

CASE STUDIES

STEEL

Distributor and hirer of steel pilings, Yorkshire

Introduction from Forrester Boyd, Scunthorpe

A MBO out of a large diverse Plc group, the company is in a very specialist industry sector. A long established market leader, but non-core to group activities. A de-stocking programme had been in progress for 18 months but the company had a record of profitable trading up to this point.

The Problem

The Plc parent insisted that the sale be based on the purchase of freehold land and buildings and stock only, at book values. No current assets were part of the deal. Consequently, funding had to be raised against these assets with no allowances for scrap and obsolescence in the stock. Fortunately the freeholds were worth in excess of book value.

The Solution

A bank provided a loan against the freehold revaluation to 75% and a special asset-based inventory facility was set-up whereby funding of 65% of initial stock was made available, with an ongoing facility of 50% and an invoice discounting facility with an 80% availability set-up on all future sales. A bank overdraft was agreed, fully secured by shareholder/directors for cashflow headroom if required. British Steel provided the stock funder with special help and support.

In summary, a unique and unusual deal made possible by flexible attitudes of all concerned and a willingness by funders to do the deal for a company with a MBO team with a proven track record against a background of a disinvestment policy.