

FLR: Birkenhead - AEV Limited - Light Industrial

Main Site:	6 Marion Street, Birkenhead, Wirral, CH41 6LT
Date:	24/04/18
Asset Description:	Large factory/warehouse unit with two storey office accommodation, open car park and small external tank farm.



Deal Summary

Loan Type	Commercial Real Estate Loan	Borrower Profile	UK's largest manufacturer of Electrical Impregnating Varnishes
SIPP Classification	SIPP eligible	Loan Purpose	Refinance
Tenancy	Owner Occupier / No formal Lease		

Property Summary

Market Value	£758,000	Market Rental Value (ERV)	£91,000
Vacant Possession Value	£758,000	Asset Class	Light Industrial
Tenure	Freehold	EPC Rating (min. E)	D

Loan Summary

Total Loan Required	£447,500	Loan to Value (LTV)	59.04%
Blended Interest Rate	6.25%	ERV / Interest (ICR)	3.25x
Loan Term	24 months	Interest Expense (p.a.)	£27,969

Tranche	Risk	LTV	Loan Amount	Interest Rate	ICR
B	Medium	51-65%	£68,500	7.64%	3.25x
A	Low	0-50%	£379,000	6.00%	4.00x

Borrower Details

Name	A.E.V. Limited
Registration	UK Registered Limited Company
Credit Rating	Excellent - Experian Delphi Score 100/100
Main Business Activity	<p>AEV Ltd. manufactures and supplies varnishes, resins, compounds, and insulating products for electrical and electronic industries worldwide. It offers insulating varnishes, epoxy impregnating resins, polyurethane potting compounds, cleaning solvents, and epoxy potting compounds.</p> <p>The company's products are used in electric motors, stators and rotors, domestic appliances, MV and HV machines, traction motors, and transformers.</p> <p>The company was founded in 1982 and is headquartered in Wirral, United Kingdom with a regional office in Sao Paulo, Brazil.</p>
Ownership Structure	<p>Directors (A.E.V Limited) - Jonathan James Kemp, Christopher Alan Ravenscroft and Eileen Winder.</p> <p>Shareholders (A.E.V Limited) - A E V Holdings Ltd (80.1%) and Gregory Hunter Kemp (19.9%)</p> <p>Shareholders (A E V Holdings Ltd) - Jonathan James Kemp (100% - Ordinary A shares) and Deborah Joy Kemp (100% - Ordinary B Shares)</p>

Applicant Details

Name	Jonathan Kemp
Age	48
Experience	Managing Director of A.E.V Limited for 10+ years
Credit History	Clear - Band 9 of 10 (CreditSafe)
Net Worth	£130,000 - not including the value held in A.E.V Limited

Loan Details

Loan Purpose	<p>Refinance NatWest term facility.</p> <p>The borrower requested an Invoice Discounting facility which NatWest would not agree to (current utilising a NatWest O/D) despite excellent historic account conduct. This limited the business's ability to release cash flow in order to promote further growth. As such, AEV Ltd decided to move to a new banking partner.</p> <p>Barclays agreed to provide an Invoice Discounting facility but pulled out of providing a property loan (valuation had been completed) as it did not meet their debt servicing requirements based on Year 1 forecasts.</p>
Gross Loan Amount	£447,500
LTV	59.04%
ERV / Interest (ICR)	<p>3.25x - albeit no formal lease in place.</p> <p>The estimated rental value (ERV) supplied by the valuer suggests that were the property to be relet, the market value rent would be £91k p.a.</p>
Serviceability	<p>A.E.V Limited is to service the loan from the cash flow generated from ongoing business operations.</p> <p>Audited / Management Accounts show EBITDA of £303k in 2016, with this figure rising to £433k in 2017</p>

(+42.7% YoY), providing significant evidence that the business can afford to service our facility throughout loan term.

Interest reserve	Proplend will retain £6,992 (3 months interest) from the gross loan amount which will be held on account. The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.
Early Repayment	2% first 6 months, 1% months 7-12, none thereafter.

Existing Facility			
Lender	NatWest	Rate	1.5 + LIBOR%
Value	£428,235	Status	Up to Date
Existing Facility Description	Property term loan		

Strategy During Loan Term

Continue to operate the business as a going concern, utilising the improved Invoice Discounting facility provided by Barclays to drive further growth.

