

Case Study #7

Transportation: Travel Plazas / Truck Stops

The Situation: The prospect owned eleven travel plazas, providing the professional and leisure driver with food, merchandise and fuel at competitive prices. The owner was able to take advantage of the increasingly competitive environment and purchase some competitors' underperforming plazas.

The Problem: The newly acquired plazas were in dire need of renovation, over and above the typical work that a plaza requires. Moreover, the increase and volatility in fuel prices had negatively impacted gross margins and put a strain on their vendor credit lines. Lastly, the plazas had already taken on a lot of debt between their working capital needs and acquisitions; they were highly leveraged and some debt was at extremely high rates.

The Alternatives: Because they were highly leveraged, had a negative net worth, and were losing money, they had few alternatives. One option was to refinance some of their real estate mortgages. Although this might reduce their borrowing costs, it would take at least 90 days until they got funded. Another alternative was to factor some accounts receivable. Upon looking into various factoring companies, they deemed this option to be too expensive, particularly given their margin pressure.

The Solution: Credit Cash was able to advance up to one month of their average credit card sales. The initial advance was made during their slow season to assist in getting the immediate renovations completed. The repayment was made as expected, allowing Credit Cash to renew the loan for a greater amount and meet the increased demands of their busy season. Credit Cash was able to make both advances without having to repay any of their existing credit facilities.

The Credit Cash loans met the travel plazas'
immediate working capital needs.

Moreover, it gave them time to go through an extensive real estate
refinancing, reducing their overall interest expense by over 25%.



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