WWD

Restore Capital Steps In With Financing Fixes

The Hilco Global company is in a position to break the COVID-19 logjam in inventory and finances.

By Evan Clark on May 6, 2020

Social distancing has pressured retailers looking to move inventory.

Mary Altaffer/AP/Shutterstock

With vendors and retailers counting every penny in the coronavirus shutdown, it's going to take a little extra kick to get some parts of the supply chain back up and running.

The biggest and stronger players have been able to tap into the bond markets to raise some extra financial cushion, keep the lights on and give suppliers a little peace of mind.

But many more on both sides of the vendor-retailer divide are just scraping by and need extra support, whether it be a bridge loan to the other side or a way to get comfortable shipping into a risky retail world.

In a case of being in the right place at the right time, financial services company Hilco Global launched Restore Capital last year under the leadership of chief executive officer Ben Nortman.

Nortman doesn't have a crystal ball to see how the balance of the year will play out and how the consumer will react in the new retail environment — "If anyone tells you they know, they don't know," he said.

But as part of Hilco, which does everything from liquidate inventory to offer loans, Restore is in an unusual position. It can help ease the flow of goods between vendors and retailers or loan money based on inventory that, if need be, it could sell into the market itself.

So if the factors or insurance companies get too wary of a particular retailer to guarantee payment on shipments, Restore can step in and actually buy the shipment from the vendor and then consign the goods to the retailer.

Restore can also make loans based on real estate or intellectual property, both areas where it has experience and existing networks. (Hilco Real Estate, for instance, is helping the now bankrupt J. Crew Group negotiate with its landlords).

Nortman described Restore's arsenal as "creative and aggressive financing tools to provide capital to retailers and wholesalers to help them bridge business gaps or implement strategic initiatives."

That's a niche that's grown much bigger with the COVID-19 crisis coming on top of the trade war.

Given the "massive interruption in sales" that has come with the shutdown, Nortman said "a lot of the retailers that were on the bubble or were faced with existing challenges — highly leveraged, declining brick and mortar performance or no future strategic niche — all that gets accelerated. Their capital structures, their balance sheets, their businesses can't sustain the disruption."

While it's a situation that has many companies imperiled — J. Crew Group and True Religion have already filed for bankruptcy and more are expected — Nortman said Restore is looking to help build companies back up.

"We're lending for the success story," he said.

That's a sentiment echoed by Ian Fredericks, president of Restore.

"Our goal is to have the company restructure themselves, bridge the gap for their situation and potentially share in the upside," Fredericks said.

In the meantime, a rush of product is coming to the market as companies look to stabilize their finances.

"Just like the retailers are struggling, it ripples all the way up the supply chain," Fredricks said. "Everyone's going to want to move assets to make revenues. The retailers that are really going to thrive are going to be in the off-price. They're going to have their pick of the litter."