Property Details

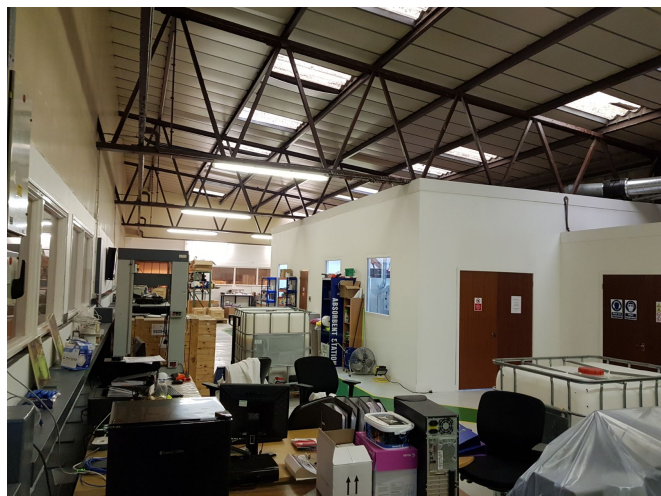
The Subject Property comprises a rectangular shaped site with a surface area of 3273 sq.m of which approximately 60% is covered by buildings and the remainder is an open surfaced car park and a compound housing large capacity above ground chemical storage tanks.

There are three buildings on the site - the main factory/warehouse, a smaller factory/warehouse and a two-storey office building.

The two factory/warehouse buildings are of steel frame construction with exterior walls of concrete block work and brickwork, while the two storey office building is of conventional cavity block work and facing brick construction.

The Subject Property is used for the development, manufacture, testing and distribution of solvents and resins for the use in the electrical industry and there are large quantities of chemicals and other materials stored on site.

A Groundsure Siteguard Report was commissioned that concluded that the property was in need of further risk assessment for lending security purposes. Following the completion of Proplend's, and a mainstream lenders, Environmental Risk Questionnaire, the valuer concluded that the environmental concerns did not affect the property's value and Proplend concluded that the property was acceptable security from an environmental risk perspective.



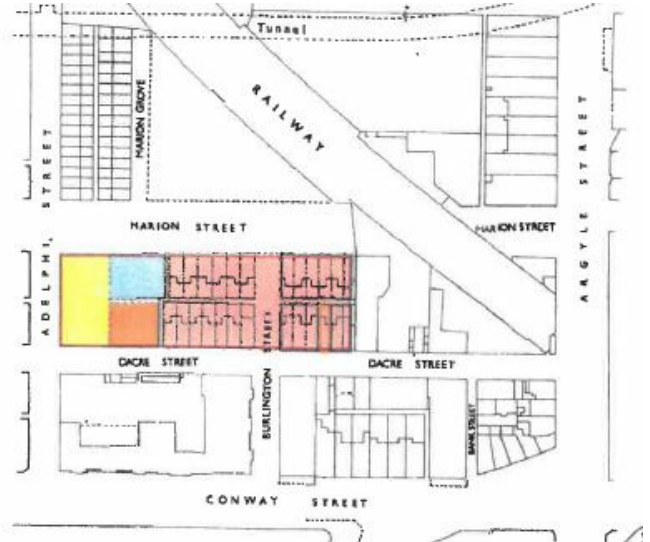
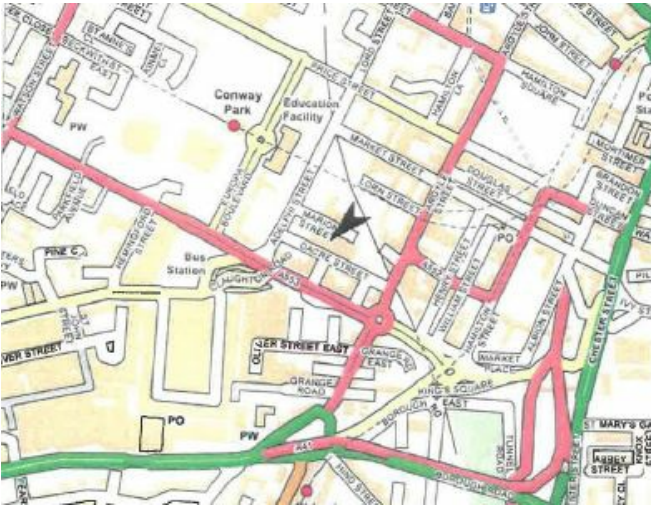
Location Report

Birkenhead is a former industrial town associated predominately with ship building and maritime activities. It lies on the west side of the River Mersey opposite Liverpool, with which it is connected by ferry, road and rail tunnels.

