

FRESH PRODUCE PACKING AND SALES COMPANY

To ensure and maintain client confidentiality, our client's name is excluded from this case study and instead, our client is referred to as Fresh Fruit Co.

BACKGROUND

An owner and CEO with a 60% ownership stake in Fresh Fruit co., a fresh produce packing and sales company with approximately \$16 million in annual sales, sought our assistance. Referred by an existing client, they were looking for a long-term CFO partner to help with various objectives, including securing a new banking relationship and credit line to support their seasonal liquidity needs.

FINANCIAL DISCOVERY

Upon reviewing the financials, we identified that Fresh Fruit Co. had significant fixed assets with reasonable market value, entirely free of debt. This provided ample collateral to secure additional working capital from a bank. Our discovery phase revealed a comprehensive understanding of the ownership structure and the owner's other business investments, which included several farmland ventures. But, several outside business ventures were not going to help in the case of obtaining working capital financing as the owner had used funds from Fresh Fruit Co. to fund other ventures that were producing losses.

CHALLENGE

A major challenge arose when the other 40% owner of Fresh Fruit Co. refused to provide a personal guarantee, a common requirement for many lenders to offer a credit line. This refusal led to initial rejections from three potential lenders interested in our client's market.

STRATEGIC APPROACH

Given the situation, we targeted banks and alternative lenders familiar with the agricultural sector and comfortable using farmland as collateral. Many banks lack experience in ag lending and find it difficult to value farmland and manage income fluctuations from various crops.

SOLUTION

First, we implemented a plan with our client to discontinue providing loans and distributions from Fresh Fruit Co. to outside farmland ventures. We are currently finalizing obtaining working capital lines for each of those farms so they can manage their own seasonal cash flow needs without taking loans from Fresh Fruit co. We also identified a bank willing to work with our client. We proposed a \$500,000 refinancing of existing equipment assets over five years and a \$750,000 revolving credit line. The bank agreed, and we led the underwriting process to final closing.

With sufficient liquidity in place, our next objectives we worked with the client on include:

- Implementing robust labor and materials cost tracking dashboards to inform better pricing decisions for packing services.
- Introducing new charges for variable activities in packing services to cover cost overruns beyond the client's control.



RESULTS

This financial restructuring was a significant victory for our client. Before the \$500,000 equipment refinancing, the client had a current ratio of less than 1x, facing liquidity challenges while trying to grow the business and meet supplier payments ahead of customer receipts. The refinancing immediately improved liquidity, allowing us to focus on strategic objectives. And the \$750,000 revolving credit line offered a lot of additional liquidity to handle season fluctuations in cash flows.

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