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RBS closed one of its most high profile supply chain finance (SCF) transactions in April last year in favour of leading UK supermarket Sainsbury's.

The SCF financing programme is one of the largest to be created in the UK retail sector to date, and it is RBS's largest SCF transaction closed in 2009.

The SCF solution provides liquidity for up to 300 Sainsbury suppliers, both domestic and overseas.

It meets the working capital goals of both the suppliers – enabling them to get paid more quickly by discounting their invoices to RBS – and Sainsbury's as the buyer, by allowing the firm to protect their cash with a payment cycle that reflects their normal terms of business.

In line with the structure of the deal, RBS will be ultimately taking direct credit risk on Sainsbury's with no performance risk on the suppliers.

Andrew Betts, global head, trade finance & supply chain, global transaction services, RBS, elaborates: "The RBS supply chain finance solution provides liquidity for a significant number of Sainsbury's domestic and overseas suppliers. This transaction enables Sainsbury's to reduce liquidity risk within its supply chain and demonstrates continuous support to its supplier base."

He adds: "It confirms the commitment of RBS and its global transaction services division to respond to the working capital needs of UK retailers and their UK-based SME suppliers."

Winning the mandate from Sainsbury's was one of the biggest challenges for RBS as it faced strong competition from rival banks with SCF expertise, such as Barclays and HSBC. According to Betts, the bank won the mandate based on the ability of RBS to provide a reliable source of funding for Sainsbury's key suppliers within a very short timeframe.

Betts adds: "In addition, RBS deal structuring capability and proven solution excellence delivered a win-win outcome for both the bank and the client. RBS's cooperation with third-party IT provider PrimeRevenue was seen as another key reason the bank successfully secured

the mandate and executed the programme.

“RBS’s flexibility in terms of willingness to work with a third party SCF platform provider (PrimeRevenue) was another key influencing factor in the bank’s eventual success with this deal, allowing both Sainsbury’s and their suppliers to integrate our supply chain finance programme seamlessly into their existing front and back office systems, with minimal disruption to their business processes,” Betts explains.

The facility is also in accordance with Sainsbury’s ‘Sourcing with Integrity’ strategy, as the programme demonstrates the supermarket’s commitment to supporting the financing needs of their core suppliers.

Deal information

Borrower: J Sainsbury

Amount: £250mn (initial facility), £50mn (additional facility - November 2009)

Mandated lead arranger: RBS

Technology provider: PrimeRevenue

Law firm: White & Case

Tenor: 360 days (revolving)

Date signed: April 8, 2009