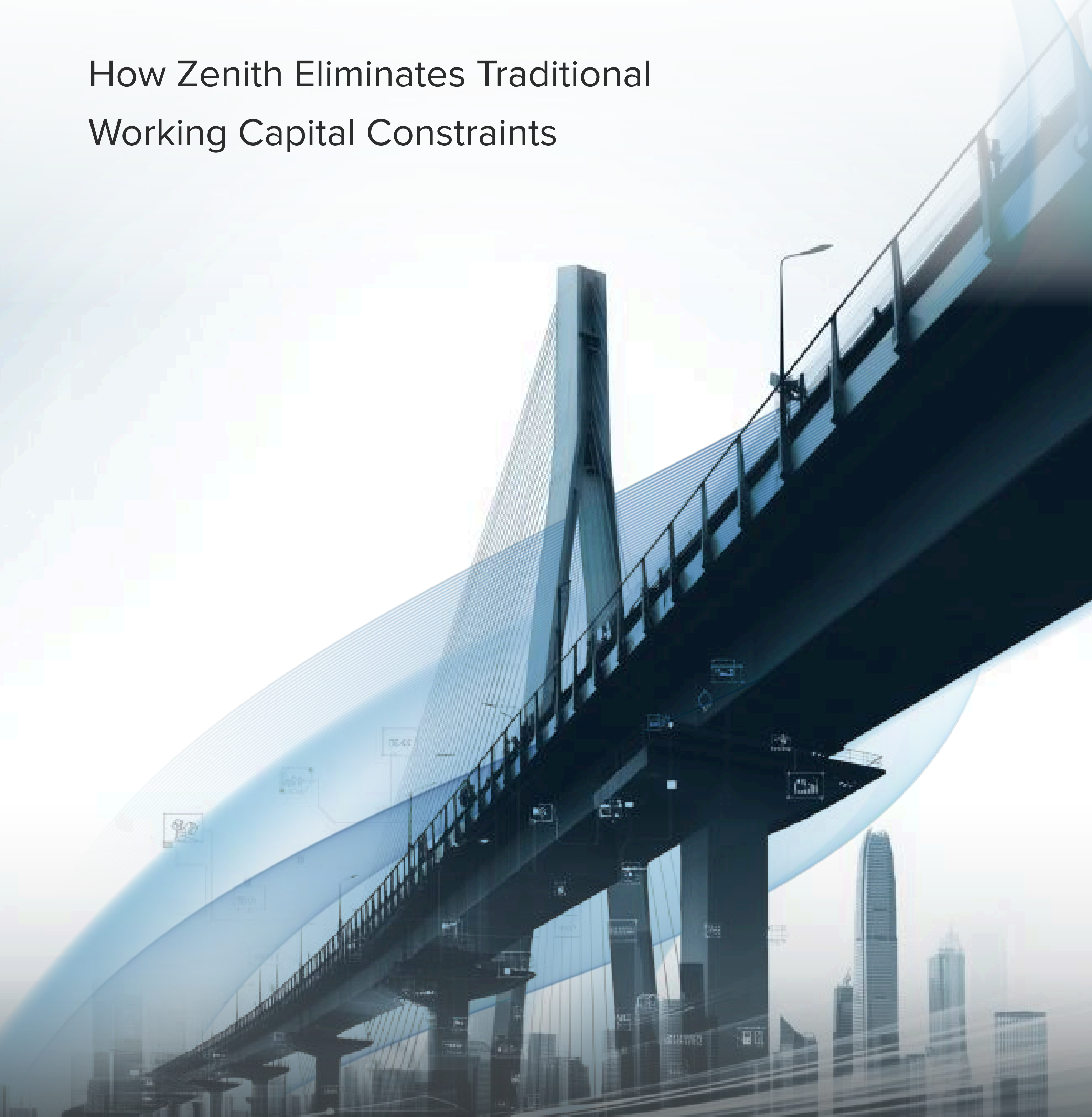
Bringing Enterprise-Level Finance to the Mid-Market

How Zenith Eliminates Traditional Working Capital Constraints



Analysis based on Zenith portfolio data from 2022-2024, including over 500 successful implementations across multiple industries and company sizes ranging from $50 million to $2 billion in annual revenue.

ZENITH

HOW ZENITH ELIMINATES

Traditional **Working Capital** Constraints

AT A GLANCE

The Mid-Market Financing Gap

Mid-market companies have historically faced challenges accessing the sophisticated financing solutions enjoyed by their larger competitors. Traditional bank-centered approaches often create unnecessary financial constraints through collateralization requirements, balance sheet impacts, and restrictive covenants. These limitations force finance leaders to choose between improving working capital and maintaining operational flexibility.

