



INVESTMENT CASE STUDY



TRANSFLEX VEHICLE HIRE LIMITED



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INVESTMENT OVERVIEW

TYPE	Start up
DEAL SIZE	First round: £1.25m Second round: £0.75m
EQUITY REQUIREMENT	100%
STRUCTURE	Equity investment in ordinary shares
TARGET RETURN (OVER THREE YEARS BASED ON PLAN)	Internal Rate of Return ('IRR')*: 34%
LOCATION	Stockton on Tees
WEBSITE	www.transflexrental.com
COMPLETED	First round: December 2011 Second round: January 2013

*for further information on IRR please see *Glossary of Terms*, available on the Club website at: www.chelvertonic.com/glossaryofterms

INVESTMENT SUMMARY

The economic downturn in 2008 had a big impact on companies in the Light Commercial Vehicles ("LCV") market. Many leading operators, such as TLS and Leaseway, withdrew from the market completely whilst the largest LCV company Northgate, cut investment in its fleet. However, at this time many customers, who had been extending the life of their LCV's, were now having to look at buying replacement vehicles. There was, therefore, considerable potential for a new operator to capitalise on these changing market conditions by offering flexible rental contracts as an alternative to buying vehicles outright.

Chelverton were particularly impressed with the Transflex business plan and its management team - Managing Director, Peter Abdale, and Chairman, Steve Smith - who had many years' experience as senior directors of Northgate and know the market well.

Flexible rental contracts account for around 5% of the total LCV market, which is estimated to be 3.2m units. Peter and Steve see this as a growing market, as due to the current economic climate, customers are unwilling to commit capital to an outright purchase, or fixed term rental.

Transflex's business plan focuses on building up a LCV rental fleet quickly. Vehicle funding is primarily through asset finance, with the 'equity' in the vehicle being funded from profits and equity capital. Based on existing market conditions, Transflex projects that its profit before tax will more than double in 2013 and more than triple in 2014 (year-end 31 December).

ABOUT CHELVERTON ASSET MANAGEMENT

Chelverton Investor Club is managed by Chelverton Asset Management, an established and expert investor in quoted and unquoted SMEs, and which is regulated by the Financial Services Authority ("FSA"). Chelverton was founded in 1998 and is still owned by its employees. It has an office in Bath, where the Private Company Team are based and an office in London from which the Public Company Team operate.

In December 2012 funds under management amounted to more than £140m. These include Chelverton UK Equity Income, one of the top three funds in the UK Equity Income sector, and the Chelverton Growth Trust plc, winner of the 2011 PLC Best Performing Fund award, which has achieved a 39% return for investors two years running (2011 and 2012).

Chelverton has invested more than £45m in 13 unquoted companies on behalf of investors since 2005.

