CREDIT PAPER · FOR DECISION · COMPOSITE CASE

Highview Industries Ltd — increase to the working capital revolver

REQUEST	Revolver limit from US$2.5m to US$4.0m, an increase of US$1.5m. Annual review, rolling.
RECOMMENDATION	Approve as requested, on existing terms and security. Annual review the only monitoring.
EXPOSURE AFTER	US$9.5m in limits: the revolver at US$4.0m and the term loan at US$5.5m outstanding.
BORROWER	Precision sheet-metal and engineered components, Hamilton. Eleven years trading; an existing client.
ANSWER BY	Within two weeks — the second supply agreement steps up in volume next quarter.

1 · RECOMMENDATION

Approve the increase in Highview Industries' working capital revolver from US$2.5m to US$4.0m, as requested, on the existing security and covenants, with the annual review as the only monitoring. The request is sized to the business's own cycle: 66 days on US$38.0m of revenue, of which the growth of the last two years carries about US$1.8m against US$1.5m asked for. And the accounts show growth rather than strain — margin wider, debtor days steady, operating cash flow positive and rising, and the capacity behind the growth already funded by a separate term loan.

2 · THE BORROWER

Highview makes precision sheet-metal parts and engineered components in Hamilton, and has traded for eleven years. Two three-year supply agreements, both with CPI-linked pricing — one with a dairy-equipment manufacturer, one with a healthcare fit-out group — drove revenue from US$28.0m to US$38.0m over two years. The bank provides its working capital revolver and, since FY24, the term loan for the capacity expansion; every covenant has been met and every repayment made on schedule.

3 · PURPOSE

The increase funds the receivables and stock that the contracted volume carries, ahead of the second agreement's step-up next quarter. It does not fund plant: the expansion was financed in FY24 by the term loan, of which US$5.5m is outstanding and amortising.

The amount matches the arithmetic. On the reading's quick version — the 66-day cycle applied to revenue — a business of US$38.0m carries about US$6.87m of working capital, and the extra US$10.0m of revenue since FY23 carries about US$1.81m. On the strict convention, with stock and creditor days on cost of sales, trade working capital at the FY25 year-end is US$6.18m. Either way the US$1.5m requested is a little under what the growth has already absorbed.

4 · FINANCIAL PERFORMANCE

Revenue rose 36% over the two years, from US$28.0m to US$38.0m. EBITDA margin widened from 11.6% to 12.4% over the same period, so the volume was priced rather than bought, and EBITDA reached US$4.71m in FY25.

The cycle held its shape while the business grew. Debtor days moved from 42 to 44, creditor days from 36 to 38, and stock days stayed at 60: a 66-day cycle in each of the three years. Operating cash flow, after interest and tax, was positive in every year and rose with revenue — US$1.4m, US$2.0m, US$2.1m — the gap to EBITDA being the working capital the growth carried, which is what the revolver is for.

Net profit dipped in FY24, to US$1.62m, as interest and depreciation on the new line came through before its volume did, and recovered to US$2.03m in FY25. Equity rose from US$7.5m to US$10.1m over the two years after dividends of US$1.1m in total.

5 · REPAYMENT CAPACITY

In FY25, EBITDA less tax paid — US$4.71m less US$0.79m, or US$3.92m — covered interest of US$0.64m and scheduled principal of US$0.80m 2.72×.

Pro forma, with the new limit drawn in full all year at an assumed 8.0% — a further US$0.15m of interest — and the term loan's US$0.50m a year of principal from FY26, the same cash covers debt service 3.04×. Total debt at the full limit would be US$9.5m, or 2.02× FY25 EBITDA, inside the facility's 2.5× covenant.

Downside: revenue 15% lower at US$32.3m, margin back to FY23's 11.6%, the new limit fully drawn. EBITDA falls to US$3.75m; debt service is covered 2.53× and total debt is 2.54× EBITDA — just past the 2.5× leverage covenant. That is the residual this paper accepts, and it is named rather than argued away: a fall of that size would also lower the working capital the business carries, and so the revolver drawn against it, which puts the full-limit case on the cautious side; but a covenant at its line is tested at the year-end, not assumed to hold. Debt service stays covered in the same case, so the question it would raise is a reset, not repayment.

6 · SECURITY AND STRUCTURE

Existing and unchanged: a general security agreement over the company's assets, and two covenants — total debt no more than 2.5× EBITDA and interest cover of at least 3.0×, tested on annual accounts. At the FY25 year-end receivables of US$4.6m and stock of US$4.4m stood against a proposed limit of US$4.0m. No borrowing base is proposed: the revolver is sized to a cycle that has held for three years, and the annual review is where a lengthening cycle would show.

7 · RISKS AND MITIGANTS

Concentration. The two largest customers are 44% of FY26 revenue. Mitigant: five three-year agreements with CPI pass-through, together covering 78% of FY26, and both of the largest performing. Residual: the two largest come up for renewal within the next two reviews; that is read at the review, not now.

The step-up. Next quarter's volume has to be produced at the margin already earned. Mitigant: the capacity is built and paid for, and FY25 was the first full year on the new line. Residual: a slower ramp would show as stock days rising before margin falls.

The cycle lengthening at larger volume. Mitigant: debtor days moved two days in two years, and the dairy customer pays on its standard 45 days. Residual: the facility is sized to the cycle as it stands, so drift would appear as a fuller line at the next review, not as a hidden need.

Input costs. Steel moves faster than CPI. Mitigant: pass-through in both agreements; margin widened through FY24 and FY25. Residual: a lag of a quarter or two on a sharp rise.

8 · CONDITIONS

None beyond the existing covenants and the annual review. Each tighter structure considered answers a risk this file does not show: a borrowing base answers receivables that will not convert, monthly aged debtors answer a cycle that is lengthening, and a tightened covenant package answers a margin under pressure. None of the three is present, and each would cost a client with a clean record administrative weight every month.

9 · APPENDICES

A — three years of accounts (profit and loss, balance sheet, cash flow) and the ratios computed from them; B — the facility schedule. Both are the file appendix published with Issue 04, from which every figure in this paper is taken.