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Capitalise in
action

CAPITALISE IN ACTION

Find out how accounting firms, just like yours, have made funding a success.

Working with Capitalise and our team of experienced funding experts, creates the opportunity to help your SME clients strengthen their balance sheets and unlock their true business potential.

SHORT STORIES: THE POWER OF FUNDING

In this guide, we want to bring some of these funding stories to life for you.

These are SMEs that had a direct need for additional finance – and were working with their accountant and Capitalise helped them achieve their funding goals. We believe that funding has the power to change the course of an SMEs destiny. And these case studies and examples show just how vital it is to access the best finance.



CASE STUDY - URBAN JUMP **GETTING CASHFLOW BACK ON TRACK**

Urban Jump Limited

Urban Jump Limited is an indoor trampoline park in Norwich, providing a key indoor space for families and kids to exercise and have fun. But a combination of factors came to a head during the summer of 2018 to create a cashflow gap that needed urgent attention.

Capitalise's Senior Partnership Manager, Amy Cotton, tells us how she worked with Urban Jump Limited and their accountant, Farnell Clarke, to access the finance needed to solve their issue.

THE INITIAL FINANCE ISSUE

When they first started the business, Urban Jump Limited had gone to an asset finance brokerage who put them into 17 different asset finance leases, at between 50-100% interest and with insane amounts of commission added in.

The brokerage also owned all the lease titles too, so if the business had wanted to buy these leases they would need to have given the brokerage three months of payments in advance in order to get them on his own books. So the situation was a mess, essentially.

The trampoline park was actually doing very well, but the cost of these loans was crushing them and eating into their cashflow. Then last summer, we had a heatwave in the UK and the business for an indoor space just dried up. So their cashflow was hit hard trying to keep up with payments on these expensive leases.



CASE STUDY - URBAN JUMP GETTING CASHFLOW BACK ON TRACK

FINDING A SOLUTION

The first thing we did was to talk to their bank and get them an interest-only, 12-month overdraft facility, which helped them get through on interest-only payments for the summer months while their cashflow was really tight.

Then, coming up to Autumn, we worked with their accountant, Will Farnell at Farnell Clarke, to pull together some forecasting around their projected future cashflow. They needed around £45k in the initial finance stage to dig them out of this cashflow hole, and £170k in the second tranche to sort out the refinancing.

The business owner also had some property that had a fair amount of equity in it, so that allowed us to take out a secured business loan against this property in order to refinance out these expensive leases and free them from giant payments.

That was a secured loan over seven years, taking their monthly outgoings down by about £20k a month, as well as extending some of the leases. So this was a two-part strategy, working with the accountant to save the business when it came to their poor cashflow position.

Will Farnell, lead partner at Farnell Clarke, really is Mr Digital, so it was great working with them to run the Capitalise funding searches, access the best finance options and help their client turn around their cashflow.

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Powering SME balance sheets

R&D TAX CREDIT ADVANCE

SOFTWARE STARTUP BUSINESS (WITHIN A GROUP STRUCTURE)

PURPOSE Funding was needed for the group's new software startup business, on a short-term basis, while waiting for their £200k R&D Tax Credit payment to come through from HMRC (having a history of successful credit claims).

PRODUCT £150k loan over a 12 months term against their pending R&D Tax claim.

PROVIDER The business had an outstanding £37k Funding Circle loan, the business owner was restricted from borrowing beyond an additional £13k as he was not a homeowner. Capitalise sourced a second provider offering a much more flexible approach, Archover, who provided them with the further £150k.

REFINANCING DIRECTOR LOANS

INDEPENDENT COFFEE SHOP

PURPOSE Our accounting partner's client wanted to refinance some existing loans – loans that were currently secured against personal guarantees from the company's directors. The owners wanted to refinance to remove the personal liability and bring the debt into the business.

PRODUCT Fully unsecured, revolving credit facility.

PROVIDER Several lenders came out of the Capitalise search, but our team knew from experience that only one provider, SpotCap, would offer the loan the business wanted, at the specific terms they were looking for.



Powering SME balance sheets

URGENT CASHFLOW ISSUE **CONSTRUCTION BUSINESS**

PURPOSE	Urgent cashflow issue – Short-term funding was needed to cover an urgent cashflow issue. The SME’s customers were taking a long time to pay, leaving them with a cashflow hole. This meant they couldn’t purchase materials, pay suppliers or cover their weekly payroll costs.
PRODUCT	Invoice financing was a fast way to get the SME the cash they needed. With a debt or book of £150k in the construction business, they could borrow funding against these unpaid invoices.
PROVIDER	Market Invoice provided £100k cash injection, secured against the SME’s existing outstanding invoices – getting the construction business the cash they needed and passing the debt on to Market Invoice to collect.



CASE STUDY - ABSOLUTE MUSIC GRABBING A REVENUE OPPORTUNITY

Absolute Music

Absolute Music is one of South West England's biggest musical instrument retailers, with a specialism in selling quality, big-brand musical equipment at highly competitive prices – both in their high street store and through the online store on their website.

