

Cath Kidston smoothes digital transformation with SellersFunding and Capitalise

Flexible £5 million credit line, helps the quintessentially British brand.

Ready to roll out its new lean and agile brand led model focused on direct digital channel and global partnerships, Cath Kidston was able to get the credit it required thanks to SellersFunding and Capitalise.

THE FUNDING CHALLENGE

As part of its transformation, Cath Kidston invested in upgrading its e-commerce platform and CRM capabilities, and implementing a cross-border payment and shipping solution to open up over 200 overseas markets. To cement its digital-first strategy, Cath Kidston was also looking for a fresh approach to working capital funding.

With the help of Capital Advisory platform, Capitalise.com - whose experience working in the sponsor-backed growth finance arena made them a perfect partner - they set out to find a lender with a demonstrable specialism and dynamic understanding of an ecommerce marketplace.

Selim Baraz, Chief Financial Officer of Cath Kidston explains, "Our business has transformed from being a bricks and mortar retailer to a predominantly digital business nearly overnight. This has created many operational challenges and difficult negotiations with our suppliers, as well as unique growth opportunities. Maintaining liquidity during this period while we faced many challenges was critical for our ability to capitalise on growth opportunities. We needed a partner, who was prepared to formulate an innovative and flexible solution to meet our funding requirements."



LONDON

FAST FACTS

Brand

Cath Kidston

Sector

Lifestyle, Home and Fashion Retailer

Turnover

£50+ million

Markets

UK with global multichannel presence

Platform

Salesforce Commerce Cloud

SF Solution

£5 million Line of Credit

Capitalise really understood our context, and the transformation journey we had embarked on. Their deep experience working with corporate finance teams across the accounting industry and debt advisory from within private equity made them the ideal intermediary to help us find the right funding partner.

Selim Baraz, Chief Financial Officer, Cath Kidston

THE ADVANTAGE

SellersFunding was able to offer Cath Kidston a £5 million line of credit, over a period of three years. This would help fund its working capital requirements as it transitioned its business model and pursued growth opportunities at the same time.

Selim Baraz says, "SellersFunding recognised the pressures on our liquidity due to operational challenges relating to the transition, deteriorating supplier terms, and the need to invest behind our digital assets and working capital to support growth.

"SellersFunding brought to the table instant access to a flexible and affordable credit facility and unique expertise in e-commerce and cross-border payments. It designed a deal to fit our new supply needs with bespoke terms based on our unique circumstances and brand equity. This included a delayed start to the repayment schedule, giving us a 'grace-period' where all our cash flow could be used to drive sales."

ADDED BENEFITS

Cath Kidston has reopened its flagship store in London, continues to grow its franchise operations in Asia. Cath Kidston also brought on board a new Creative Director, Holly Mahler, and adapted its product offering to meet the demands of a changing customer shopping behaviour during the pandemic. As its digital strategy evolves, its team will have access to a flexible and reliable source of credit to maintain their supply chain.

According to Baraz, "The process end-to-end was seamless. From the service provided by the funding team at Capitalise, who were key in setting up and sourcing the deal, through to working with SellersFunding, who were true partners in formulating the right funding solution for us."

"SellersFunding has seen businesses of our size pivot from bricks and mortar to digital models many times before. While other potential lenders wanted to wait until our online business was more mature, SellersFunding were able to underwrite risk straightaway. Structuring a finance deal to move us through all the gears of our growth strategy – including start-up."

"We've not only found the right funding solution for today but also a partner that can provide us with valuable insight and financial support as our online business expands. Like the Cath Kidston brand, this inspires everyday optimism!"

WHY CAPITALISE

With a strong network and understanding of the challenges faced by the business, Capitalise were able to step in and support the funding partner selection process.

WHY SELLERSFUNDING

Cath Kidston was looking for a lender that truly understood the nascent e-commerce space - its demand cycles, lead times and 'inventory-based' investment requirements. Working closely with Capitalise.com, they narrowed down the list to one provider that would meet their requirements.

Michael Cass, Head of Secured & Structured Finance at Capitalise.com, says, "This is an amazing brand. One that has transformed its whole business model to stay sustainable and secure its future. We wanted to find the right deal, at the right quantum, from a lender that understood its needs. Fresh to the UK and a US leader in e-commerce lending, SellersFunding had a great track record working with global online retailers and was a perfect fit."

He adds, "SellersFunding proposed a revolving credit model which won't penalise Cath Kidston for success. The more the retailer earns, the more it can repay, and the less the loan costs – it's a win-win for the company and its investors."