

We know that all fuel dealers face tough times at some point, regardless of size, longevity, or location. It is a natural part of supplying heating oil and propane on both a retail and wholesale level. Warm winters, price fluctuations, funding of expansion and inefficient processes are just a few of what are a multitude of potential challenges that can have a significant impact on a Company's profitability for one season, or even more. But how about an impact to the tune of \$3 million?

## THE CHALLENGE

XYZ Company, a retail supplier of fuels in the northeast, had gotten themselves into a threatening financial situation; in debt by over \$3 million and struggling to repay vendors and fuel suppliers. The Company had been heavily focused on supporting its rapidly growing retail and wholesale liquid propane division which required a substantial amount of capital.

After successive years of underperformance, the Company found itself in a precarious financial condition due to a combination of significantly warmer than normal winter temperatures, inadequate pricing program coverage and continuous cash outlays for tanks and equipment. The Company became extremely over-extended, was unable to repay substantial amounts owed to a primary fuel supplier and was struggling to locate a new bank based on its financial results. The Company's primary fuel supplier was applying

Angus Energy helps businesses, like XYZ Company, run their businesses more effectively, more efficiently and more profitability via our suite of solutions.

pressure on the Company to clear past-due payables they had been owed for an extended period of time. As so often occurs in the industry, what was, at its core, a longstanding and respected Company was now facing limited options and had become beholden to its fuel supplier. The Company reached out to Angus Finance and asked if their financial experts could help remedy the difficult situation.

## THE SOLUTION

After working closely with the Company's senior leadership team to understand the root causes of the cash flow constraints, the Angus Finance advisors applied their deep industry expertise to come up with a strategic solution that would keep the Company's bank, and fuel supplier, at ease. The approach would take time to implement but would address the concerns of all stakeholders – the Company itself and its key creditors. The Company would need to refinance all of its debt obligations in order to right the ship. This was no easy feat, however. The Company's earnings level would need to be increased over time to support a bank refinance and payoffs or restructuring of obligations would be required to appease the Company's supplier and creditors. Procedures would need to be put in place to better track activity versus goal on both a monthly and weekly basis. Angus Finance was committed to working with the Company

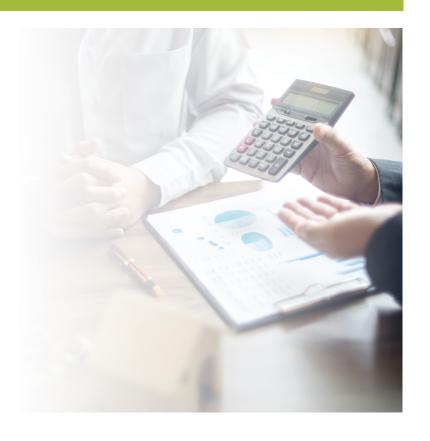
<sup>\*</sup> All names have been changed to protect the confidentiality of the parties involved.

over an extended timeline and helping it restructure its balance sheet in such a way to finally be able to avoid endless dealings with creditors and persistent concerns about adequate seasonal cash flow.

- First, Angus Finance helped the Company determine what earnings level they needed in order to attract a bank for refinancing. This involved changes to fuel and service margin goals and expense assumptions.
- Second, Angus Finance helped the Company implement BRITE, business intelligence software provided by an Angus affiliate, into its system in order to keep the Company on course to reach its financial goals.
- Third, Angus Finance was able to determine that the Company had lost a significant amount of money due to a lack of proper hedging of its fuel obligations and arranged for the Company to work with another Angus subsidiary, Angus Trading, to provide the tools necessary to limit pricing risk.
- Fourth, the Angus Finance team created a comprehensive budget for the Company that would guide earnings to support a new capital structure for the Company.
- Fifth, Angus Finance located a new banking arrangement and negotiated a structured repayment plan with the Company's primary supplier, which allowed the Company to finally resolve its challenges.

## **RESULTS**

Over the course of the first year of the client relationship, Angus Finance helped the Company achieve a new earnings level. The team then initiated discussions with potential lenders to locate an appropriate financing package. The debt was ultimately restructured with a new bank and with the key fuel supplier and the Company was successfully refinanced. The Company now operates with an appropriately sized line of credit and can pay its suppliers on time, thereby taking advantage of all early pay discounts. Furthermore, the company has been able to diversify its supplier mix. Most importantly, the company owners benefit from the improved earnings and debt structure to continue growing, earn a good salary and eliminate the heavy influence of their creditors and suppliers on the Company's day to day activities. The Company continues to work with Angus Finance to regularly monitor activity versus budget and in evaluating new opportunities to grow.



## CONCLUSION

Without Angus Finance's uniquely experienced team, this multi-generational family-owned Company could have faced years of strained relationships or a potential forced sale or closure, impacting the lives of countless people, including not only the employees of the Company but also the customers who have relied on their products and service for many years. Additionally, their supplier would have undoubtedly taken a substantial loss and been forced to contend with bankruptcy courts to recover lost payments.

Now, instead of focusing on the restructuring of debt and location of cash to continue operations, the Company is able to look ahead to meeting and surpassing its new growth goals and monitoring profitability.

PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. The risk of loss in trading commodity interests can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. In considering whether to trade or to authorize someone else to trade for you, you should be aware that you could lose all or substantially all of your investment and may be liable for amounts well above your initial investment.