

Case Study



Growth Capital for Oil Service Company

CHALLENGE

The owners of a 25 year old pressure vessel manufacturing company serving the oil industry in Alberta were experiencing significant growth and a shortage of high grade welders. They had identified an automated welding machine in Europe that would address both the increase in business and the shortage of welders.

When their bank was approached to provide capital to purchase the automated welding equipment, not only were they turned down but the bank proposed to cancel their line of credit because the company was operating outside the loan agreement covenants. Poor accounting practices and reporting was an issue.

The owners approached Meridian to help.

QUICK FACTS

Deal Type:	Growth Capital
Deal Size:	\$2.5 Million
Industry:	Oil and Gas
Year Established:	1985
Location:	Alberta

FINANCING

- \$2.5 Million Senior Debt

SOLUTION

An initial \$250,000 bridge loan from private lenders was arranged to address pressing concerns and Meridian communicated with the bank to provide comfort that the accounting issues were going to be addressed and new financing was going to be arranged by Meridian. On the strength of Meridian's involvement, the line of credit was not cancelled.

While Meridian assisted with cleaning up the accounting, a \$1 million bridge loan was arranged with a private equity group to take out the private bridge loan and to bridge to new financing. Once proper accounting procedures were put in place, and projections and financial proformas were prepared, Meridian came to the conclusion that the company should be bank financeable.

Presentations were made by the company at Meridian's board room to senior representatives of two major banks introduced by Meridian. Within 48 hours both banks responded with financing offers of \$2.5 million (the original line of credit was only \$800,000).

When the \$2.5 million in bank financing closed, the private equity group left \$400,000 of their initial \$1 million bridge in the company as quasi equity to support the bank financing.

The company was able to purchase the automated welding machine and proceed with its business plan.

