CUSTOM CAPITAL ADVISORS

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CASE STUDY · SPECIALTY MANUFACTURING

From a $500K test to a bank line

A specialty manufacturer pivoted to direct-to-consumer and had to spend on marketing before the revenue existed to justify it.

They started small on purpose, and let each draw earn the next one.

$500K
STARTER DRAW

Sized to what their inventory turnover could comfortably carry, not to what they could qualify for.

$3M
OVER THREE YEARS

Drawn in tranches as each one proved out, rather than committed all at once.

Early payoffs
MARGIN PROTECTED

Repeated early-payoff discounts pulled real cost back out of every tranche.

Bank line
WHERE THEY ARE NOW

Primary financing is now bank credit. We handle what moves faster than a bank can.

The situation

The company decided to pivot to a direct-to-consumer model. Making that work meant investing heavily in marketing ahead of demand, spending proactively to build a channel that did not exist yet.

That is exactly the spend traditional lenders will not underwrite. There was no history on the new channel, and no collateral in a marketing budget.

The analysis

Before anything was drawn, we went through their numbers in detail. The finding that mattered: inventory turned over quickly and predictably, on a cycle materially shorter than the payback window on the financing.

That gap is what made short-term, revenue-based capital appropriate here. The product would convert to cash well before the payments came due.

THE APPROACH

Every tranche had to earn the next one. The first $500K was a test, and the test came back clean.

Three years later

The capital changed shape as the constraint on the business kept moving.

01 The first draw proved the model

$500K went into marketing the new channel. Inventory turned as projected, the revenue followed, and they paid early to capture the discount and protect margin. The second tranche performed the same way.

02 Then capacity became the bottleneck

With demand climbing, the constraint moved from awareness to output. Later capital went into equipment and added production capacity instead of marketing, because that is what the business needed by then.

03 They graduated to cheaper capital

Three years and roughly $3M later, a bank line carries most of their financing. They still use revenue-based capital for the raw material opportunities that appear suddenly and close faster than a bank can move.

Wondering whether your numbers support this? That is the first thing we check.

We would rather size a first draw that works than a bigger one that strains you. If the cash cycle does not carry it, we will tell you that instead.

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