Zenith's No-Compromise Solution

But with Zenith, this compromise is unnecessary. Zenith's insurance-backed trade payable finance program provides a compelling alternative that maintains trade payable classification while enabling payment term extensions up to 120 days.

Proven Results, Accelerated Timeline

The approach delivers measurable results, with clients typically achieving 20–30% working capital improvement within 90 days through a streamlined implementation process that spans just 3–5 weeks rather than the traditional 10–14 week timeline.

Additional Upside for Public Companies

For public companies, this structure offers additional benefits by potentially improving debt ratios and enhancing stock valuation while maintaining working capital flexibility.

A Structural **Innovation**

The fundamental innovation lies in Zenith's unique insurance-backed model that enables the extension of premium financing terms to mid-market firms without requiring supplier onboarding or disrupting existing bank relationships.

1. The Working Capital Challenge for **Mid-Market Companies**

Mid-market companies operate in a financial ecosystem that presents unique working capital challenges. Unlike large enterprises with substantial leverage over suppliers or small businesses with access to specialized lending programs, mid-market organizations often find themselves in a precarious middle ground—too small to dictate payment terms to suppliers but too large for simplified financing solutions.

This dynamic creates substantial strain on both sides of the financial relationship. Buyers seek to optimize working capital by extending payment terms, while suppliers—often smaller businesses with limited capital resources—face mounting pressure to accept these extensions despite their own liquidity constraints. The traditional banking solutions available to this segment frequently create more problems than they solve.

4 significant barriers

When mid-market companies approach banks for supply chain finance solutions, they typically encounter four significant barriers:

1. Asset Encumbrance
Banks generally require companies to pledge accounts receivable and inventory as collateral—the very assets companies need to maintain flexibility for growth and operations.

2. Implementation Complexity
Traditional bank programs require complex documentation spanning hundreds of pages, can take 10-14 weeks to implement, and necessitate extensive coordination with existing lenders through inter-creditor agreements.

3. Restrictive Covenants
Bank facilities impose operational constraints through covenants that restrict how businesses operate—from minimum EBITDA requirements to limitations on capital expenditures, creating potential control issues if business conditions change.

4. Balance Sheet Impact
Most conventional solutions classify as debt rather than trade payables, potentially affecting key financial ratios, loan covenants, and future borrowing capacity.

These constraints have historically forced mid-market finance leaders to choose between optimizing working capital and maintaining financial flexibility—an unnecessary trade-off that newer models have eliminated. For PE-backed companies in particular, these constraints can severely limit strategic options precisely when growth capital is most needed.

2. The Mid-Market **Financing Landscape**

Supply chain finance has transformed significantly over the past decade, introducing more adaptable solutions that complement traditional banking relationships. This advancement has been particularly valuable for mid-market companies seeking enhanced working capital solutions without disrupting existing banking arrangements.

The conventional approach to supply chain finance has typically required companies to make difficult trade-offs. Traditional bank facilities, while offering competitive rates, often require complex supplier onboarding, balance sheet classification as debt, collateralization of key assets, and lengthy implementation timelines of 10-14 weeks. These constraints limit a company's financial flexibility precisely when growth opportunities require maximum agility.

Rather than replacing these existing arrangements, modern solutions like Zenith's insurance-backed financing framework complement traditional banking relationships. This approach maintains trade payable classification while enabling substantial payment term extensions without creating conflicts with existing lenders. By providing a parallel financing channel that works alongside traditional banking facilities, companies can optimize their capital structure for both stability and growth.

A furniture manufacturer with $750M in annual revenue demonstrates this complementary approach. While maintaining their primary banking relationship, they implemented Zenith's solution to extend payment terms from 60 to 120 days without negatively impacting supplier relationships. The program required no collateral, preserved their existing credit facilities, maintained trade payable classification, and was implemented within just 3-5 weeks.

3. Understanding **Zenith's Unique Approach**

Zenith offers a distinctly different approach to supply chain finance that addresses the limitations of traditional models through a sophisticated yet straightforward financial framework. The key advancement lies not in complex technology but in an innovative approach to the financial structure underpinning supplier payments.

The Insurance-Backed Model

At the core of Zenith's solution is an insurance-backed financing model that enables buyers to extend payment terms while maintaining trade payable classification. Unlike traditional bank facilities that require asset encumbrance, Zenith's model focuses on the credit quality of the buyer without requiring traditional collateral.

This structure is built on an insurance framework that effectively transfers the credit risk away from the buyer's balance sheet. The result is a true "off-balance sheet" solution that maintains trade payable classification while providing substantial working capital benefits.

This insurance-backed approach allows Zenith to pass on its lower cost of capital to mid-market companies that would otherwise lack access to institutional-grade financing terms. Essentially, Zenith has brought what was once available only to Fortune 500 companies downstream to the mid-market, creating a more level playing field.

