CATALYZING GROWTH FOR SMALL MANUFACTURERS

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RIEDC

Our mission is to create jobs, help companies expand and develop their workforce, and identify opportunities to bring new companies into our state.

TOOLS:
• $14 million Small Business Loan Fund
  • EDA RLF
  • Treasury State Small Business Credit Initiative
• Issuer of Industrial Revenue Bonds through RIIFC
• $60 million in Bond & Mortgage Insurance authority through RI-IRBA
• $125 million in Loan Guarantee Authority through JCGP
What we see

• Manufacturing represents 35%+ of loans
• Many manufacturers seeing opportunity for growth
• Difficulty realizing opportunities for growth due to lack of capital
• Existing lender not meeting their needs or pushing them out entirely
• Most Manufacturers victims of “Financial Foreplay”
  “Stimulation of a client/borrower, leading them to the false hope of being financed, followed by the feeling of rejection and abandonment.”
RIEDC Approach

• Keep Looking Forward
  • Traditional lenders look backwards, we look at the opportunity
• Understand the opportunity and needs
• Bring together partners to best meet the needs
• Consultative Approach
  • Find best solution for company
Understand the Issues

• Learn the business and the situation
  – Contenders vs. Pretenders
  – Growth opportunity?
  – Turnaround opportunity?
  – What are the business needs?
    • Short Term vs. Long Term?
    • Does the current lender meet the needs?
    • Technical needs vs. financial needs?
  – Who are their customers?
  – Is there stability in the industry?
  – What is the company’s competitive advantage?
Team Approach

- Bring together resources
- When necessary, finance resources
  - Low dollar short term loans to pay consulting fees, taken out by larger financing later
- Educate – Give Options
- Be Bold – Act as a Catalyst
- Don’t limit self to own programs – most of our clients end up financed through other lenders
Partners

Lenders
Accountants
OSBDA
Business Consultants
Other Companies
How Does It Work?

Case Studies
Fastener Manufacturing Company

- 60+ year old family-owned company
- Continually reinvented itself to new markets
- Well managed, efficient company employing lean management concepts
- Highly dependent upon specialty industries
- Recession had large impact on market for end use products, reducing revenues dramatically
- Major Bank lender shut down line due to declines in revenues/profitability
- Company experiencing “financial foreplay” from other banks – keep waiting for another quarter’s results
Solution

• Educate Borrower
  • Took time to educate borrower as to why banks were not right fit at this time

• Approve for $250k working capital loan
  • Shows commitment of RIEDC and gives comfort to borrower

• Introduce to Asset Based Lenders
  • Secured line of credit for working capital needs

• Coordinated refinance of equipment and real estate loans to improve cash flow
Results

• Company strong and prospering, new direct supply contracts
• Increased military orders due to partnership with RI-PTAC
• New relationships leading to expansion into specialty fasteners for military uses
• New technological advances used in fasteners for composite construction
• Recently renewed line of credit with Asset Based Lender – very happy with relationship
Lighting Manufacturer

• 20 year old family-owned company
• Well known in marketplace – popular with interior designers
• Involved in many high profile projects across country & internationally
• Strong growth despite economy
• Existing 37k sf facility proving too small
• Looking to locate new facility and investigate financing options
Solution

• Learn Needs
  – Engage RIMES
    • Assess current operations/facility
    • Forecast needs for new facility
    • Assist in property evaluations
    • Facility Layout / Move Planning & Assistance

• Educate on Financing Options
  – SBA 504
  – RIIFC Tax-exempt Bond
  – Traditional Loan

• Introduce to Lenders
• Work with RIEDC Site Locator service
**Specialty Manufacturer**

- 60+ year old company manufacturing safety signs and labels
- Increased revenues 20% from 2009-2011
- Strong profits
- Excellent management team
- RIEDC participated in financing of new facility for company expansion in 2006
- Absentee ownership looking to cash out
  - Purchase agreement signed with strategic buyer who only wanted book of business and would shut down RI operations
  - Management committed to RI employees, refused to go along with sale due to concern over employees – made counteroffer.
  - Strategic buyer backed out as value not there without management cooperation
  - Management now needed to finance purchase, however company lacked assets to support price.
• RIEDC brought together existing lender, SBA 504 lender and mezzanine finance company to structure a leveraged buyout
• RIEDC was Catalyst – only funded $250k of $4.5 million transaction
• Financing preserving 60+ manufacturing jobs
QUESTIONS?