Capitalise's Senior Partnership Manager, Michael Cass, shares how he worked with Absolute Music and their accountant, PKF Francis Clark, to help them access the right growth finance.

INITIAL NEED FOR THE FUNDING

This particular funding process was a bit of a mix of different needs. There were two different parts of the funding search. Firstly, there was an element of growth finance. The business was already very successful in the musical instrument retail market in the South West of England, with a turnover of £6M or so, and they had a great opportunity to buy in some stock.

What Absolute Music specialises in is buying in stock really cheaply and then selling it at discounted prices through retailers and also through wholesale. So this was a really big part of the need for finance, where they wanted to buy in £2k of musical instrument stock, quite quickly. They had this great opportunity and they needed the money within about two weeks – so they had an option on this amount of stock at that price.

So the business needed money quickly, but they also needed it in an economical way and wanted the funding quite cheaply.



CASE STUDY - ABSOLUTE MUSIC GRABBING A REVENUE OPPORTUNITY

Secondly, there was a bit of a growth angle too, where the business wanted to refurbish and extend their part of the bricks & mortar retail shop. The business is doing well and there was an opportunity for some growth, which is positive.

So buying stock in bulk is what allows them to sell products a little bit cheaper than their competitors – and having access to funding allows them to grab those opportunities.

HOW DIFFICULT WAS THE PROCESS?

This particular funding search was an interesting one. The business had a slightly unusual shareholding structure, which was something we had to deal with – but it wasn't a problem in the long term. We worked with Absolute Music's accounting firm, PKF Francis Clark, who are probably the biggest in the South West, and partnered with them to ensure that Absolute Music found the funding they needed within the short timescale.

I gave a talk at Bournemouth Football Club last year and Alan Barclay, the owner of Absolute Music, was there. So I met him and got chatting about what they were looking for and the kind of finance they were after. I knew we could help, but to get the £300k that they wanted we needed to go to a certain set of lenders.

Because I got to speak to Alan directly, face-to-face, I got to manage his expectations there and then around what kind of funding would be available to them. Capitalise having that people element is what broadens things out beyond us just being a cloud software product.

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DID THEY GRAB THE OPPORTUNITY?

I caught up with two of the PKF Francis Clark partners who introduced me to Alan Barclay recently, and they reported back that Absolute Music are going from strength to strength and that they've used the money in a very positive way.

So Absolute Music's methodology of buying in bulk and selling at a price that undercuts the competition is working well for them. And now that we have a working relationship with both PKF Francis Clark and Absolute Music, the option of exploring other finance options is always there – helping them continue their growth and expansion as a business.



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REFURBISHING A RESTAURANT

BANGLADESHI RESTAURANT AND FAMILY BUSINESS

PURPOSE This family-run Bangladeshi restaurant in South London needed a re-fit, so funding was required to modernise the decoration, buy new tables and chairs and give the establishment a more modern and appealing look for customers.

PRODUCT A business loan with manageable repayments over 60 months was the best way to provide the money needed to cover the refurbishment and relaunch their brand. A merchant cash advance can also be a good option for restaurants that take card payments.

PROVIDER Funding Circle provided a £500k loan to the family business, giving them cash to cover renovation costs, with repayments at a rate they could cover.

GROWTH OF ONLINE OPERATIONS

FASHION WHOLESALE AND RETAIL STORE

PURPOSE This fashion business wanted to expand its operations to include online shopping and next-day delivery to customers. They needed extra finance to hire more staff, build up their operational capabilities and make more of their online store.

PRODUCT A 5-year business loan allowed the business to access the finance they needed to expand their operations, and allowed them to pay off the debt over a longer period.

PROVIDER Lending Crowd gave the SME access to £150k loan, allowing them to grasp the online opportunity and grow their business.



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MANAGEMENT BUYOUT

ACCOUNTANCY FIRM

PURPOSE The SME was a two-partner accountancy firm where one partner needed to buy out his practice partner. They owned the practice 50/50, so the remaining partner needed to purchase half of the firm and take over his partner's share of the business.

PRODUCT Sourcing a lender can be an issue for buyouts, as the money is not going to stay in the business itself. But, using Capitalise, we managed to source a provider who was happy to provide the finance needed for the 50% buyout.

PROVIDER iwoca was happy to lend £50k to the remaining partner, giving him the cash needed to buy out his partner and continue as a sole trader practice.

ACQUISITION OF COMPETITOR

MANUFACTURING BUSINESS

PURPOSE Acquisition of competitor – The manufacturing business needed to raise the necessary finance to acquire a competitor's business. Due to the size of the loan needed, this initially proved to be a challenge.

PRODUCT A first round of funding raised a loan of £200k, but this wasn't sufficient to cover the £500k acquisition price. By taking out a mixture of secured and unsecured loans, and refinancing some of their equipment, vehicles and other assets the full amount was raised.

PROVIDER By accessing a number of different providers via Capitalise, including Amicus, the SME was able to source the full £500k asking price and complete their intended acquisition.