Key Differentiators

Zenith's approach stands apart from conventional supply chain finance programs through several important distinctions. The unsecured structure eliminates collateral requirements and preserves credit facilities, allowing companies to maintain balance sheet flexibility for growth. All obligations maintain trade payable status rather than being classified as debt, potentially improving key financial ratios for public companies.

Unlike bank facilities with extensive operational restrictions, Zenith's solution allows management teams to maintain decision-making autonomy through covenant-free financing. The documentation process has been radically simplified to a streamlined 4-page agreement versus the typical 100+ pages required for traditional facilities, creating significant time and cost savings during implementation.

Perhaps most notably, the solution requires no disruption to existing supplier relationships or onboarding procedures, while preserving valuable banking relationships through the elimination of intercreditor agreements or potential conflicts. The result is a rapid implementation timeline of just 3-5 weeks compared to the 10-14 weeks standard for traditional programs.

This comprehensive approach addresses the specific needs of mid-market companies, particularly those with private equity backing, by providing substantial working capital benefits without the traditional constraints associated with bank-led programs.

STREAMLINED IMPLEMENTATION. IMMEDIATE IMPACT.

Faster Timeline, Fewer Barriers

Zenith’s supply chain finance solution streamlines implementation, eliminating the complexities of traditional programs. The process takes just 3–5 weeks—far faster than the 10–14 weeks required for bank-led programs—by removing supplier onboarding, technology integration challenges, and complex intercreditor negotiations.

A Four-Step Activation Process

Implementation involves a structured four-step approach:

1. Assessing supplier payment terms
2. Completing simplified legal documentation (just four pages)
3. Integrating with Zenith’s funding portal
4. Activating invoice submission

Reduced Costs. Real Results.

This efficiency significantly reduces costs, avoiding the $50,000–$150,000 in legal expenses typically associated with traditional financing. The result is a rapid, cost-effective solution that enhances cash flow, extends payment terms, and improves supplier relationships — **all without impacting existing banking arrangements or requiring collateral.**

MEASURING SUCCESS

Beyond **Traditional Metrics**

The measurement of success in Zenith's model extends beyond conventional supply chain finance metrics. While traditional programs often focus primarily on supplier adoption rates and processing efficiency, Zenith's approach enables a more direct focus on tangible business outcomes.

Key Performance Indicators

Successful implementations typically measure improvement across four key dimensions:

Working Capital Improvement
Tracking the extension of payment terms and resulting improvement in days payable outstanding

Cash Flow Impact
Measuring the concrete improvement in free cash flow resulting from extended payment terms

Supplier Relationship Management
Monitoring on-time payment rates and supplier satisfaction

Cost Reduction
Identifying opportunities for early payment discounts and resulting cost of goods sold improvements

These metrics provide clear visibility into program value without the complexity of tracking supplier adoption rates or technology utilization. The focus remains squarely on financial outcomes rather than program activities.

Results from **Zenith's Portfolio**

20-30%
Avg. working capital improvement in 90 days

95%
Clients maintaining existing bank relationships

3-5 Weeks
Average implementation timeline

60 → 120 Days
Avg. payment term extension

BEYOND WORKING CAPITAL

Strategic Applications

While working capital optimization represents the primary benefit of Zenith's approach, forward-thinking finance leaders are finding additional strategic applications that extend well beyond simple cash flow improvement.

For Private Equity-Backed Companies

PE-backed companies face unique pressures to optimize performance while pursuing aggressive growth. Zenith's solution addresses this specific challenge by:

- **Freeing working capital to fund growth initiatives without restrictive covenants**
- **Providing flexibility during transition periods, including pre-exit optimization**
- **Creating financial capacity without impacting existing banking relationships**
- **Eliminating the traditional trade-off between growth and working capital efficiency**

For Public Companies

Public companies can realize additional strategic benefits through improved financial metrics:

- **Potential enhancement of debt ratios through trade payable classification**
- **Improved working capital metrics without increasing debt**
- **Enhanced supplier stability and supply chain resilience**
- **Ability to respond more quickly to market opportunities**

For Companies in Transition

Organizations experiencing rapid growth or preparing for significant changes benefit from:

- **Financial flexibility during periods of heightened uncertainty**
- **Ability to standardize supplier terms across multiple business units**
- **Reduced dependency on banking relationships during strategic shifts**
- **Enhanced cash availability during critical transformation periods**

THE PATH FORWARD

Optimizing Working Capital Through **Financial Innovation**

The traditional approach to supply chain finance has often created unnecessary complexity and implementation barriers. As organizations seek to optimize working capital while maintaining strong supplier relationships, innovative financial structures have emerged that eliminate these traditional constraints.

