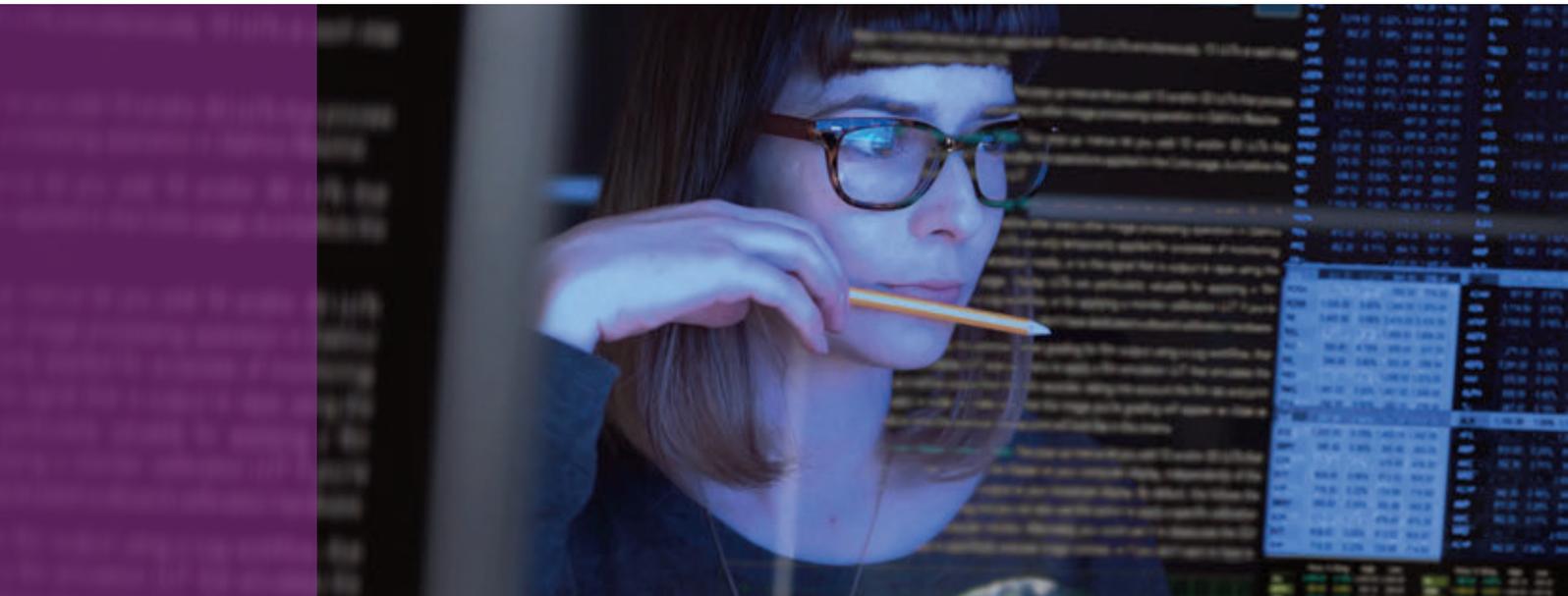


WOODSFORD

LAW FIRM FINANCE



# Accounts Receivable Finance for Law Firms

Woodsford Law Firm Finance Insight

# Accounts Receivable Finance from Woodford

On the face of it law firms have a straightforward business model. Spend time on client matters which generates fees, bill clients for these fees and then nudge the clients to pay these bills. But any CFO of a substantial national or international law firm will tell you that working capital management is increasingly challenging. The legal sector has undergone significant transformation driven both by clients' desires for alternative pricing and billing models and by internal pressure to take on work which does not fit the traditional billing model. These changes are increasing working capital requirements while firms wait for payment: Litigation practices are performing more contingent or deferred fee work and waiting for cash proceeds to flow in; transactional departments are increasingly postponing a proportion of

fees until the successful execution of the transaction (such as a client's successful debt or equity raise); insolvency groups often wait months for the court to approve their bills. On top of these billing challenges, CFOs in acquisitive or high growth firms have even more complex problems as they consider how bolt-on acquisitions or new office openings are to be financed. Finally, there is the question of how to generate profit? Most law firms utilize cash-basis accounting and only recognize revenue when cash is collected and can only distribute cash profits to partners. These developments reflect the changing nature of the law firm environment and put pressure on the CFO's ability to manage cash-flow and profits while keeping clients and partners happy, especially at year's end.



## How can Woodsford solve some of these problems?

Our Accounts Receivable Finance allows conversion of billed work into cash and revenue at a highly competitive rate, greatly improving working capital at

pinch-points or facilitating one-off transactions such as expansion into a new city or a corporate acquisition.

