



SETTING UP A EUR 40+MM SOURCE OF LONGTERM TRADE FINANCE

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CAPSTONE PROJECT SUMMARY

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Contents

Introduction:	1
Project Overview:	1
Approach:	2
Collateral for financing:	2
Credit Status of Borrower:.....	2
Key Learning Outcomes:.....	3

Introduction:

The Commodity trading business of a long-established, leading nut processor with Blue Chip MNC Clients seeks long term finance to help realize substantial margin growth from the recent investments and to extend the maturity of its funding. Therefore, Hussar & Co. has been mandated by its client, to set-up a EUR 40+MM source of long-term trade finance, giving the commodities company access to longer term liquidity for future expansion.

Project Overview:

In pursuit of 40m off-Balance Financing for the one of the world's strongest suppliers of hazelnut, the Objective of this Capstone Project is to carry out the Comprehensive Desk Research on the hazelnut market in order to develop a sound understanding of the market Operations. The other aim of this project is to dig deeper into the financial statements of the given company to carry out the strategic and financial analysis after consolidating multi-year historic financial statements. Financial Analysis include identifying and quantifying key drivers and project it into future years leading to the building of comprehensive financial model. For the future projections, historical growth and future expansion plans have been taken into the consideration because of the increasing demand trend due to the health and culinary benefits of hazelnut comparable to avocado, almonds etc. The Final Objective of this project is to make a contact with banks and other investors who are working in commodities finance globally by making a "short form teaser" and "Investor Deck" outlining the economics of financing opportunity in a compelling way. Due to COVID-19 Pandemic, all the work had been carried out remotely through regular meetings with the Client and the Lead Analyst.

Approach:

Collateral for financing:

The company has a strong industry presence having major market share. It has developed deep and lasting customer relationships in a tight supply chain. Its raw material originates from a multitude of growers, making it highly defensible. Its working capital is currently unencumbered and relatively liquid; therefore, available collateral in a dedicated lending structure will be;

- Inventory (Principally) of this highly marketable, relatively durable commodity inside the borrower's own purpose-built storage facilities within the sponsor's secure compound in a stable, relatively developed environment.
- Receivables, mainly from global counterparties, many of whom pay on shipments.
- Unused Cash Balances from operation of strict waterfall on receipts from customers.

Credit Status of Borrower:

Since the company has well established name in the industry, therefore there are numerous factors that supports the credit worthiness of a company such as;

- High Margins and Cashflows of the underlying business , rising further due to the recent investment.
- Proven Market Capability backed by long, verifiable track record as well as high local standing of its owner.
- Balance Sheet dedicated to holding the collateral for this finance, guaranteed by the sponsoring business.
- Full flow-through of the underlying business' sales revenue
- Strong Jurisdiction and corporate governance.

Key Learning Outcomes:

This Capstone Project was carried out under direct supervision of Head of Research of Financial Advisory firm who made me work through the project in a planned way. By working directly with the client gave me an exposure of dealing with the clients through regular meetings which helped me develop and deploy effective communication with the client. I have developed in depth understanding of the Global Hazelnut Market and Supply Constraints and the business model of one of the largest players of this industry. Desk Research helped me understanding the impact of current COVID-19 on the global supply chain.

Consolidation of multi-year historical financial statements and then forecasting the future cash flows by evaluating the different parameters made me more skeptical towards taking assumptions. Investor Deck and Short form teaser were helpful in designing and presenting the economics of this financing opportunity. This Capstone helped me in developing new ideas and also made me take ownership of the work dedicated to me which I realize helped me growing professionally. Regular Feedback from Project Sponsor helped me identifying some weaknesses and helped me work on them during the project.

