WORKING CAPITAL GUIDE

Building Your Capital Stack: A Subcontractor's Guide to Working Capital

The different forms of capital available for subcontractors, what they cost, when to use them, and how to create a strategy that keeps your business moving.

billd

CHAMPION OF THE SUB

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The Problem Every Subcontractor Knows

The way money moves through construction is unlike any other industry. Subcontractors purchase materials, pay crews, and cover overhead in the first 30 days of a project. Then you wait. On average, subcontractors wait 51 days after submitting a pay application before getting payment from a GC.* That means you're routinely covering two to three months of expenses before a single dollar comes back.

This creates what's known as a funding gap: you have to cover months' worth of expenses before you receive payment from your general contractor. How you cover the funding gap determines how your business is able to handle a missed payment or whether you're able to take on unexpected opportunities that may come your way.

The answer isn't a single financing solution. The best way to cover a funding gap is by creating a diverse capital stack: a mix of working capital solutions, each with a different purpose and benefit to the business.

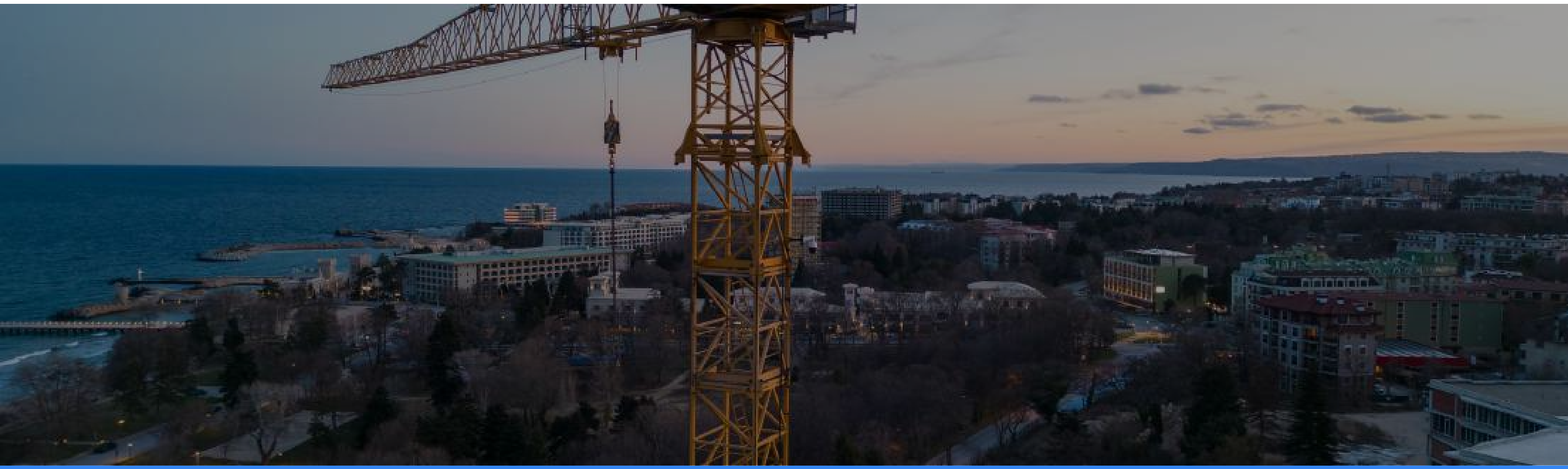
This guide explains the working capital options available to subcontractors, where each one fits, and how to use them together to protect your business and build toward growth.

What Is a Capital Stack?

Your capital stack is the full set of working capital sources your business has available. It might include cash reserves, supplier terms, a bank line of credit, project-based financing, credit cards, and a construction-specific line of credit like Flex Line.

No single option is enough. Each has a different capacity, cost, flexibility, and set of requirements. The right capital stack combines several of them so that you always have access to capital when you need it, from the right source, at the right cost.

> **The goal isn't just to have capital. It's to have the right kinds of capital, available before you need them, and deployed in the right order.**



A Subcontractor's Working Capital Options and When to Use Them

Supplier Terms

Supplier terms are credit arrangements with your material suppliers that allow you to receive materials now and pay later, typically within 30 to 45 days.

