strategic, do you really have to spend it now?

## Use digital tools to track inflow/outflow

Reduce human error. Increase efficiency. Software and apps can help you plan and keep an eye on your cash flow.

## Consider short-term financing as a buffer

Merchants: waiting a long time to get paid?      Buyers: want to hold on to your cash but need supplies or goods now?

A quick cash boost can help meet immediate needs. But which types of short-term financing can you use?

\*If you want to learn more about these metrics, we suggest looking at [investopedia.com](https://www.investopedia.com)



# 7 short-term B2B financing options

Here's a quick breakdown of typical types of short-term B2B financing that SMEs can use to maintain or improve their cash flow:

## Bank loans

Borrow money from a bank.

- ✓ Lower interest rates than other options
- ✓ Predictable payments over a set period
- ✗ Slow approval process, lots of paperwork
- ✗ Harder for SMEs to qualify. Often denied!

## Factoring

Sell your unpaid invoices to a third-party, who pays you a percent of what you're owed now and collects from your customers.

- ✓ Get paid upfront for invoices
- ✓ No need to chase payments
- ✗ Customers deal directly with factor company
- ✗ Can affect client relationships and trust

## Credit cards

Make purchases on a business credit card.

- ✓ Easy access to short-term funds
- ✓ Useful for smaller or urgent costs
- ✗ High interest if balance isn't cleared
- ✗ Can hurt credit if overused

## Invoice financing

Borrow cash against your unpaid invoices.

- ✓ Keep control of customer relationship
- ✓ Fast access to cash from invoices
- ✗ Fees can eat into profits
- ✗ Still responsible if client doesn't pay

## Offer net 30/60/90 days

### from your own treasury

Allow your customers to pay 30-90 days later. Backed by your own cash reserves.

- ✓ No interest or outside fees
- ✓ Keep full control over payment terms
- ✗ Ties up your working capital for too long
- ✗ Risky if clients pay late – or not at all!

## Overdraft

Spend more money than you have in your bank account (to a limit).

- ✓ Flexible and fast cash buffer
- ✓ Only pay interest on used amount
- ✗ Can be expensive over time
- ✗ Limit may not meet business needs

## Offer net 30/60/90/120 days

### via third-party Buy Now, Pay Later for B2B

Get paid upfront by a third party BNPL service that lets your customers pay them back 30-120 days later.

- ✓ Extend payment terms without draining your own cash reserves
- ✓ Often easier and faster for SMEs to access than bank loans
- ✓ You don't sell your past invoices
- ✓ "All-inclusive" - a good BNPL provider takes on the risk and does the risk assessment of your buyers
- ✓ Promotes lower cart abandonment and higher purchase volumes
- ✗ Some "BNPL" providers are just factoring in disguise

# What to look for in a financing partner

Picking a financing partner is a big decision. Choose the right one, and you could have a lucrative partnership that lasts for years. Some qualities to look for include:



## Speed of set up & approval

How long does it take to set up and get approval for the financing you need? Days? Weeks? Months? How does a long wait further affect your cash flow?



## Flexibility

Your financing should fit your needs. Not force you into long-term debt.

Right time, right place approach: is the financing you need available when you need it?



## Stability & Trust

Where does the money come from?

Does the backer or underwriter have staying power and a strong track record?



## Customer or supplier relationships

Will a third party contact your customers and/or suppliers? If yes, how will they do it? How will it affect your relationship with them?



## Transparency

WYSIWYG! (What you see is what you get!)

You should always know the costs and how the process works, with no surprise fees nor fine-print shenanigans.



# How TermsTech empowers SMEs to grow and thrive

TermsTech helps businesses to **improve cash flow** and **grow sales** by providing from **net 30 to net 120-day payment terms** via its pure Buy Now, Pay Later solution (BNPL).

Thanks to TermsTech's flexibility, B2B merchants and marketplaces can offer their customers an **offline solution, one-click e-commerce checkout, or custom solutions for complex B2B platforms.**

TermsTech funds smaller recurring transactions and larger purchases **up to €200k**. TermsTech efficiently provides **risk assessment, instant decisions, debt collection, and white labelling.**

TermsTech is the go-to choice for European businesses looking for an easy-to-integrate and **customer-friendly B2B short-term working capital financing solution.**

Available in the **entire EEA** and Switzerland.

