



DEMOLITION CONTRACTOR CONVERTS RENTAL FLEET TO IMPROVE CASH FLOW



Contractor was seeking to convert nine excavators with grapple and shear attachments to a purchase before their year-end. However, the vendor's captive finance affiliate was unable to support the request for funding, and their bank had reached its exposure limits.

Overview

Despite revenue growth, profitability was negatively impacted as net income from operations decreased, and in the previous fiscal year, this company recognized a large loss attributable to one project that took far too long to complete. As a result, the company learned several lessons and implemented various changes and modified their internal operations going forward.

The contractor elected to convert this pool of rental assets to a purchase for a variety of reasons, first and most importantly, they hoped to recognize significant cash flow savings once the units were purchased as compared to their current rental payments. Second, they were confident in the overall amount of work they could get over the next two years, as well as the awarded projects already in hand. Third, they did not want lose the equity they had already built in the rented assets by returning them to the vendor. Finally, purchasing these assets would improve their profitability.

The company principals were willing to share what had transpired in the past as well as the changes they had made to assure profitable results in the current fiscal year and into the future.

The company really needed a lender that would:

- Understand the basis for the loss in the previous fiscal year as well as the numerous operational changes made to assure profitable performance going forward.
- Offer flexibility in structuring a transaction that would address the cash flow impact of the purchase for the company.
- Respond quickly and offer rapid decisions at all levels of the organization
- Be familiar enough with their industry to understand the value of their existing equipment and cash flow needs.

COMPANY BACKGROUND

This demolition contractor was formed in 2008 and specializes in heavy civil, industrial, building, marine, bridge and selective demolition.

They can also provide services in the sectors of heavy lift, critical lift, abatement and asset recovery.

The company has a defined geographical niche in the Northeast US, focusing on highly complex projects that limit competition and enhance profitability.

Contractor had been renting nine large excavators with grapple and shear attachments for a period of two years at a cost of \$130,000.00 monthly and was seeking to convert the entire pool of assets to a purchase before their year-end.

Solution

CCG structured a loan that accomplished the following:

- Funded the entire rental pool improving monthly cash flow by \$40,000.00
- Structured the repayment schedule to better meet their monthly cash flow projections
- Provided a structure that required a nominal down payment which further addressed cash flow concerns
- Allowed the company to build equity in the equipment which they could rely upon in the future

Equipment: Nine Excavators with Grapple and Shear Attachments

Industry: Construction - Demolition

Location: Northeast USA

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