



**Staffing Company Example**  
**Profit Increased \$1,100,000 with Factoring**

**Situation**

A five-year old staffing company has five accounts and 10 employees working for each client. The company has a 30% mark-up on the hourly rate paid to their employees. On average, their clients pay invoices at 30 days of age. The staffing company must pay their employees every Friday and has a \$50,000 bank line but is unable to grow because they do not have enough free cash to add additional employees. The staffing company is reluctant to Factor their receivables because they are afraid it will eat up all of their profits, which are only 3.6% of revenue.

**Solution**

The staffing company decides to add Factoring with CFS to help grow their company. The company adds three new accounts and 50 employees, then each Friday, the staffing company factors their invoices at an 80% advance rate which they use to pay their employees and other expenses. Twice a month, the factoring company sends the staffing company the remaining 20% of their invoices (for those that have been paid), less factoring fees. The staffing company's Cost of Goods Sold (COGS) increases by approximately \$214,000 due to factoring fees. The fixed expenses increase by 25% to handle all of the administrative costs associated with the additional employees.

**Result**

Due to the large increase in revenue, the fixed cost as a percentage of revenue drops almost 10%, while Net Income increases by 7.6%. Bottom Line - Profits increased by \$1,100,000 due to Factoring and the staffing company's ability to grow was tremendously increased.

**Here's How It Works:**



The following situation compares the staffing company's Net Income without Factoring, then demonstrates the bottom- line when factoring is part of the equation.

Staffing Agency	Without Factoring		With Factoring	
Number of Clients	5		5	
Number of Employees	50		50	
Average Number of Hours/Work Week	40		40	
Average Contracted Rate	\$57.14		\$57.14	
Average Pay Rate	\$40.00		\$40.00	
Terms of Sale: Net	30		30	
Weekly Payroll	\$114,286		\$228,571	
Weekly Cost	\$80,000		\$160,000	
Net Cash Required	\$346,667		\$693,333	
Monthly Gross Revenue	\$495,238		\$990,476	
Annualized Gross Revenue	\$5,942,857		\$11,885,714	
Cost of Goods Sold	\$4,243,200	71.4%	\$8,700,343	73.2%
Sales & Administration	\$1,485,714	25.0%	\$1,857,143	15.6%
<b>Net Income</b>	<b>\$213,943</b>	<b>3.6%</b>	<b>\$1,328,229</b>	<b>11.2%</b>