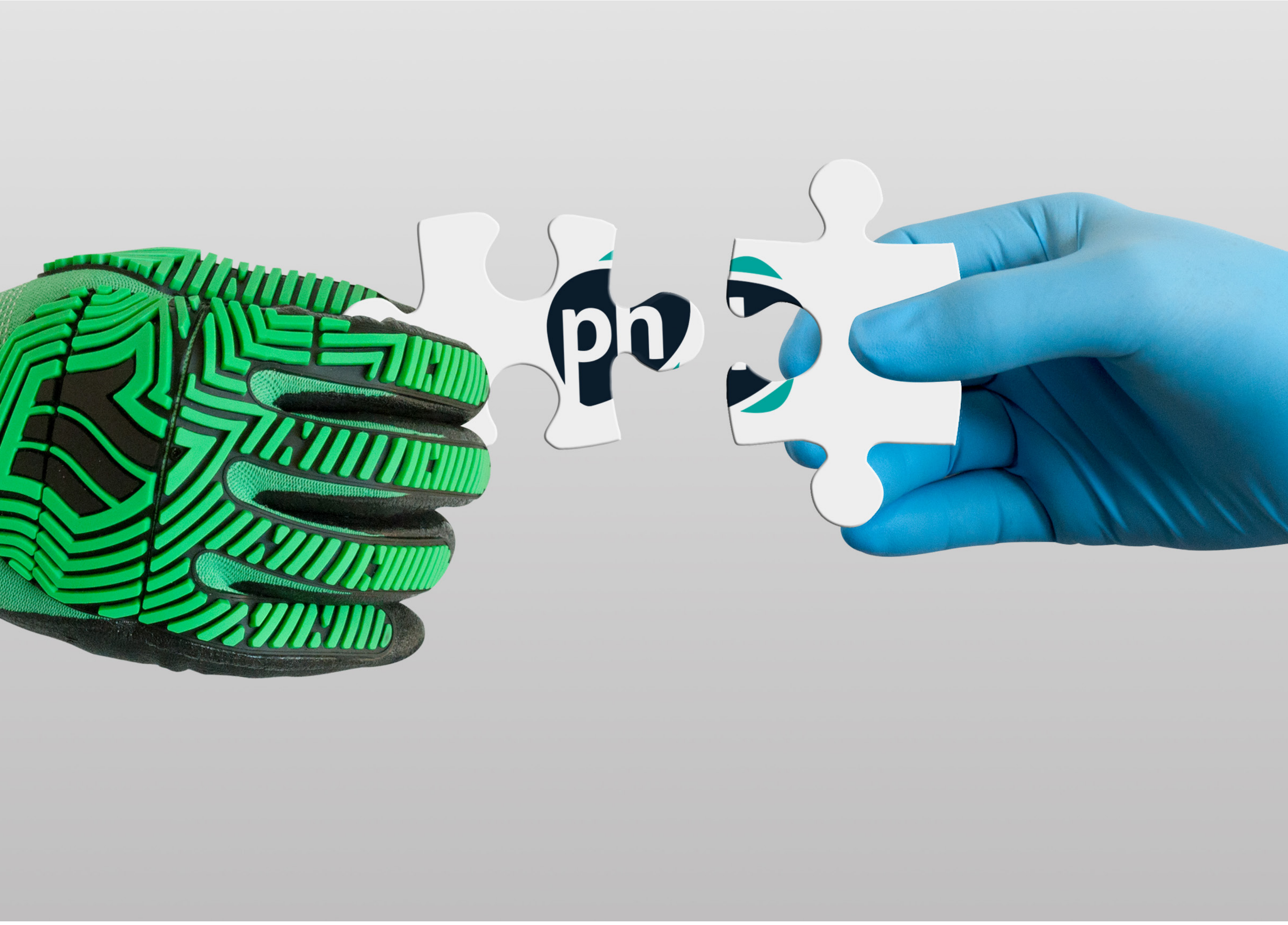
Innovation finance sets the stage for growth



Investec
Corporate & Investment Banking

Polyco Healthline

“Investec gave us the space to build a much bigger business than before.”

Neil Wilson, Managing Director, Polyco Healthline
January 2019

Summary
Polyco

1979

Polyco Healthline was founded

100%

Revenue growth since the 2012 buyout

Polyco Healthline continues to innovate in the personal protective equipment industry – thanks to the ongoing firepower from an innovative financing solution.

