

# Shattering the myth of inflexible finance



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Alan Henderson, CEO, Allied Glass  
January 2019

## Summary Allied Glass

10%

The amount turnover increased by in 2017, expected to grow even more

50%

More customers since the new facility



**Bottle-maker's fortunes took off after Investec proposed a new funding strategy underpinned by a deep mutual understanding.**

### About Allied Glass

Allied Glass was formed from a combination of two Yorkshire high-end specialist bottle makers with a proud history dating back to the 1870s. It moved into the spirits sector in the 1970s, when it built a strong reputation as a supplier of difficult-to-make and complex bottles. Allied Glass' biggest sector today is whisky, which by 2014 was about 60% of its product base.

High-end specialist bottle maker Allied Glass was on the cusp of change in 2015. Its main customers were in the whisky trade and tough

conditions in the global market meant the company needed to diversify its customer base.

Not all of its banks were prepared to back its investment plans. "We needed a bank that supported us," says CEO Alan Henderson. "We had the opposite: one bank in particular made it clear that they no longer liked manufacturing, even though they had loved it a couple of years before."

But the Investec team stepped up. The bank was one of the four already used by Allied Glass. And it was the only one to see beyond the short-term and attempt to understand the business' potential – and to be ready to increase its facility.

"They said to us: we love your business, we understand what's happening, but we believe that your business can grow," Henderson



explains. "And then they put a proposal on the table to fund us in our entirety. That was a great opportunity for us."

## Flexibility, freedom and focus

The previous financing was a traditional senior loan, half repayment and half bullet, plus an overdraft and a revolving credit facility. The Investec team suggested replacing this with a combination of an amortising six-year cash flow term loan; and an asset-based revolving facility, secured against the company's stock and debtors.

The immediate effect was a release of precious time. "Our accounts team was able to

concentrate on interacting with production, helping everyone stay on track with costs and work more efficiently – on proper business-related issues rather than churning out information for the banks," says Henderson.

Then came the investment. In the 18 months since the new facility has been in place, Allied Glass' capex, which used to average 5% of revenue, has grown to 6.5%. Projects include a new plant for decoration, a furnace rebuild and increased spending on new moulds for existing customers.

## Foundations for growth

The results speak for themselves. Turnover increased by 10% in 2017 and further 12% in 2018, with stronger bottom-line growth. Mostly

this has come from new business, with a 50% expansion in the company's customer base. "Without that light at the end of the tunnel from Investec, this would not have been possible," says Henderson.

The debt facility's real benefit is its flexibility. "The asset-based revolvers support growth and can simultaneously flex with the business' seasonality," says Henderson. "We target new customers and new business; with that comes capex and perhaps extended payment terms. The top line is growing at the same time as debtors and stock, so the finance facility grows too."

He appreciates the Investec team's personable and transparent approach. "With Investec, you get access to the people who will be part of the decision-making process. I like the way the



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team works: everyone has to say 'yes' to the financing. That means everyone is invested in you and everyone supports you."

## Making finance part of the team

The relationship is crucial, as is the genuine interest that the Investec team takes in the business. On their quarterly visits, Henderson says they spend most of their time talking about the business and how it's doing, rather than box-ticking. "The questions they ask are quite pointed and very good. But I don't mind

answering questions when you understand why they are being asked.

"Our relationship with Investec is strong and there's a good level of trust. The financing structure works well for our kind of business. We think we will see more advantages as we move forward, as it will grow and flex with us the way it should."

Commenting on the relationship with Allied Glass, James Cullen of Investec says he and the team are looking forward to extending the partnership between themselves and Allied Glass. "While other lenders focused on the challenges within the sector, we took the time

to understand management's strategy and the opportunities facing the business," Cullen explains. "We then designed an innovative funding structure to support long term growth, working capital and seasonality requirements. By replacing their existing bullet with evergreen revolvers, we provided management and shareholders the flexibility to invest, grow the business and realise value in their own timeframe."

## About Investec

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