



Web Brief

Expanding Supply Chain Business

BFS Ref.: BN/380/040

Investment required: up to £100,000

Summary

The business was incorporated in 2011 and is based in Northamptonshire with staff who, between them, have in excess of 50 years of experience in the leather trade. Immediately upon formation the company started to sell product to one of the major shoe manufacturers. Other clients were taken on and it soon became obvious that, with growing interest from a number of potential customers, the business needed to find new sources of supply.

These new supply lines have now been established thereby ensuring that customers can be offered a guaranteed, reliable source of Leather (essential for this industry). Talks are taking place with, and samples supplied to, a number of other major UK manufacturers. Some are now placing regular orders.

In parallel with the increase in demand from shoe manufacturers, interest has also dramatically increased among the shoe repair retailers (of whom there are approximately 1500 in the UK). In response to this our client has registered a second company specifically to meet demand from this sector. This company acquires most of its supplies through the original company but otherwise acts independently. With the growth potential it offers this is one market sector our client will be concentrating on in the short term.

Growth of the two businesses is such that our client needs additional funds to finance that growth both in terms of staffing, marketing and additional stock. Confidence is very high at the moment due mainly to the positive reaction of customers (actual & potential) to the quality/price of the new supplies and the fact that other potential markets are already opening e.g. bag manufacturers and saddlery. As a result, **our client predicts, with the right level of funding, turnover will exceed £3 million with Net Profit of £401K in 2013/14 rising to a turnover of £4.28 million and net profit of £662K in 2015/16.** With its dynamic management approach this company has a high prospect of succeeding against what has become rather flat competition.

Our client is seeking investment of up to £100,000. In return the investor(s) will be offered a significant equity share in the main business. Exit is likely to be through a trade sale within 3-5 years, although projected cash flow shows that investors could be repaid, with bonuses, well within that period.

The Market

The UK leather manufacturing sector is very substantial and has a high reputation worldwide. Manufacturers such as Doc Martins & Clarks, are household names, and not just in the UK. According to the British Footwear Federation the UK Footwear Manufacturing industry generated in 2010 approx. £150,000,000 of annual revenue (representing c. 4.4 million pairs of shoes).

Our client has concentrated his initial efforts on establishing demand among the Shoe and component manufacturers. The offshoot from this, however, is the not insignificant shoe repair trade which of itself generates substantial demand and offers our client opportunities for market penetration and therefore growth in the immediate future. This market is particularly important in that it uses a significant proportion of recycled off cuts from the shoe manufacturing process, thereby minimising waste and improving margins, a factor that our client is also able to take advantage of.

Other very significant parts of the leatherwear industry are the Bag and Satchel manufacturing sector of which there are a number of significant exponents in the UK and saddlery. Our client is already making inroads into these sectors.



The Future

The overall plan can be summarized as follows:

- Become one of the major suppliers of soles, heels etc. to the UK shoe repair industry.
- Become one of the significant suppliers of soles and uppers to the UK footwear manufacturers.
- Penetrate the UK saddlery market. Not directly but via one or more wholesalers.
- Become a main supplier to the UK volume bag and satchel industry.
- Longer term the business will look to penetrate other markets such as Europe and the US using its new supply sources.

Our client is confident that he will have a business turning over in excess of £10 million within 5 years, at which point he intends to bow out and go into happy retirement.

Financials

To date the business has been self-funding using the owner's capital. Having proved the viability of the business however, the growth plan requires a further injection of capital of £100,000. These funds will be used as working capital (the business has no significant debts other than some initial trade finance) and will cover the initial costs of taking on board key personnel and marketing of the business. There is, however, an opportunity for investors to provide additional funds to take out the existing trade finance, thereby further reducing costs.

The table below gives an overview of expected revenue for the next 3 years

Summary financials;

£000's	Year 1	Year 2	Year 3
Turnover	3,046	3,760	4,277
Cost of Sales	2,496	3,081	3,466
Gross Profit	550	679	811
Overheads	149	153	159
EBITDA	401	526	662

Note: These figures only take into account UK activities and not overseas sales.

The investment opportunity

In return for an investment of up to £100,000 investors will be offered equity in the main business. Alternatively our client will consider a part loan/part investment option.

Exit Route

The most likely exit will be via a trade sale in 3-5 years, although a share buy-back with suitable bonuses well within that time frame is also a possibility.

A more detailed plan is available on request. For a copy please contact:

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