

Money makes the fan go around

Ventalution is nearing the end of a large contract to install ventilation in 980 apartments in the five blocks of the Riverlight development at Battersea, made possible by the entrepreneurial endeavour of the company's owner and chairman, England Rugby legend **Jeremy Janion**, and the financial support of crowdlending specialist ArchOver.



TWICKENHAM-BASED VENTALUTION, FOUNDED in 2000, specialises in the provision and installation of ventilation systems for residential buildings. It has developed a range of solutions for complying with part F of the Building Regulations, ranging from specifying high performance fans, through to integrated apartment systems, which can incorporate heat recovery systems and central extract systems.

Ventalution's site supervisor Roger Clark has spent the past two and a half years at the prestigious Berkeley Group development right on the south bank of the Thames, between Vauxhall and Battersea. When the job is completed, he and his colleagues will have installed nearly 1,000 Nuair extraction systems in bathrooms, kitchens and HRU cupboards, where the heat exchangers are installed for the heating system, plus several kilometres of plastic ducting.

Says Mr Clark: "This contract has had lots of challenges, particularly because of the very tight ceiling void. We had to share the available space with the electrics, air conditioning ducts and other services. This meant we had to do a lot of careful planning, re-routing and, occasionally, reinstalling."

Company owner and chairman Jeremy Janion says: "It is only when you begin running your own company that you realise that obtaining the right finance is as much part of the ventilation and construction industries as high standards of engineering and a having a good sales organisation. Without having enough working capital, we simply could not tackle massive projects such as Riverlight."

For a company such as Ventalution, while winning a big contract is obviously good news, it also means huge demands on the firm's resources before a penny comes in from the customer. For example, while large contracts such as Riverlight, will have staged payments, it still means that components have to be bought and transport, salary and overhead costs found; all before any payment comes in from the client.

This is where adequate working capital comes in, the lack of which is one of the main causes for the failure of otherwise viable companies.

When Mr Janion wanted to fund the growth of his booming business, the former England rugby international initially turned to the High Street banks,

but their new-found nervousness over lending following the banking crisis, meant they were not prepared to advance the money on acceptable terms.

His other option was invoice factoring, where invoices go through a factoring organisation and his company would have received about 80% of the value straight away, with the factoring company recouping this loan when the invoices become due. This is a fairly standard procedure and many companies take this route.

There are drawbacks to doing this – the cost is obviously high, customers can be chased for late payment by the factoring company, money can be taken back if invoices are paid late and, as with bank lending, personal guarantees that leave homes vulnerable can be demanded.

ArchOver's crowdlending platform uses money from its individual investor clients and lends directly to borrowers, minimising the investment risk by ensuring that each borrower is funded by numerous investors, with each risk a comparatively small amount.

To increase security, ArchOver, on behalf of its lenders, takes a first floating charge over the trade debtors and the borrower takes out credit insurance with ArchOver jointly insured.

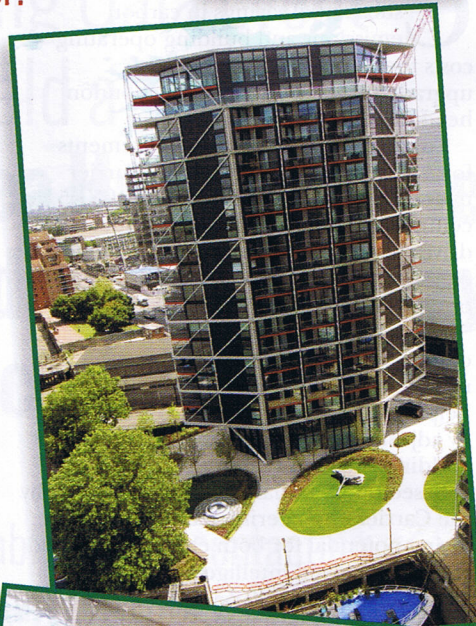
This leaves the rest of the balance sheet free, so borrowers can access other forms of finance should they need it. It also does not demand personal guarantees.

This system provides a higher interest rate for investors than they could get elsewhere, and provides borrowers with lower cost finance with fewer restrictions than elsewhere.

ArchOver's first involvement with Ventalution was the provision of a two-year loan for £300,000, which gave the company the ability to fund major ventilation projects without losing control of the business or risking having the loan withdrawn before term.

Ventalution's sales continued to grow, leaving it in need of additional working capital to meet the new orders, so it turned to ArchOver for an additional £250,000 loan.

Mr Janion explains: "Sales had trebled in 12 months but we wanted cash to fund our debtors' book, which over Christmas rocketed from £375,000 to almost £900,000. The loan has largely alleviated the problem. The cost to the business is



around 12% to include the insurance premium. ArchOver were prepared to loan 80% of our average debtor's book over 24 months. The bank, on the other hand, would only lend us £100,000.

"This approach is safer for the investor by lending against our secured debts – it's very clever."