



Credit facility is springboard for Small World's global ambitions

Fact File:

Sector:
Financial services

Locations:
London

Turnover:
£50m - £100m

Purpose:
Flexible loan

Solution:
£15m Revolving
Credit Facility

The story in brief:

Small World Financial Services, a world leader in international money transfers, was seeking a new Revolving Credit Facility (RCF).

Already using us for transactions and FX services, they invited us to take part in the competitive tender process.

We proposed a unique approach that balanced the £15m RCF risk factor across different collateral 'pools' within the Small World business.

This innovative thinking, combined with the rapport established over four years of working with them, led Small World to choose us as their RCF provider.

By establishing a solid financial buffer, the RCF frees up Small World's working capital for investment in their expansion plans.

Get in touch, call 0800 210 0235 or minicom 18001 0800 210 0235

Lines are open 8am-5:30pm Monday to Friday (excluding public holidays). Calls may be recorded. Security may be required. Product fees may apply. Over 18s only.

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Small World gets bigger by the day

Say the word 'globalisation' and most people think of the big picture - international trade deals, global conglomerates, cross-border treaties and so on. But there's a much more human aspect to it too. Globalisation has prompted millions to work abroad and many of these people regularly send money 'home'. Whether it's to support relatives, as a gift, to pay a supplier, or top up their own bank account, the ability to transfer money is essential to a globalised existence.

Small World Financial Services helps make it possible. This UK-based business provides a secure, fast and inexpensive way to send and receive money anywhere in the world. Since starting in 2006, Small World has established itself as one of the world's leading payment services providers, with a service reach of 3.6bn bank accounts and over 250,000 cash collection points worldwide.

The bedrock of their approach is to make money transfers simple, secure and good value. Payments can be made to any

country, in any currency, and customers can place an order for payment either online, using their mobile app, in one of their dedicated stores, or via a network of independent agents. The range of payment services includes same day bank deposit services, collection in cash, and the loading of mobile wallets with money or airtime. This first category - crediting funds direct to beneficiary bank accounts - is a key focus for Small World, and the extent of their global reach is one of the major advantages they hold in the market.

An international balancing act

Over one million transactions pass through the business every month and, for the customer, these are processed swiftly, often in a matter of minutes. But the speed at which the cash flows around the business itself is subject to many variables. These include different time zones and exchange rate fluctuations and, as Nick Day, Small World's CEO explains, seasonal variations too. "We have activity peaks that reflect key events in the international calendar," he says. "This - combined with the day

to day fluctuations - mean we have to accommodate frequently changing levels of demand on our cash resources."

The liquidity provided by this new Revolving Credit Facility (RCF) gives the company another tool to ensure consistent and quality service delivery for its customers around the world. An RCF lets a company borrow a certain amount in loans from a lender. The borrower doesn't have to draw on the fund at any particular time but can do so as needed. As money borrowed via the RCF is repaid, it then becomes available for borrowing again. It's a particularly useful facility for businesses that are subject to the kind of seasonal fluctuations experienced by Small World.

Finding the right RCF

Small World had an RCF in place with another provider but that agreement was reaching its end. So, Nick Day and Gareth Heald, Group CFO, decided to go out to tender for a replacement facility. Working with an external debt adviser they drew up a list of candidate banks. Already using Royal Bank of Scotland

RBS were fully engaged, they understood our business and demonstrated a willingness to look at things differently.

Nick Day,
CEO Small World
Financial Services

as one of their UK banking 'hubs', handling transactions and providing FX services, they invited us to put forward a proposal. "Royal Bank of Scotland was a natural choice for the shortlist," says Nick Day, "For four years, Stuart Mogg had been our Relationship Director there so he knows us and the business very well. It just so happened that our search for a new RCF coincided with Stuart's move to the Structured Finance division of the bank so he was well-placed to understand both what we wanted and how to go about achieving it."

Matt Glew took over from Stuart as Small World's Relationship Director in early 2016 and was also heavily involved in structuring the transaction. He takes up the story, "This transaction called for quite a unique, niche approach to create a complex deal that worked for both us and Small World. The 'corporate/FI hybrid' nature of the transaction represents the first of its kind provided by our Speciality Finance team to the Money Services (MSB) sub-sector.

By the very nature of its business model, Small World is a cash business, but that cash is distributed in different parts of the world and in different 'pools', if you like. We identified the three key 'pools' of collateral against which we could offset the credit risk and lend against: cash held in the business itself, cash in transit, and cash held by agents. Added to the mix was the fact that the cash in each pool is held in different territories which involved a detailed process of us taking security in only the select number of countries that we were comfortable with".

A carefully calibrated approach

Having presented our approach and demonstrated that it would give Small World the flexibility they wanted at an acceptable level of risk, they gave us the go ahead. "We then spent a lot of time structuring the transaction in detail," continues Matt, "This meant spreading and carefully calibrating the proportion of risk across the different pools - with the cash in the business attracting the highest advance rate within the borrowing

base, and cash held by agents the least." The structured deal gives Small World an RCF of £15m. Agreed in December 2016, it's a three-year deal. "Securing this RCF was a key milestone and we're grateful to the team for all their hard work and innovative thinking in delivering it" says Nick.

With the RCF there to absorb the variables of the levels of cash passing through the business on a day-to-day basis, Small World can use their working capital to fulfil their strategic growth objectives. "We're growing organically by expanding our network of agents and extending our digital estate. We already have a presence in 18 US states and see a big potential for growth there, likewise in Northern Europe." explains Gareth, "We'll also continue to be a leader in consolidation in the industry, through merger and acquisitions. The RCF plays an important role in our achieving these ambitions."

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