78% of subcontractors have supplier terms of 45 days or less.*

Key characteristics:

- Terms are fixed and must be paid on the agreed schedule, regardless of when your GC pays you
- Stretching payments beyond the agreed period damages relationships and can result in COD-only status. Plus, suppliers report increasing unit costs as much as 9% for subcontractors who pay outside of their terms.*
- Terms typically come with a cost, either in higher pricing or forgone early-pay discounts
- Capacity varies by trade and annual revenue
- Build this first. Supplier terms take six months or more of relationship-building to establish. If you don't have them with your key suppliers, start working on them now. With a solid payment history, you can also negotiate extended terms and higher purchase volumes over time.

Best used for: Material purchases from established suppliers where you have an existing relationship.

Project-Based Financing (Material Financing and Pay App Advance)

Project-based financing is tied to a specific construction project. Billd's two project-based products are Material Financing and Pay App Advance.

Material Financing allows you to purchase materials now and pay up to 120 days later, giving you payment terms that actually align with when your GC pays you. Billd pays the supplier directly, and you repay when funds come in from the project.

Pay App Advance covers up to 100% of an approved project invoice with up to 60-day terms. It's designed to bridge the period between submitting your pay application and receiving payment from your GC.

Key characteristics:

- Tied to a specific project, not available for general business expenses
- Approval as soon as 24 hours
- Capacity equal to 5 to 10% of annual revenue, varying by project

Best used for:

- Projects more than 25% above your average contract amount
- New GC or owner/developer relationships with unknown payment histories
- Large material purchases
- When your bank line of credit is reserved for bonding capacity or overhead
- When supplier terms don't align with your days sales outstanding (DSO)

Credit Cards

Business credit cards can cover daily operational expenses and serve as a tool for building repayment history.

Key characteristics:

- Credit limits typically equal to 15 to 30% of monthly revenue
- Limits grow with a strong, consistent payment history
- Missing payments or carrying high balances limits your ability to use this option when you need it
- Building your limit over time makes credit cards a more useful part of your stack
- Pay balances on time. Always. This option's value increases as your limit grows.

Best used for: Fuel, subscriptions, software tools, small equipment, and recurring monthly expenses. Not recommended for large material orders or payroll.

Bank Line of Credit

A bank line of credit is a revolving credit facility issued by a financial institution, typically secured by business assets and subject to covenant and financial ratio requirements.

Key characteristics:

- Requires two to three years of business history, strong financial ratios, and a banking relationship
- Subject to monthly and annual covenant reviews
- Limits equal to 2 to 10% of annual revenue
- Banks can require a 30-day clean-up period annually, meaning the balance must reach zero for 30 consecutive days
- A blanket lien on business assets is typically required for secured lines

Best used for: Overhead, payroll, equipment purchases, and situations where broad-use capital is needed. An open, available bank line also strengthens your financial position during bonding and surety reviews, because GCs and sureties look at your credit availability when evaluating your ability to handle larger projects.

