

CASE STUDY: \$1,500,000 ACCOUNTS RECEIVABLE AND INVENTORY LINE OF CREDIT TO A COLUMN MANUFACTURER.

BUSINESS SUMMARY:

This Company was founded in 2000 and headquartered in North Alabama. They manufacture architectural columns, various styles of fiberglass round and square columns, softwood and hardwood columns, mantle columns, decorative capitals, composite and wood porch posts, and composite and vinyl rail systems.

SITUATION:

The Company was bought in 2003 by a Private Equity Firm and subsequently became a subsidiary of a large holding company. The combined annual revenue for all companies falling under the holding company was \$60M, which supported their current credit facility of \$15M with a national ABL lender. In 2009, all entities falling under the holding company were sold except for said Column manufacturer, with reported historical annual revenue of \$13-16M. With the downturn in the economy and the reduction in annual revenue, the company's ABL lender requested that the company find a new financing partner. After talking with numerous banks in the Southeast, the company was referred to Southeastern by a local banker.



Southeastern
Commercial
Finance, LLC

\$1,500,000

*Accounts Receivable and
Inventory Line of Credit*

Column Manufacturer

PROCESS:

After review of the financial package and discussions with both the company and Private Equity firm, the following hurdles were identified: 1) No personal Guarantees were available due to the company being owned 100% by a Private Equity firm; 2) An Inventory advance needed to be part of Borrowing Base; and 3) A comfort level with the industry and customer base needed to be attained. After further discussions with all parties and a pre-funding audit of the company's books and records, Southeastern was able to structure a facility that met the company's needs going forward. Southeastern required Validity Guarantees from the CEO, President, Plant Manager, and Controller. The pre-funding audit revealed the company maintained good books and records, which enabled Southeastern to get comfortable with an Inventory Advance on raw materials and finished goods. The company also made expense and cost reductions over the past year which positioned the company to return to profitability despite limited growth in their industry. Despite the customer base being tied to the construction industry, the company had a diverse customer base with no concentrations, good A/R turn, and a history of minimal bad debt.

RESULT:

- The company was able to pay off their current lender who was charging excessive audit fees in order to make up for the reduction in line usage.
- The company was able to use the additional availability created by Southeastern's structure to clean up their A/P.
- The company was able to get the additional working capital needed to handle potential growth in 2010 and to pursue additional business.

Southeastern Commercial Finance, LLC

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