The Subject Property is located in the northly part of Birkenhead Town Centre, around 250m from the Grade 1 Listed Hamilton Square and a short distance from the main shopping district.

To the north and west of the property are the extensive areas of industrial and commercial development along the south side of the Birkenhead Docks network. The River Mersey and Cammell Lairds Ship Yard lie to the east and southeast.

There are current proposals and plans for major redevelopment of parts of Birkenhead Town Centre, including the area where the Subject Property is located. The borrower has made it clear to Proplend that the Council has contacted them with regards to acquiring the Subject Property.



Security

Main Site	First Legal Charge	Debenture	Not Required
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Personal Guarantee	Individual Guarantee from a Director and Shareholder of A.E.V Limited for the sum of £44,500
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Exit Strategy

Refinance via a mainstream lender, or sale of the Subject Property to Wirral Council for clearance and redevelopment in line with the wider town centre redevelopment plans.

Covenants

LTV Covenant	65%
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Fees

Arrangement Fee	2%	Broker Fee	None
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Valuation

A valuation of the property was carried out by S K Real Estate Limited on 5th March 2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £758,000
Vacant Possession Value: £758,000
Open Market Rental Value: £91,000

Report on Title

A report on Title will be supplied by Paris Smith LLP acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

Lender Risks	Mitigant	Risk Level
Risk that the management of the Borrower is not able to execute their business plan.	management have run the business for 10+ years, evidencing significant experience in the field. The provision of an increased Invoice Discounting facility will allow for further growth of the business.	Low
Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.	Owner occupied. The borrower/tenant has an excellent credit history and access to significant banking facilities provided by a mainstream lender. The Subject Property is integral to the borrowers ongoing business operations, providing a significant incentive to meet monthly interest payments throughout the loan term.	Low
Risk that the Borrower is unable to repay the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.	There are several potential exit routes from the facility, be it via a refinance with a mainstream lender or sale of the Subject Property to the local council. Holding a first legal charge secured over the property which is registered with the Land Registry and Companies House, enables Proplend Security Limited to appoint solicitors and/or a receiver to repossess the property and sell it and execute any other security held from the borrower.	Low
Risk that the Property falls in value due to either macroeconomic or property specific reasons	The LTV here is 59%, meaning that the value of the property would have to fall by 41% before lenders would experience any loss of principal.	Low

Conditions Precedent

The following actions have been completed prior to credit approval:

- Satisfactory AML/KYC checks in respect of the Borrowers / Directors / Shareholders
- Clear credit searches against the Directors / Shareholders
- Formal, independent valuation addressed to Proplend Security Limited by a RICS qualified valuer confirming market value of the property.
- Satisfactory completion of all stated security requirements / Report on Title.
- Adequate insurance cover with Proplend Security Limited named as First Loss Payee
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 75% on draw down

Documents

The following documents are available to download via the Loan Request screen:

- A Draft Standard Loan Contract
- The Report On Title and Lettings Report produced by Paris Smith
- A copy of the Valuation Report

Next Steps

If you are interested in participating in this Loan Request and are already fully registered with Proplend then:

Log-in your Proplend Lenders Account, go to Loan Investments

If the Loan Investment is In Funding, pick the Tranche you wish to lend into and click Lend Now. You will be required to enter the loan amount twice and then Lend Now. You then have the option to Lend again into a different Tranche if you wish. A copy of the Loan contract signed by you will appear in the Waiting to Close screen in your Lender Dashboard. When all the Loan Tranches are 100% filled, the Borrower will be invited to sign the Loan Contracts and the final Security documentation will be completed by Proplend Security Limited before drawing down the loan. This may take up to 10 days from 100% funding and you will be kept informed.

If you have any questions, please call us on 0203 379 8290

PROPLEND DISCLAIMER - PLEASE NOTE:

The information provided in this Loan Request is provided solely by the applicant and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Service Website does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at risk.