Polyco, founded in 1979, has a long history of innovation. The company’s first products were rubber gloves for industrial use, but they quickly spotted opportunities in the retail market. The company’s executives saw how increased health and safety requirements could lead to a rapid expansion in the market for personal protective equipment (PPE) for professionals. It positioned itself at the forefront of the PPE industry, developing a brand known for its quality, service and prompt delivery.

Back in 2012, the Polyco founders wanted to realise some wealth from their business. Managing Director Neil Wilson, who had recently joined the company, was part of a team that approached private equity and trade buyers to discuss options. “This would have achieved the founders’ main goal of releasing funds, but would have put another majority owner into the picture,” says Wilson.

FInancing to keep control

After meeting the company’s management, Investec came up with a bespoke funding proposal. “They could see a route to let the entrepreneurs step back and retain a reduced equity stake, while giving the management a majority share of the business,” Wilson explains.

“Our destiny was more in our own hands,” he adds. “It gave us control and the ability to take the decisions we wanted to make. The structure worked well for everybody and didn’t load us with too much amortising debt.”

The finance was a combination of an amortising cash flow term loan and asset-based revolvers against receivables and inventory – the latter was new to Wilson at the time. “Investec looks at our own key measures in the business, and monitors our performance against them – I was used to being assessed on the more traditional leverage and debt cover ratios. The whole deal was interesting, and worked very well for us."

If it works, keep doing it...

The deal worked so well that when Polyco decided it wanted to merge with Healthline in 2016, the team used the same type of structure, incorporating asset-based and cash flow lending – again with Investec. This meant that founders and management, could again retain 100% of the equity.

"Healthline was in the disposable personal protective equipment business and was a good fit for us," says Wilson. "The combination of the two businesses created sourcing synergies, meaning we were able to strike better purchasing deals. The two businesses had few common customers. That means we've expanded our sales base to include end-users – such as dentists, vets and care home groups – as well as distributors. This is important as it gives us an alternative route into certain markets."

The financing has given management the headroom to invest in new areas. "Because the Investec approach was to use a combination of asset-based revolvers and an amortising cashflow loan, their structure had a lower amortisation profile than traditional debt and an absence of a bullet repayment," says Wilson.

"This means we've been able to focus on strategic growth – on more game-changing areas that require more finance. The structure we've put in place and the relationship we've built with Investec means they are happy to support fundraising for our acquisitions through debt. They've been very supportive when we've asked for additional headroom or for debt financing to make investments, and this gives us confidence to proceed with exciting new plans."

"We crafted a debt structure that meant founders could strategically diversify significant wealth, whilst at the same time giving the wider shareholder team firepower to continue the value creation journey."

James Cullen, Investec
January 2019

Funding for the future

Four decades on, and the company's quest for innovation continues to fuel its expansion, as managing director Neil Wilson explains. "We're looking into a potential acquisition that we feel could disrupt the way that disposable gloves are made everywhere," he says. And it's Investec, again, that the team are turning to for funding.

"The key to these sort of structures is having the right team in place to drive the business forward," explains James Cullen of Investec. "Neil and his team are superb operators, so the mix of their management air together with the benefit of still having input from founders was compelling.

"We crafted a debt structure that meant founders could strategically diversify significant wealth, whilst at the same time giving the wider shareholder team repower to continue the value creation journey. Our ability to blend meaningful non-amortising revolvers into the debt structure meant that we minimised amortisation pressure as well as supporting ongoing working capital for growth and seasonality."

The successful lending support that Investec has provided to Polyco has led to an expanding relationship in FX services. Today, Polyco uses Investec's roadmap/hedge planner tool. And while lending and FX remain distinct relationships, the points of contact within Investec maintain the same quality standard – testament to the level of confidence they have with the Investec team.

About Investec

Investec Corporate & Investment Banking (CIB), part of Investec Bank plc, is an international corporate and investment banking business working with growth-orientated companies, institutions and private equity funds. Our people set us apart – empowered, straightforward and invested in our clients' long-term success. We provide our clients with a comprehensive range of solutions spanning capital, advice and treasury risk management. Founded in 1974, the Investec Group has grown successfully through its client-focused approach and ability to serve diverse and evolving financial needs. Investec Bank Plc rated A1 by Moody's and BBB+ by Fitch Ratings. Investec Bank plc is the main banking subsidiary of Investec plc, a FTSE 250 listed company.

"Knowing that they had deal certainty through financing from a committed finance partner was vitally important to management and to the board."

Neil Wilson, Managing Director, Polyco Healthline
January 2019

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