## AREA42

TermsTech is an AREA42 working capital solution.

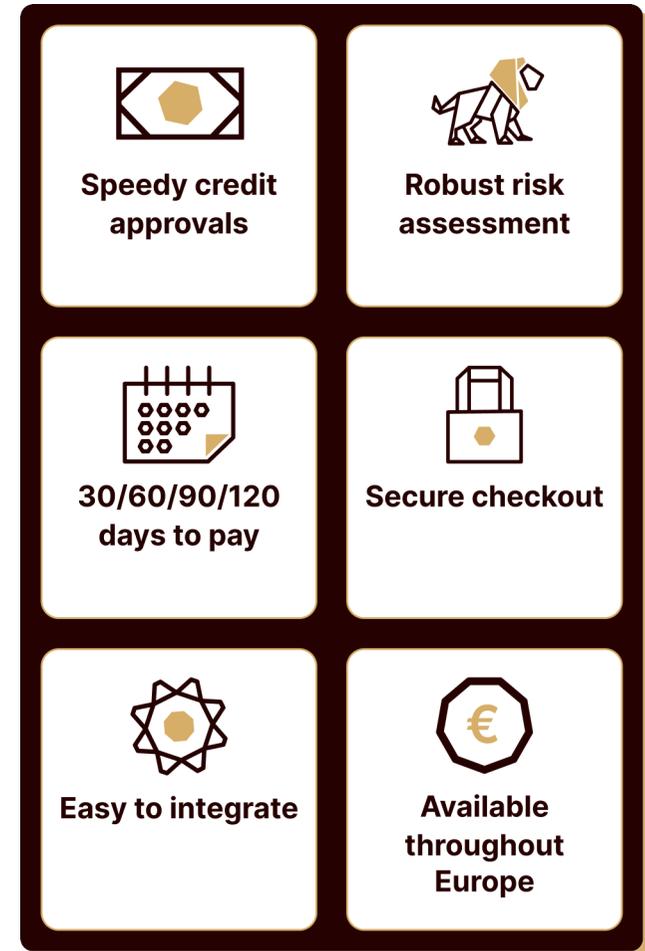
**What is AREA42?** AREA42 is the innovation vehicle to create a world where trade is frictionless – launched by Credendo.

**How?** By identifying real B2B trade problems and crafting customer-centric TradeTech solutions leading to a fluid & risk-savvy trade environment.

*You get paid upfront.*

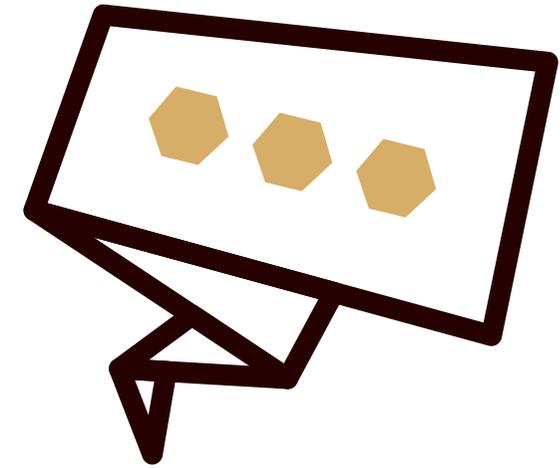
*Your customers pay later.*

*It's that simple!*



# AREA42

**Want to improve your cash flow & the cash flow of your customers?  
Let's talk!**



 [area42.tech/contact-us/](https://area42.tech/contact-us/)

 [area42.tech/termstech-payment-terms-bnpl](https://area42.tech/termstech-payment-terms-bnpl)

 [linkedin.com/company/joinarea42/](https://linkedin.com/company/joinarea42/)

## Let's talk about:

- your payment flow to identify pain points and possible solutions.
- how TermsTech can optimise your payment flow, strengthen your and your customers' cash positions, and mitigate collection risk.
- your specific questions.

Improve cash flow

Increase order frequency

No banks

Hassle free

Get paid fast