## How does Woodsford's Accounts Receivable Finance work?

Woodsford purchases quality receivables due from the firm's clients on a non-recourse basis. If the receivable is never collected, Woodsford's money will not have to be repaid. We have a straightforward diligence process where we assess the quality of the firm's billings and price the transaction. The firm remains in control of their accounts receivable function and collects receipts in the normal way, but certainly under less pressure to provide steep discounts. The whole transaction can be put together in 3 weeks with repeat transactions within a week. The product is also structured to work alongside firms' existing banking relationships.



## Why Accounts Receivable Funding?

Law firms' invoices are a key asset which can be easily monetized with Woodsford's help; services have been rendered, clients have been billed, and it should only be a matter of time before these bills are transformed into cash. Woodsford can step in to accelerate the time to cash collection by purchasing these receivables.



# Who does Woodsford work with?

Our Accounts Receivable Finance is designed for law firms with upwards of

50 partners and full service offerings for mainly corporate clients.

## The benefits of Accounts Receivable Finance

- Accelerates collectibles, relieving cash pinches.
- Accelerates revenue generation to allow enhanced partner distributions.
- No impact on accounts receivable function with clients unaware their invoices have been financed.
- Relieves pressure to provide large discounts for early settlement.
- Straightforward and fast diligence process.
- Works alongside existing banking facilities.

### Case Study

A well-regarded AMLAW 350 firm approached us via Woodsford Litigation Funding. The firm had worked with Woodsford successfully on a number of claims and they recognised that we are a sophisticated, flexible and deep-pocketed source of finance to the legal industry. Outside of their clients' need for funding in specific disputes, the firm themselves had a couple of crunch points in the year when they needed to make significant cash outlays. While they had significant WIP, they were loath to offer deep discounts or jeopardize key client relationships while chasing the cash.

The firm had unpaid invoices from blue-chip clients including a number of invoices tied-up in court processes. We received a detailed list of the receivables that were to be financed and within 3 weeks the necessary diligence was conducted by Woodsford and \$5m of non-recourse finance was provided at a competitive discount rate.

## Why work with Woodsford?

Woodsford has nearly a decade of experience of financing law firms and their clients. Our unique blend of financial and legal expertise

combined with significant capital to deploy enables us to efficiently evaluate investment opportunities and deploy cash quickly.

Outsiders may be perplexed as to why law firms have any trouble generating cash. After all, hourly rates of even typical firms seem substantial, while investment in expensive fixed assets is limited and all substantial firms will have a list of blue chip companies as clients. The reality is that the cash cycle is very long. There are few trade creditors who can be stretched as attorneys need paying every month, while the billing cycle is slow. Most partners much prefer to counsel their clients than argue with them over what is billable from WIP, let alone chase them for payment. The decentralised nature of collections and the need to maintain excellent relationships with clients coupled with a reluctance to offer discounts for early settlements (and therefore devalue the perception of a premium service) all results in significant non-cash current assets sitting idle on law firms' balance sheets.



## About the author

Mark Spiteri is Woodsford's Finance & Commercial Director. He is an economics graduate from the London School of Economics and started his career in 1997 at Coopers & Lybrand (now PricewaterhouseCoopers), where he trained as a management consultant and was admitted into the Chartered Institute of Management Accountants (CIMA), latterly joining PWC Corporate Finance.

He joined the Woodsford Group in 2005 where he was responsible for financial services and real estate investments. Since joining Woodsford Litigation Funding, Mark has taken the commercial lead in negotiating funding terms for dozens of cases and law firm facilities both in the US, Europe and Australia as well as providing valuable input into settlement discussions in support of claimants.

Mark is known in the legal finance market for both his creativity and commercial acumen and for demonstrating flexibility to find the right solution for both law firms and claimants to ensure an alignment of interest between the parties. Mark is responsible for the global finance and commercial function splitting his time equally between serving North American, EMEA and APAC clients.

## About Woodsford Law Firm Finance

Woodsford Law Firm Finance is an offering from Woodsford Litigation Funding. Founded in 2010 and with a presence in London, Philadelphia, San Francisco, New York, Singapore, Brisbane and Tel Aviv, Woodsford Litigation Funding provides tailored financing solutions for businesses, individuals, and law firms. This includes both single case and portfolio litigation funding, arbitration funding and law firm

finance. Woodsford's Executive team blends extensive business experience with world-class legal and financial expertise.

If you have any questions or would like to talk to us about our Accounts Receivable Finance, contact Mark directly at [mspiteri@woodsfordlf.com](mailto:mspiteri@woodsfordlf.com) or +44 20 7313 8072