Recent market experience demonstrates the tangible impact of this approach. A furniture retailer transformed their cash conversion cycle by extending payment terms to 180 days while maintaining strong supplier relationships. Similarly, a cookie manufacturer captured substantial early payment discounts, effectively reducing their cost of goods sold with no impact on their credit facilities or banking relationships.

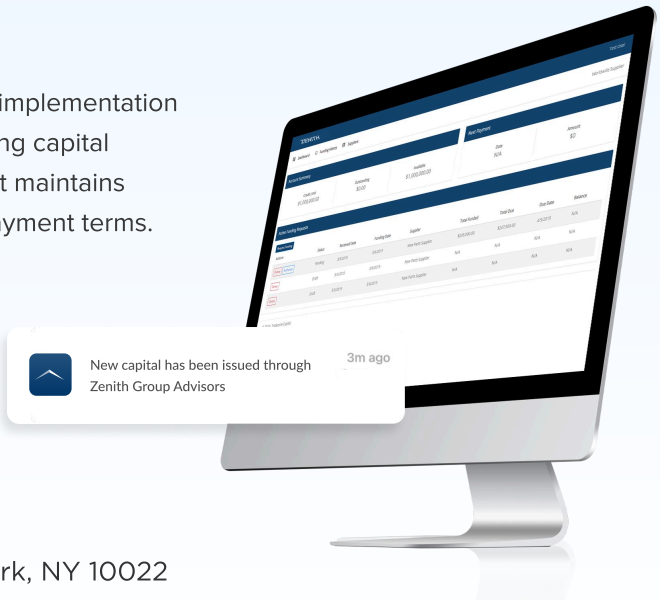
Organizations ready to capture these benefits should begin by reviewing their current supplier payment terms and working capital metrics. This review often reveals significant optimization opportunities, particularly in industries with extended cash conversion cycles or seasonal working capital needs. Understanding existing credit facilities and balance sheet constraints helps identify how an unsecured program could enhance financial flexibility.

Taking the next Step

To explore how Zenith's innovative approach can transform your working capital position while strengthening supplier relationships, contact:

Your financial agility starts with **ZENITH**, with over **$500 Million**

Invested in global supply chains and a proven implementation methodology, Zenith delivers immediate working capital impact through a straightforward approach that maintains trade payable classification while extending payment terms.



Reach Out Directly

(833)-458-1118

Info@ZenithGroupAdvisors.com

445 Park Avenue, 9th Floor, New York, NY 10022

Frequently Asked Questions

1. How does Zenith's program impact our balance sheet?

Zenith's unique structure classifies all obligations as trade payables rather than debt. The program is specifically designed to enhance your balance sheet flexibility while providing extended payment terms up to 180 days. This structure has been validated by major accounting firms and helps preserve key financial ratios.

2. What makes Zenith different from other supply chain finance providers?

Zenith's insurance-backed model allows us to pass on our lower cost of capital without requiring supplier contact or interaction—unlike other programs that necessitate extensive supplier onboarding. The unsecured structure eliminates collateral requirements and preserves existing credit facilities, while offering extended payment terms of up to 120 days with early payment discount options. Our true off-balance sheet solution maintains trade payable accounting treatment and requires only simple 4-page documentation versus hundreds of pages with traditional facilities. Implementation typically completes in 3-5 weeks versus 10-14 weeks for bank programs.

3. Will this affect our existing banking relationships?

No. Zenith's solution is specifically designed to complement rather than replace your existing banking relationships. The program operates without requiring intercreditor agreements or modifications to existing loan documentation. Our portfolio shows that 95% of companies maintain their existing banking arrangements unchanged after implementation. This allows you to enhance your working capital position while preserving valuable existing financing relationships.

4. What types of companies benefit most from Zenith's approach?

While companies across industries find value in our solution, it is particularly beneficial for established mid-market companies with stable operations and strong supplier relationships. PE-backed companies appreciate our approach as it provides growth capital without the restrictions typical of traditional financing. Public companies also benefit from the potential improvement in financial ratios without increasing reported debt.

5. What is the typical implementation timeline with Zenith?

Implementation follows a streamlined process with straightforward documentation requiring only 4 pages of agreements. Most clients begin accessing funds within 3-5 weeks of completing documentation. Our intuitive platform and dedicated support team ensure rapid onboarding and minimal disruption to existing processes.

6. Do our suppliers need to sign up for the program?

No. Unlike traditional supply chain finance programs that require supplier enrollment, Zenith's solution works without any changes to supplier relationships or payment processes. Suppliers continue to invoice normally and receive payment according to established terms and processes. This eliminates one of the biggest implementation barriers associated with conventional supply chain finance programs.