> **THE STRUCTURAL TENSION WITH A BANK LINE OF CREDIT**
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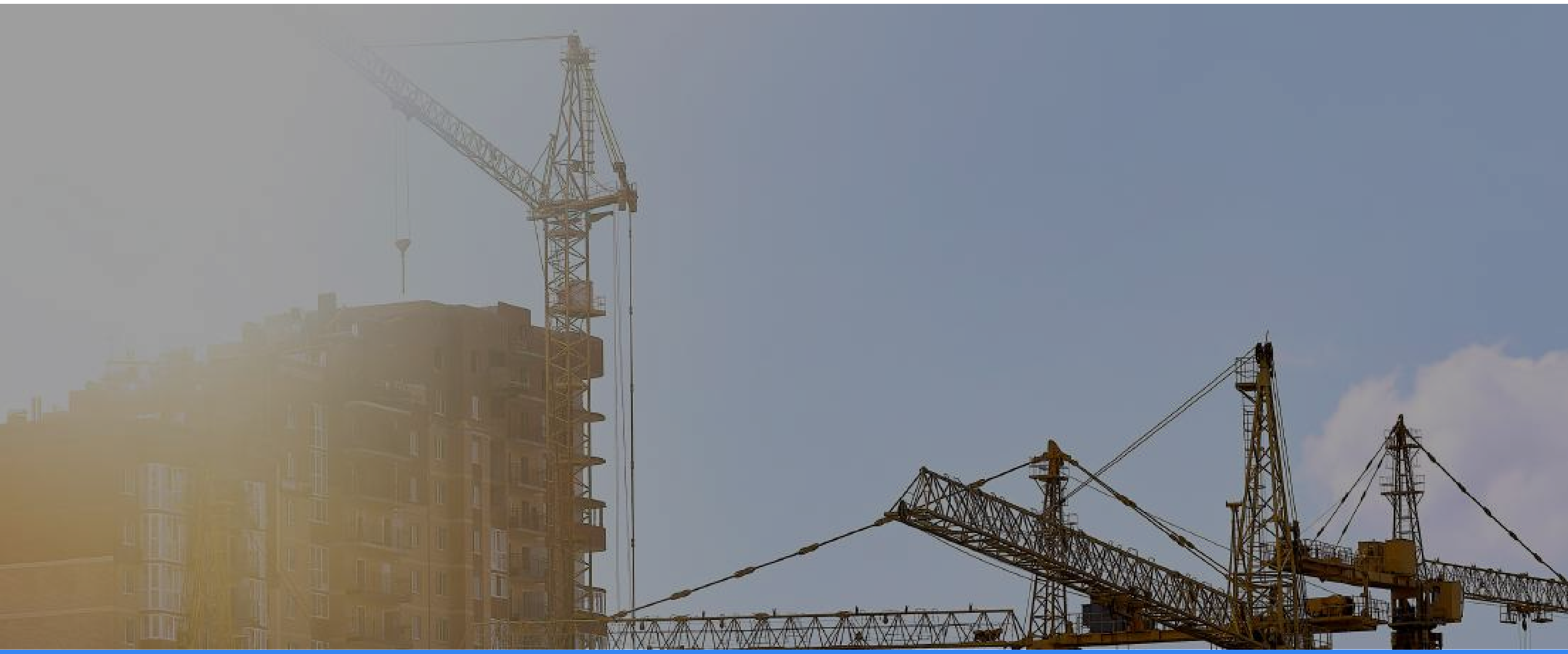
> Drawing on it for project expenses reduces the available balance that bonding companies and sureties evaluate. Many subcontractors keep it largely undrawn for this reason, which limits its practical usefulness as active working capital.
>
> For this reason, the bank line of credit is best kept in reserve, used for overhead and payroll when other options are exhausted, and preserved where possible for financial review purposes.



Flex Line

Flex Line is a construction-specific line of credit built for subcontractors, offering up to $350,000 in revolving capital that can be used across broad business needs: materials, labor, overhead, and everyday operational expenses.

Unlike a bank line of credit, Flex Line is designed to be actively used. You draw funds through a simple request process, and available credit replenishes as you repay. There are no fees for unused capacity and no prepayment penalties.

Key characteristics:

- No unused fees. Only pay for what you draw
- No prepayment penalties
- Approval available in as soon as 24 hours
- Not tied to a single project
- Available in select states
- Flex Line sits between your bank line and your cash reserve in terms of flexibility. It gives you a source of broad-use capital you can actively deploy without eroding the bonding capacity your bank line provides.

Best used for: Everyday expenses that fall outside a specific project's scope, including materials across multiple active projects, payroll gaps, and overhead. Flex Line is particularly valuable when you need broad-use capital quickly without the bonding implications of drawing on your bank line of credit.

Cash

Cash is your most flexible working capital option. It can be deployed instantly, without terms or approval, for any business expense.

Key characteristics:

- Most subcontractors hold cash reserves equal to 1 to 5% of annual revenue
- Cash takes years to accumulate and is difficult to rebuild once spent
- Low cash reserves make it harder to secure additional financing, because lenders and bonding companies view low cash as a sign of financial instability

Cash is your last resort, not your first option. Spending it on materials or expenses that could be covered by supplier terms or project-based financing leaves nothing available when a delayed payment or unexpected challenge hits.

Best used for: True emergencies, unexpected opportunities that require immediate action, and situations where no other option is available.

How Flex Line Differs from Other Lines of Credit

Most subcontractors think about lines of credit primarily in terms of their bank line. That comparison matters: 67% of subcontractors use bank lines of credit as a working capital source, yet more than half report that their credit capacity represents less than 10% of annual revenue.* That gap creates real operational risk.

Bank lines of credit come with structural constraints that limit how much subcontractors can actually use them.

BANK LINE OF CREDIT

Blanket lien on your business

Banks typically place a blanket lien on business assets when issuing a secured line. A late payment can result in an immediate reduction of your credit limit, leaving you with no room for additional draws precisely when you need flexibility most.

Covenant requirements

Bank lines are subject to financial ratio covenants reviewed monthly and annually. If your business falls out of covenant compliance, your limit can be reduced or your line can be eliminated — often when cash flow is already strained.

