



TRADE FINANCE SERVICES

HELPING BUSINESS GROW

## CASE STUDIES

### PAPER:

### **Manufacturer and Distributor of fine paper, St Andrews, Scotland.**

*Introduction from Ernst & Young LLP Corporate Finance, Glasgow.*

A MBO from an American Venture Capital company, with sales of circa £42m. The company has a long track record of profitability under current management, and the business generates a strong EBITDA.

#### **The Problem**

The management did not want to borrow equity, long-term money when the business generated cash, which could be used to service borrowings. Although the business was profitable, it had specialist plant and machinery and buildings so the clearing banks were not interested in providing a funding package to support a MBO, even though margins were improving year on year with management taking the firm into new markets with quality added value products. Management and advisors needed to find a funding facility to match their requirements.

#### **The Solution**

TFS found the right funding package for this MBO by using an Asset Based Finance Facility. We used the buildings, plant and machinery as security for a Term Loan, and debtors/stock to provide a Revolving Credit Facility.

The assets were all revalued for the funder who was satisfied with the risk/security cover. The funder used a pan-European disposal valuation on the plant and machinery and a site clearance/alternative use criteria for valuing the land and buildings. They also built into the deal the ability for early repayment. The £15m package plus existing cash resources provided the purchase price, working capital and headroom required to complete the deal. This is one of the largest pure Trade Finance Packages in Scotland to date.