



Rail Signalling & Power (RS&P)

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The level of one-to-one attention we received was highly impressive. We wouldn't expect that personalised service from a traditional high-street lender. As a result, the jobs of 22 people have been re-created. ArchOver has given this business a real opportunity to grow and reach for new highs.

ArchOver helps Rail Signalling & Power get back on track

Rail Signalling & Power (RS&P) designs, builds and tests components for signal and power control technology across the UK rail network. It used ArchOver to fund the next stage of its growth. At the time, RS&P controlled 40% of the rail signalling supply market and was on its way to exceeding lender expectations. But then the rules of the game changed and Network Rail, which is responsible for maintaining and developing railway infrastructure, slashed its budget.

Traditionally, Network Rail operates in five-year control periods (CPs) and, as we edged closer to the end of the current CP5, cash was tight. Often there are contracts in place, with Network Rail slow to issue purchase orders. No purchase order-equals-no work-equals-negative cash flow and staff redundancies. Such was the fate of RS&P's predecessor MGB Engineering, to which ArchOver facilitated funding. With cash close to exhausted, and no other viable solution in sight, destruction of the business seemed inevitable, and MGB began the process of liquidation. Rather than taking a short-term perspective by calling in its loan, ArchOver recognised there was a greater opportunity, appreciating that

63% of all signals in the UK must be replaced in the next 15 years. In a move that saved the business, ArchOver bought its engineering assets, placed them in a new company owned by ArchOver, novated existing loans to MGB and refocussed the business to concentrate on maintenance contracts.

The support given by ArchOver not only protected jobs but ensured that RS&P could tender for new contracts. It has also safeguarded the return on investment made by the ArchOver lenders who believe in the business and the opportunities presented by the modernisation of the UK's transport network.

A new approach

“ArchOver was immensely supportive when we discussed the situation with them”, said Stuart Morrison, head of commercial at Rail Signalling & Power. “Our previous loan agreement was based on a strong business model, and when the market came to an abrupt halt, normal debtor practice would have been to call in the debt. Instead, the ArchOver team helped us develop the business and employ qualified experts and engineers. With their help, we are turning the new RS&P into a fully approved and accredited supplier of signalling and power products, and aim to become the supplier of choice when the market enters the next control period.”

“The UK’s rail network is in dire need of digitisation to improve efficiency and customer service, not to mention the environmental benefits of a more intelligently-powered infrastructure. There’s still lots to be done in the UK signalling and power market and, with ArchOver’s help, RS&P is going to be at the forefront of that next phase.”

Helping RS&P thrive and survive

“We’ve been very impressed by the professionalism of ArchOver in recognising that the borrower suffers as much as the lender under this sort of external pressure”, continued Morrison. “Their approach was refreshing.”

Simon Hicks of Lameys, the insolvency practitioner which oversaw the process, also commented: “We would think that ArchOver would prefer us to not be needed for the businesses which it has funded, but sometimes even well run businesses encounter unexpected problems. Obviously, ArchOver’s first priority is to protect its investors but, to serve them, it will intelligently consider the alternatives and won’t try to force a square peg into a round hole. In the last six months we have worked on three assignments with ArchOver. The result is three businesses have survived and continue to contribute to the regional economies in the North East, Wales and the South West. Also, over 100 jobs have been preserved.”

Angus Dent, CEO at ArchOver, concluded: “ArchOver’s leadership team comes from an SME background rather than Big Finance. We understand that, sometimes, our borrowers will face challenges that aren’t of their own making. When that happens, and if we believe it’s in the best interests of both our lenders and our borrowers to help the company in question get back on its feet, then we’ll act differently to the mainstream lenders.”

“British SMEs are facing a challenging environment. ArchOver is helping those with a strong business model secure the funding they need to succeed – and ride out the storms they face.”



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