The bonding capacity trade-off

Every dollar you draw from your bank line reduces the available credit that bonding companies and sureties evaluate when determining your capacity to take on larger projects. Many subcontractors keep their bank line largely undrawn for this reason.

The 30-day clean-up requirement

Banks can require that your line balance reach zero for 30 consecutive days each year. If you're in the middle of active project spending when this kicks in, covering the paydown while funding ongoing expenses is a serious challenge.

FLEX LINE WAS BUILT TO ADDRESS THESE CONSTRAINTS SPECIFICALLY

There are no bonding implications from using Flex Line. You can draw on your full available capacity without worrying about what that balance looks like during a surety review. Approval is available in as soon as 24 hours. There are no fees for keeping the line open when you're not using it, so it costs you nothing to maintain access. And because it was designed for the financial realities of subcontracting, it covers the broad range of expenses a construction business actually has.

The result is a tool you can actively use, rather than one you have to hold in reserve. Flex Line fills the gap between your bank line of credit (which you need to keep open) and your cash (which you need to preserve), giving you a readily deployable source of broad-use capital when you need it.

The Optimal Way to Deploy Your Capital Stack

Most subcontractors make the same mistake with their working capital: they deploy it in order of cost, using cash and their bank line first because those options are cheapest. However, using this methodology when something goes wrong, there's nothing left.

The right approach is the opposite: Deploy your capital in order of flexibility, from least to most flexible. Your most flexible capital should be the last thing you spend.

> **Protecting your flexibility means using the right tool for each expense, not just the cheapest one available.**

Here's what that looks like in practice:

DEPLOY FIRST — LEAST FLEXIBLE

1. **Supplier Terms**
   Free capital tied to material purchases. Use fully before reaching for any other source.
2. **Project-Based Financing (Material Financing / Pay App Advance)**
   Tied to a specific project. Repaid from project proceeds. Approval as soon as 24 hours.
3. **Credit Cards**
   Quick access. Use for incidentals and recurring expenses only. Pay balances in full monthly.
4. **Bank Line of Credit**
   Revolving broad-use capital. Keep largely undrawn to preserve bonding capacity. Use for overhead and payroll.
5. **Flex Line — Second Most Flexible**
   Revolving. No bonding implications. Actively deploy for operational gaps and broad business needs.
6. **Cash — Most Flexible, Deploy Last**
   Instant deployment. No access barriers. Preserve for true emergencies and unexpected opportunities only.

DEPLOY LAST — MOST FLEXIBLE

When you drain your most flexible capital first, you eliminate your ability to respond to the unexpected.

Build Your Capital Stack Before You Need It

The most common reason subcontractors end up without good options is timing. They waited until a cash crunch hit to apply for credit. By then, their financials are under stress, approval is harder, and terms are worse.

The best time to secure working capital is before you need it.

Review your capital stack annually. Assess each option at your disposal: your supplier terms, your bank line limit, your access to project-based financing, your Flex Line availability. Are they scaled to your current revenue? A capital stack built for a $10M business is not sufficient for a $20M business or for a $10M business that wants to expand.

Apply for new credit before your needs grow. Credit that requires hard inquiries, like bank lines and equipment financing, should be reviewed and expanded annually if your business is growing. Unused open credit is a best-case outcome. Not having it available when you need it is far more costly.

Negotiate higher limits proactively. With supplier terms, a consistent payment history creates leverage for better terms and higher purchase volumes. With a bank line, requesting an increase when your financials are strong is significantly easier than requesting one during a cash crunch.

Set Growth Goals Your Capital Stack Can Support

Subcontractors don't starve; they eat themselves to death.

