

Case Study #2

Food & Beverage: Restaurant Chain

The Situation: The management of a publicly traded restaurant chain wanted to pursue various restructuring activities. The restaurant chain was founded over ten years ago providing casual dining in more than 50 locations in the Southeast. Although the prospect had a history of losses, it was closer than ever to profitability. Management and the majority shareholder were committed to the company.

The Problem: Ninety Percent of the outlets were prospering, 8% were breaking even, but 2% were draining resources. Management needed additional cashflow for the following:

- Buyout the leases at the underperforming locations
- Invest in store upgrades
- Make personnel improvements in the break-even locations
- Implement a company-wide health insurance plan to hold on to key employees

The Alternatives: Having restructured 6 years earlier, they did not want to raise these issues with any of their creditors, in particular, their bankers. Downsizing was an option that they were hoping to avoid. Being public, they could issue additional stock but felt that the timing was not opportunistic. They had negotiated with a few credit card factors in the past but found their rates to be prohibitive. All their assets were pledged and they were highly leveraged so additional debt was not practical.

The Solution: Management decided to use a \$1 million advance from Credit Cash to execute their restructuring plan, giving them the ability to successfully close three locations. Due to some seasonality, they chose a 10 month program utilizing less than 1% of their gross sales. Their bank relationship was left intact and their shareholders were pleased. Moreover, the entire deal was introduced to Credit Cash and funded in 10 days.

Credit Cash was able to close this deal in 10 days giving the restaurant chain more liquidity than other credit card factors could, at a fraction of the cost.

The \$1 million advance allowed them to initiate a restructuring program that did not affect any creditors or their bank lines.

Being a publicly trade company, the shareholders benefited as the company approached profitability.



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