



TRADE FINANCE SERVICES

HELPING BUSINESS GROW

CASE STUDIES

MANAGEMENT

Total Facility Management

Client Advisors: PricewaterhouseCoopers, Glasgow.

This was a unique situation - the company required funding for working capital and the purchase of stock for a specific customer. A Multinational computer company decided to out-source elements of its component assembly work in the UK. This would be called off on schedules of anticipated demand. Computer stocks would be purchased from the Computer company at cost, then restocked from approved independent suppliers when necessary. The TFM company was profitable with sales circa £7.6m but this single two year contract would increase sales to £20m in year one and £23m in year two. The forecasts showed that this could be profitable business.

The Problem

The business was young and had not dealt with a contract of this size before. Their existing bank facilities were inadequate and the deal was outside the scope of any clearing bank criteria for anticipated future growth. The contract could lead to further business with the same customer or other computer manufacturers who decide to replicate this strategy, compounding future working capital needs.

The Solution

TFS produced an asset finance package with a funder who agreed to purchase the existing stock from the customer and also provided for an ongoing stock finance facility. This was coupled with a Confidential Invoicing Financing facility. An initial £5.5m line of finance was set up on the understanding that regular prompt payments were made by the end customer. This kept peak borrowing requirements within preset targets but gave flexibility for additional finance facilities for future new business.