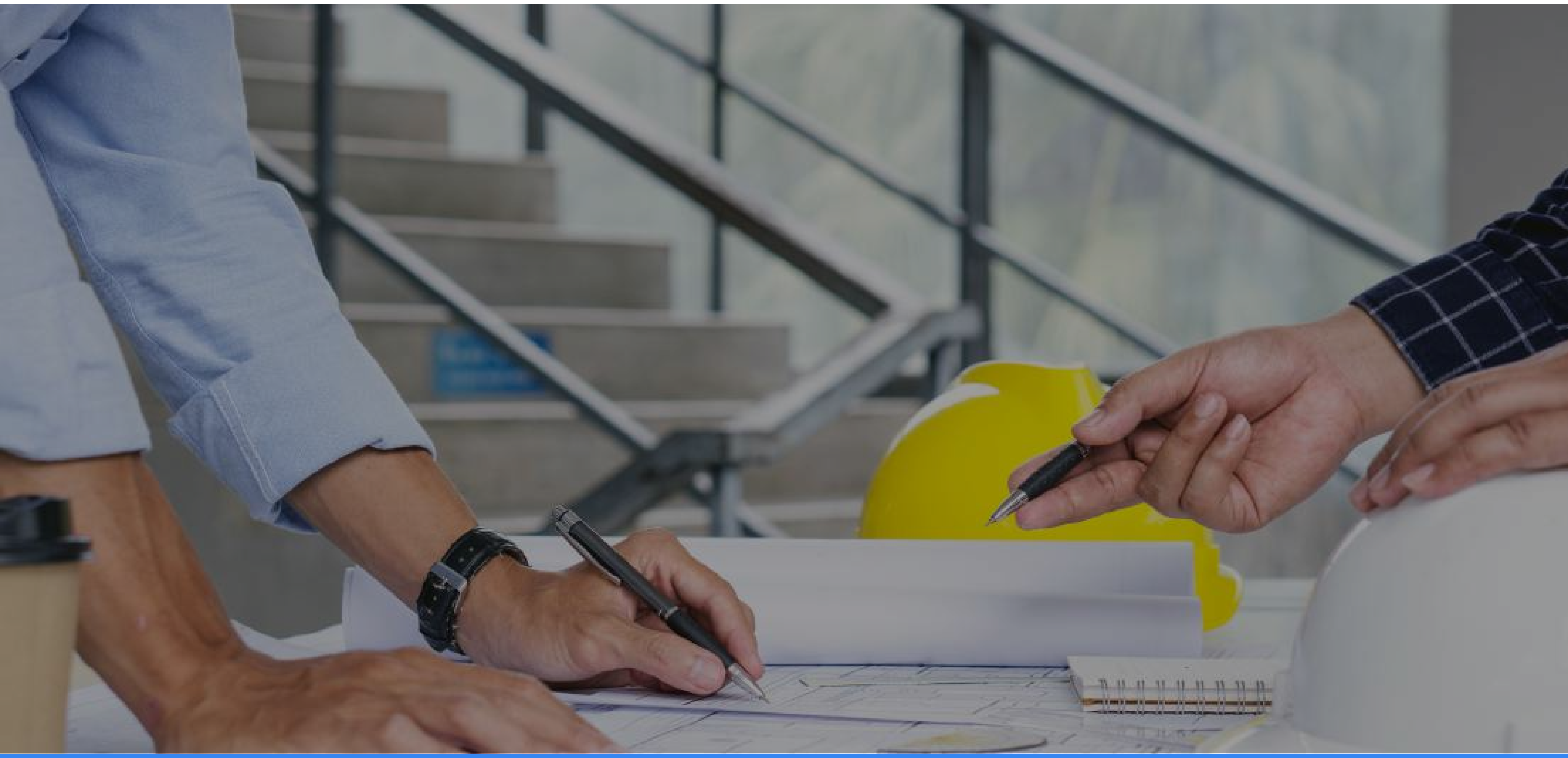
Growth without capital planning is one of the most common paths to financial stress in construction. A subcontractor can win more work than their capital stack can fund and end up unable to pay suppliers, cover payroll, or start new projects.

Sustainable growth means ensuring your capital capacity scales alongside your revenue targets.

Before committing to larger projects or faster growth:

- Calculate the amount of working capital you have available at your current revenue level.
- Identify the growth goal for your business and determine the amount of capital a business of that size would need.
- Identify the gaps and address them before taking on work you can't fund.
- Bid selectively. Not every project is worth winning at any margin. Projects significantly larger than your average contract, or with GC relationships that have unknown payment history, require more capital and more risk tolerance. Build your backlog to what your capital stack can actually support.

> **The subcontractors who grow sustainably are the ones who treat their capital stack as a strategic asset — built, maintained, and scaled with the same discipline as their backlog.**



About Billd

Billd is a construction financing company built exclusively for subcontractors. We exist because the way money moves through construction is broken for the trades who do the work: subs purchase materials and pay labor 75 to 90 days before they receive payment from the general contractor, while traditional banks underwrite for industries with cleaner cash cycles.

OUR MISSION

Champion of the Sub.

Subcontractors are the entrepreneurs who build this country, yet they're consistently on the wrong end of the construction payment cycle. Billd is the first and only working capital partner built from the ground up around how subs actually get paid. Our products give subcontractors the financial flexibility to take on more work, weather delays, and grow on their own terms.

