Customer

For more than 50 years, Desco Floor Systems has been providing custom commercial floor coatings for industrial, food service, automotive, healthcare and other establishments. The company focuses on epoxy coating and concrete polishing and has important long-term partnerships with several nationwide automotive groups as well as a healthcare facility ownership group, providing flooring services for all locations. Current owners Lee and Jody Reasor purchased the business in 1993 and now employ nearly 50 professionals, recording almost $10 million in revenue in 2017—nearly double the figure of just five years ago. The Reasons’ successful growth philosophy is to pursue clients rather than projects, ensuring a steady flow of work as clients expand their operations.

Desco’s employees handle everything from administration and sales to service and installation, with no subcontracting of work. No matter where the job, the team of approximately 32 installers travels to the site with materials and completes all phases of the work. Several members of the sales team cover the commercial floor bid market, while the rest focus on landing large clients and establishing long-term contracts. The company offers a wide variety of products and colors for any environment, whether new construction or renovation, and also offers the ability to custom create anything the customer wants.

Challenge

Desco had been growing at a relatively slow to moderate pace from 1993 until 2009, when the company first brought its offerings to the automotive space. That is when the company established a formal relationship with Penske Automotive for all of that group’s locations, increasing its visibility in that particular market and driving growth among similar prospects. Similar agreements with CarMax, Hendrick Automotive Group and Manheim Auto followed, sales began to soar and the ranks of employees began to swell. With more work came an increase in inventory and materials, which drove receivables to a level that was not sustainable under the current cash flow situation.

Success summary

Company: Desco Floor Systems

Industry: Flooring contractor

Business challenge: Enable continued growth

Loan purpose: Refinance debt and improve cash flow

Loan solution: SBA 7(a) term loan and line of credit
Looking to consolidate and better manage those receivables, Desco leaders turned to a local entrepreneur and family friend, who provided long-term debt funding under a formal agreement. This arrangement served the purpose and freed up receivables for operating capital until last year, when leaders realized the time had come to secure bank financing that would help fund the operations and growth that would continue to ensure Desco’s bright future.

"I would recommend KeyBank to anyone because they focus on the personal relationship, which made the experience so easy. It can be stressful and there is a lot on the line, but with their help I learned that the banking process doesn’t have to be a nightmare."

– Mark Verry, VP and CFO, Desco Floor Systems

Solution

Once the decision was made to seek out a banking partner, Desco’s vice president and CFO, Mark Verry, leveraged a connection he already had with a local KeyBank representative to set up a meeting. They looked at other banks as well, but ultimately it came down to the comfort level and trust Desco leaders had with their KeyBank Relationship Manager. As Verry noted, “People still deal with people,” and making a connection that feels right was a very big part of the selection.

In initial meetings with Desco, KeyBank analyzed the current needs of the business and looked at what the owners wanted to accomplish in the future. As a Small Business Administration (SBA) Preferred Lender, KeyBank is able to offer a range of loan options that address the need for immediate capital or longer-term lines of credit.

In the end, Desco secured both an SBA 7(a) loan and an SBA line of credit that enabled the company to refinance its balance sheet and enjoy more free cash flow. The terms of the loan were more favorable than what they had been paying to their family friend, and the company was able to invest these funds back into the business to continue to grow.

Results

The almost 100 percent growth Desco has seen over the past five years looks to be continuing into 2018, as results are already 25 percent ahead of last year. Having the new funding sources makes it easy to acquire new equipment as needed and cover weekly payroll, taking the stress out of daily operations. And because a majority of the work is still in new construction, the loans will also make it easier to maintain cash flow through the slower winter months. The line of credit hasn’t been needed yet, but Verry feels good knowing that he can rely on it if business slows for a period or if customers fall behind on payments.

Since securing the SBA loans, Desco has moved all its accounts to KeyBank and also has taken advantage of KeyBank’s Key2Purchase commercial credit card program to better manage the expenses of employees who are on the road serving customers. Company leaders are looking forward to working with KeyBank as they continue to expand and grow, feeling confident that their KeyBank Relationship Manager and supporting team understand their needs and will be there every step of the way.

To learn more, contact a local KeyBank Relationship Manager or visit key.com/business.