

Funding MBO-driven Growth

Powering Progress with an Employee Benefit Trust

“We wanted to keep the management team free from the burden of ongoing loan repayments. If we had added too much debt, it would have restricted their ability to secure new business, effectively leaving them fighting with one hand tied behind their back. Bidding on a major project such as running additional garages for a national retailer, could necessitate a million pounds of additional working capital. Investec’s facility gives our employees the ability to operate with freedom. They can raise invoices, finance gains and execute the growth strategy. Without the new facility in place, they simply wouldn’t be able to take on opportunities like this.”

Jon Todd, Group CFO, Fleet-Serv



Company profile



Fleet-Serv specialises in providing comprehensive commercial vehicle fleet management and maintenance solutions for blue-chip customers in the UK, predominantly operating in the retail sector. Established for 16 years, the company is led by a highly experienced management team with decades of collective expertise. Located in

Peterborough, Fleet-Serv provides support for multi-specification vehicle fleets, including 10,000 tail-lifts. In addition to having 8 garages in strategic locations, the company employs a mobile fleet of engineers trained to the latest industry standards, many of whom have served in the field for over 20 years. The business takes pride in delivering exceptional service quality, ensuring efficient and reliable customer fleet operations.

The challenge

Fleet-Serv is a well-established company with a strong customer base and substantial unencumbered tangible assets. The company's loyal clients and excellent service quality assure a steady cash flow and impressive growth.

The founders had received several offers to sell the business. However, upon evaluating the bids, they concluded that, while financially attractive, accepting them would be detrimental to the employees. Ultimately, they felt that a trade sale would undervalue the contributions of the people who had driven the company's success. As a result,

they determined that a management buyout (MBO) was the preferable option.

They also recognised the challenges of obtaining the right level of financing for a conventional MBO, which typically demands substantial upfront capital to cover both the initial purchase consideration and ongoing working capital requirements. Additionally, the business has historically had a conservative balance sheet and the founders were concerned about having an over-reliance on debt, which could affect the company's excellent cash flow and overall financial health.

Situational Analysis

Their strategy included retaining 33% of the shares in an Employee Benefit Trust (EBT) to assist those who are expanding the business to become financially independent as a result of their efforts.

The founders aimed to retain stability and continuity while gradually unlocking value, providing employees with a deeper sense of ownership and motivation aligned with the company's success without requiring them to pay for the shares.

To support this strategy, Fleet-Serv sought the flexibility of an invoice financing facility based on the value of the company's sales invoices, allowing the management team to seize new business opportunities while also providing critical working capital funding before, during, and after the MBO.

Solution

Jonathan Todd, the company's co-founder, CFO, and shareholder, is no stranger to Investec. Following initial discussions, Investec's working capital team met with Jonathan to explore his requirements. They responded by structuring a flexible Confidential Invoice Discounting (CID) facility to generate the additional headroom required for Fleet-Serv to complete the management buyout and provide the necessary headroom for further expansion.

Using Intelligent Cash Flow technology, Investec provided Fleet-Serv with real-time access to available cash flow, eliminating the need for laborious reconciliations, which was particularly beneficial for a finance team unfamiliar with invoice discounting processes.



Results

Establishing an EBT has provided business continuity for stakeholders while also allowing senior managers and non-senior employees to share in the economic benefits of growth. Investec's Confidential Invoice Discounting facility provided crucial support for Fleet-Serv's expansion plans, enabling the business to capitalise on new opportunities.

With a well-articulated succession plan in place, the founders are gradually handing off responsibility to the team, allowing employees to pursue ideas that will help the business develop or save money. Following the takeover, the management team is highly motivated, with a focus on attention to detail, cost reduction, and company growth, preparing Fleet-Serv for a sustainable and prosperous future.



“Working with Investec was seamless. Their team managed our expectations, under-promised and over-delivered. They executed the transaction swiftly, compressing a process that typically takes 8-10 weeks into just 3 weeks. Their understanding of how the business works was impressive and they were able to take a flexible and pragmatic approach to the nuances of our maintenance contracts. Rather than having a tick-box mentality, their human touch made all the difference; I'd go further and say it's everything.”

Jon Todd, Group CFO, Fleet-Serv

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