$1B+
Funded to subcontractors since 2018

2018
Founded in Austin, TX

80+
Construction finance professionals on staff

OUR PRODUCTS

Flex Line
A construction-specific line of credit. Up to $350K, no unused fees, no bonding implications.

Material Financing
Buy materials now, pay up to 120 days later. Terms that align with how your GC pays you.

Pay App Advance
Bridge the gap between submitting your pay app and getting paid. Up to 100% of an approved invoice.

Billd Predictable Pay
An early payment program for GCs to pay their subs faster — without disrupting their own cash flow.

Flex Line eligibility is subject to application, credit review, and approval. Terms, conditions, and restrictions apply. Available in select states.
*Source: 2026 National Subcontractor Market Report

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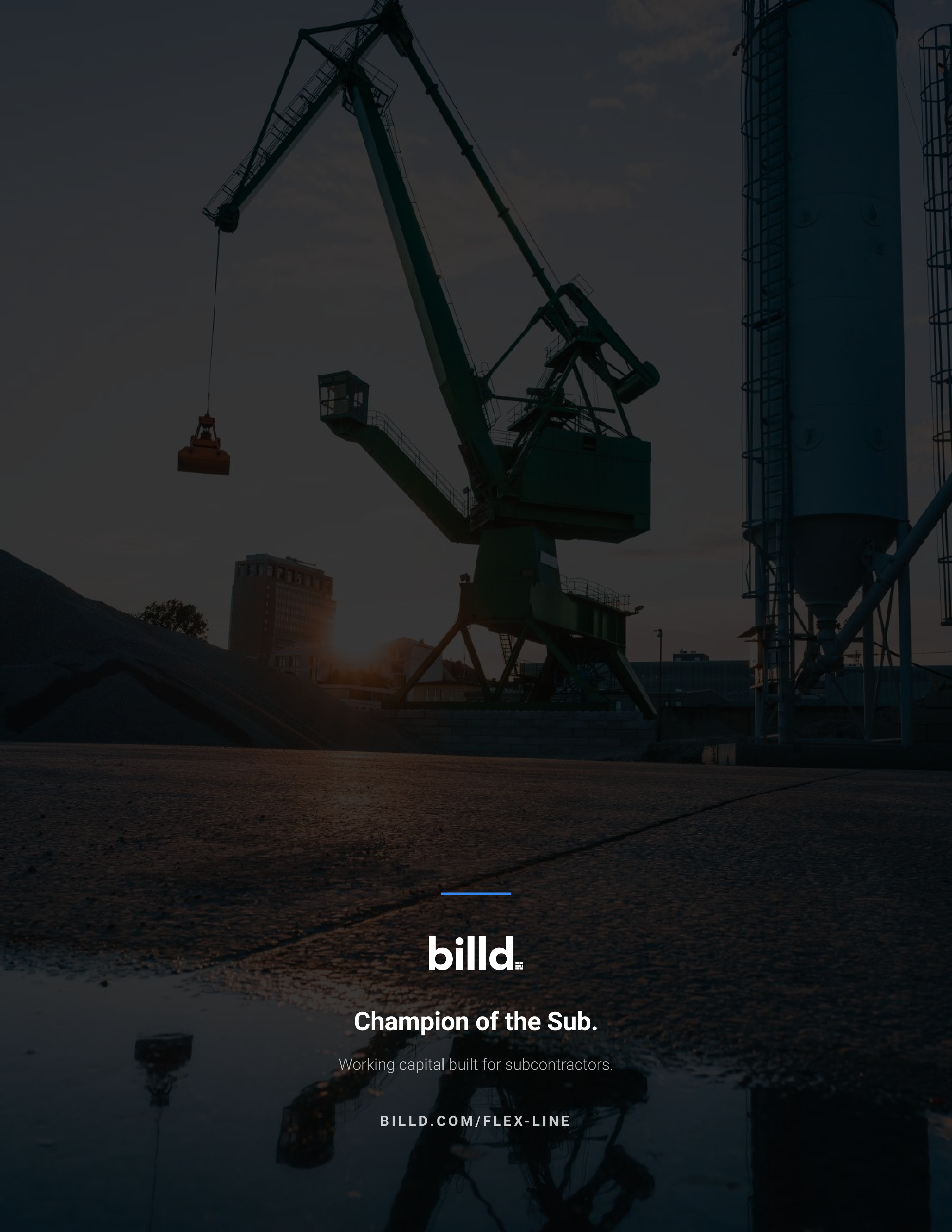
WORKING CAPITAL BUILT FOR SUBCONTRACTORS



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