



"Ahead of the anticipated changes to the Capital Gains Tax regime, we saw an influx of Personal Guarantee Insurance related enquiries for Directors buying and selling businesses. Personal Guarantees are often required during M&A activity where leveraged finance is involved."
Keir Cox, Operations Director

£299k

Funding amount

£130k

Personal Guarantee insured

Invoice Finance

Type of loan

£4,500

Annual premium

£120k PGI cover in support of leveraged buyout

Overview to the deal

The Director approached Purbeck Insurance in September as he was considering the purchase of an electrical maintenance and safety business specialising in the paper, steel, petro-chemical and water industries since 1974.

The Director recognised that the business had been somewhat neglected in recent years by the existing management team and saw a good opportunity to acquire the business for good value with a view to restructuring the business to enhance margins. He opted to use an invoice finance line to leverage the day one completion cash for the share purchase against the existing debtor book, a common approach for debt leverage acquisitions, but he wanted to offset some of the Personal Guarantee exposure required by the lender as part of the transaction.

Although the current financial position of the business was less than desirable, the Purbeck Underwriters worked closely with the Director to examine his business plan and we were quickly convinced of the potential of the company with proper management at the helm. The Director purchased the cover on the day of completion and was pleased to have mitigating a significant portion of his risk, particularly as the company would be paying the premium for him.

Interesting facts about the case:

- > Personal Guarantee Insurance can be a innovative risk mitigation tool when using debt to buy a business.
- > The Director will be looking to create a group of companies and will utilise Personal Guarantee insurance in the same fashion.
- > More recently, the Director recently took on further finance to fund the expansion of the business, which the Purbeck Underwriters were able to accommodate by adjusting his current policy.

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