



Asset-Based Lending: The Key to Unhindered Growth

The Challenge

For 30 years, a manufacturer and distributor to the retail sector (“the Company”) enjoyed impressive profits—and then COVID-19 hit. The Company had been struggling with a rapid revenue growth trajectory in 2019 but could not supply the product properly, which caused a severe negative impact on profitability due to unexpected supply costs. With COVID-19 now also causing many of its customers to close either temporarily or permanently, the Company’s business fell by nearly 50 percent, and losses continued to accrue.

To stay afloat, the Company turned to its bank for additional financing, but was swiftly denied. The manufacturer’s major product line was substantially impacted by the pandemic and the bank didn’t believe a recovery was possible. Without additional funding to ride out the storm, the Company knew it would have to get innovative if it had any chance of surviving. So, in February, after seeing the rapid spread of COVID-19 in Asia and Europe, it quickly pivoted and introduced a new product line focused on personal protective equipment (PPE).

Not only was the Company able to acquire business from many of its previous customers, but it was also able to leverage its existing supply chain. This allowed for a rapid change in direction—and the shift more than compensated for the previous shortfall to the main business. Before long, the Company was forecasting substantial growth.

Despite the change in course, however, the bank still wasn’t willing to provide additional financing. Essentially, it had reached a point of lender fatigue, and it recommended the Company find a new financing partner.

Solution

Finding a new lender in a global pandemic was one thing. Finding one that could offer enough business financing to sustain and grow the Company’s new operations? Well, that was quite another. Recognizing it was navigating uncharted waters,

the Company turned to GlassRatner for support.

We worked with the Company to understand its new manufacturing processes and the impact it would have on the business. With all the numbers in hand, we felt the Company had a significant growth opportunity in the PPE world—one that would be appealing to an asset-based lender.

While asset-based lending is typically more expensive than a bank solution from an interest rate perspective, the model is well-suited to profitable companies that can absorb higher rates for the short-term. In this scenario, an asset-based loan from an alternative lender would allow the Company to leverage its assets—which, in turn, could give it access to more funding than a Schedule A bank would traditionally provide.

The Company was immediately on board with the idea. We quickly set to work, helping it find an asset-based lender willing to work in its unique industry. Ultimately, we found one that was attracted to the Company's longevity and strong ties to the retail sector, as well as its existing relationships with logistics suppliers.

The Outcome

We worked with the new lender, the old lender and the client to ensure the bank was paid out appropriately. We also made sure the new financing structure would allow the Company to capitalize on its full growth potential. Specifically, we made sure the solution was based on receivables and inventory, so there would be fewer restrictions in the Company's ability to access financing. This made continual growth a real possibility.

By leveraging our existing relationships in the alternative financing solution space, we helped the Company find the right financing solution to meet its unique needs. Today, the Company is not only afloat, but its new financing arrangement offers an avenue for growth that would otherwise have been unavailable.

If COVID-19 has substantially disrupted your business, please know there are options available to help. At Farber, we understand how challenging this time can be from a financing perspective, which is why we're committed to developing creative re-financing alternatives.

If you'd like to learn more about how we can help you identify alternatives to see you through this difficult time, please don't hesitate to give us a call.

Asset-Based Bridge Loan: Managing Difficulty Amid Distress

How one company used their assets to avoid insolvency. [Learn more](#)