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OPINIONS



hat industry do you think will see the most growth in ABL in the future?

Tom Matthesen, CEO, Presidential Financial, Alpharetta, GA

Because Presidential Financial serves the entire United States, and is one of the few asset-based lenders that has expertise in both the commercial and healthcare industries, we feel that we are in a unique position in which to view the marketplace.

The healthcare markets that we serve continue to experience growth, which has allowed our healthcare division, Presidential Healthcare Credit, to expand dramatically during the last year, and we expect that to continue in 2009 and beyond. Our typical healthcare clients include home health agencies, small hospitals, hospice, skilled nursing facilities, long-term care facilities, diagnostic centers and more. Navigating the changing regulations of this industry and understanding the complexities of healthcare receivables requires incredible expertise, and because we can provide this, our healthcare business is booming. With the growth of the overall healthcare industry, we expect to see continued strong demand for financing in this massive market. Healthcare companies need lenders that understand the complex nature of healthcare receivables, and traditional lines of credit do not usually account for the intricacies of payments from Medicare, Medicaid and commercial insurance payors.

Our commercial clients are spread across a variety of industries throughout the U.S., so it is difficult to segment them except in a broad sense. In general, we expect to see all types of businesses move from traditional lines of credit to asset-based lines of credit as a result of the trauma in the banking market. In terms of industries, we believe that service businesses will continue to be avid users of asset-based financing. In the coming year, we believe that we will also see an uptick in our government business as new federal and state growth initiatives are unveiled.

Michael Miller, chief operating officer, Maple Trade Finance, Halifax, Nova Scotia, Canada

Forecasting is always one of life's most hazardous exercises — not so much to one's physical being as to one's credibility. Get it right and you're a genius; get it wrong and, well, you're just one of us. After all, all the geniuses are the people who sold their complete stock portfolios months ago, and are buying it back now at a fraction of the original costs.

I don't think there is any question that niche ABL lenders will be big winners during the current time of economic challenge. The key issue will be: can they hold on to the new customers who have migrated to them from traditional lending institutions which have temporarily tightened credit or completely withdrawn their support of that particular industry segment?

Traditionally, banks provide working capital against inventory, raw materials and accounts receivable, together with hard assets, such as land, buildings and equipment. Because there are uncertainties as to the liquidity of inventory, traditional lenders are not sure how valuable this may prove to be as collateral.

Niche players such as Maple Trade Finance and other nontraditional financial institutions have always made their credit decisions against the softer side of a balance sheet such as accounts receivable, purchase orders, contracts etc. We continue to extend credit to existing as well as new clients — albeit with an extra level of due diligence. In the current climate, we find we can extend a financing facility to clients based on their "soft assets". What we are experiencing in this economic climate is a shift in clients from our regular industries towards industries traditionally serviced by banks — those with "hard assets" — such as inventory, equipment, buildings etc. This would seem to be true particularly amongst those requiring

||||| financing facilities in the \$2-5 million range. Many of these are essentially solid companies that are going through a challenging period due to an industry-wide downturn such as manufacturing.

Herein represents the opportunities for niche players. Our challenge is to translate these potentially short-term customers into long-term customers. At Maple Trade Finance, we have experienced extraordinary growth during the past few months. We are determined to win the confidence of these new clients and to maintain these client relationships, once the world begins to recover from this downturn.

||||| **W. David Tull, chairman, Crestmark Bank, Troy, MI**

As the economy continues to soften, the question of what industries are likely to see asset-based lending growth might be better asked, "Which ones will not?" With the decline in same company sales from 2008 to 2009, the balance sheet of many, if not most, businesses will deteriorate. That will necessitate more companies turning to ABL financing.

Clearly, manufacturing will need additional working capital, either to fund losses or to bridge the gap until they are functioning at a greater capacity. Transportation companies will need to refinance their fleets and will need working capital. The staffing industry may suffer in the near term, but as business begins to pick up, they will see companies not want to hire full-time until they are confident that the expansion is real. The same scenario will affect myriad types of service companies ranging from tech to engineering.

As an asset-based lender, we know the opportunities to lend will be abundant; however, the ability to get the transactions done will be more difficult. Cash flows for equipment financing will be stressed and valuing the collectability of receivables and inventory will be challenging. We are in for some very interesting times. We will need to stick to the basics! **TSL**



Top row:
Michael Miller
Tom Matthesen



Bottom row:
Dave Tull