



TRADE FINANCE SERVICES

HELPING BUSINESS GROW

CASE STUDIES

TRANSPORT

A leading independent rail advisor and supplier of railway technology, products, signalling systems and consultancy, Derby.

Introduction from Vision Capital, London, (a Venture Capital company).

Vision Capital acquired a number of trading companies within the rail division of a Plc quoted on the LSE. During the pre-purchase phase of due diligence TFS was asked to undertake an in depth investigation into the quality of debt, credit control, stock and computer systems, terms of sale, sales ledger analysis and general suitability of using invoice finance to help address future working capital requirements.

The Problem.

The report from TFS highlighted difficult areas of business involving sizeable contracts spread over various periods of time, which included milestone payments and contractual terms; a cause for concern for specialist lenders. However, in general the report was positive and areas of weakness could be addressed.

The computer systems were flexible and credit control was first class with only minor adjustments needed. But the main issue was the collectability of debt in a negative situation. A lender would need to be comfortable with all aspects of the business if a facility was to be offered. The company had an excellent record with customers over many years but one accounted for 30% of sales and was growing.

The Solution.

Whilst a confidential invoice finance facility was offered, the Board decided on balance to initially accept a more traditional facility from a clearing bank which included bond and other facilities. This would give the management team time to consolidate the changes needed in the business going forward.

A review will take place in 12 months time.