

# SUSTAINABLE SUCCESS

How Pact achieved **30% growth** with eCapital.

Pact is the leading sustainable eCommerce-based brand in North America. With a deep commitment to sustainability and organic practices, Pact has captured the attention of conscious consumers across North America. Drew Cook, CFO of Pact shares the company's journey, their unique approach to sustainability, financing needs, and the partnership with eCapital that has fueled their growth.



Interview with **Drew Cook**, CFO of

Drew, can you share some insights about the business, your focus, and where you see the company heading?

"Pact has been in the apparel industry since 2009. Our core focus is women's apparel, sold predominately through our website. We also have a wholesale business through a partnership with Whole Foods Market, and we're currently their largest apparel brand," Drew explains. "Today we've established ourselves as the fastest growing organic cotton apparel brand in North America. And while most of our sales are focused on women, we do have a small men's business as well, and a small home business where we make sheets and towels."

100% of our products come from a certified organic factory, and all our practices are aligned with organic standards. In fact, almost everything that we make is Fair Trade Certified. We believe that our key differentiator in the market centers on sustainability with in-depth structure in place to support that, and industry certifications to back it all up. By comparison, a lot of other brands will do capsule collections within their overall lines that are made with organic

cotton, but our entire lineup is centered around certified organic cotton. Our raw materials come from certified organic mills in India, apart from our towels, which come from Turkey."

**Impressive! Sustainability is certainly a hot topic these days. How do you feel about the increasing competition in the organic cotton space and in the sustainability front?**

"It's true, there's more competition, but we're fortunate to have a head start with 13 years of experience, and continuously updating and aligning our approach. While other brands dabble in organic cotton, our entire lineup centers around it, making us unique in the market. We haven't seen anyone else who is doing it as holistically and as comprehensively as we are."

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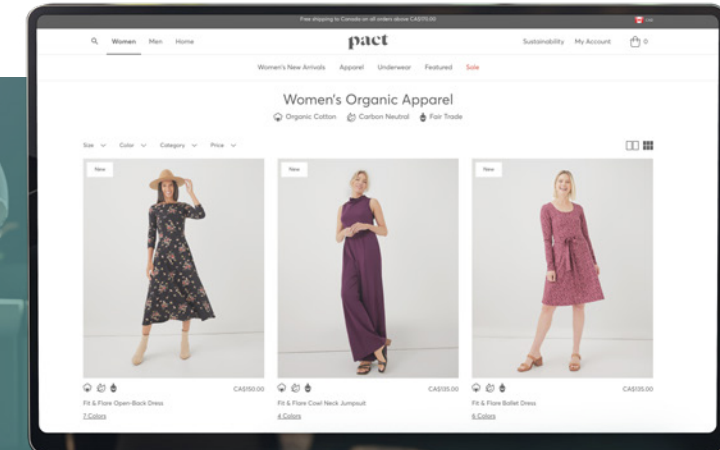
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**Your dedication to sustainability is commendable. Can you share a little bit about the financing side, and how eCapital has helped support your business?**

“At a high level, we have an asset-based lending (ABL) solution with eCapital. As an e-commerce business, our accounts receivables are relatively low, and so our ABL solution is primarily based on the value of our inventory. This structure is relatively similar to what we’ve had with previous lenders. eCapital is the fourth lender I’ve worked with during my time here at Pact, so we’ve had a fair amount of exposure within the ABL space.

But where eCapital goes above and beyond what we typically see, is their willingness and ability to provide additional availability within the borrowing base. This is exceptionally valuable to an eCommerce-business like ours. They

essentially enable us to access additional funds that are backed by scale. We received some additional liquidity to cover the working capital tied to credit card processing and the lag in receiving those funds.

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The additional financing in our eCapital borrowing base now makes up about 40% of the total loan structure. Our

borrowing base is essentially 80 to 90% larger than what it would have been. In my opinion, this creative approach was super helpful given the way our business is structured and is also unique to eCapital.”

**How has the financing landscape evolved for Pact over the years, and how has eCapital differentiated itself from other providers?**

“Our financing needs have evolved as we shifted our focus from wholesale to eCommerce. Initially we had a more traditional ABL loan when our business was primarily wholesale-based, relying heavily on accounts receivable financing. In those early years, we were 85 to 90% wholesale. That’s a little bit more straightforward from a financing side because we were carrying so much in accounts receivable every month. As we recognized a new online

opportunity and transitioned into direct-to-consumer, we needed a financing partner who understood inventory financing and was more comfortable structuring their ABL around the valuation of our inventory.

As we worked through that shift in our focus towards a direct-to-consumer eCommerce platform, we refined our approach, elevated our marketing, and fine-tuned our product mix. From there our business really took off. Since then, we’ve had very encouraging growth... last year alone for example, on the heels of COVID, we grew about 30%. This year, we’re projecting to grow an additional 25 to 30%.

As that surge in growth occurred, we needed faster access to additional working capital, and this is where eCapital really stood out. Their unique approach and the additional borrowing components, specifically the e-commerce component, were

real differentiators that helped us significantly increase our capital availability and limit the need to raise additional equity. That represented a major boost in our financial model and a real differentiator with eCapital.”

**Have you always worked outside the traditional banking space, or did you switch from bank to non-bank funding at some point?**

“We’ve always worked with non-traditional lenders.. Back then, we simply weren’t profitable, so, looking for an inventory based ABL solution within the bank space was very difficult. We found that banks had very traditional, rigid lending standards. They didn’t necessarily have as much of an appreciation, or interest in what unrealized growth could look like, and so they seemed far less inclined to help finance a growth business.”

**Was the big point of differentiation for you the ability of an alternative lender to figure out how to make it work with the resources that you had available?**

“Yes, that’s it, exactly.”

**When you moved to eCapital, how was that transition?**

“The team at eCapital has been exceptional. They were very committed to getting to know our business and getting to understand what makes Pact unique. In fact, we just executed a renewal about a month ago. And with that renewal, we saw that eCapital was able to expand our overall availability. We’re able to work together to get an improvement in some of the borrowing base formulas and we’re also doing it at a cost that’s lower than what we were paying before. So, I am the biggest fan of the transition because it’s paid off for us in several significant ways.”

### Can you share some direct impacts that the additional working capital from eCapital has created for Pact?

“The additional working capital provided by eCapital has been transformative for us. In today’s equity markets, growth businesses face challenges, and raising equity might not be the best option. By securing debt financing through eCapital, we’ve been able to continue our rapid growth without diluting our investors’ interests. I would say that the biggest win for us was the additional availability of capital that they were able to create, and avoiding raising equity during a time when it might be highly dilutive. This flexibility and support have been invaluable to our business.”

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### How would you describe the relationship between Pact and eCapital?

“Our relationship with eCapital has been exceptional from the start. They took the time to understand our business,

a willingness to look beyond just the numbers and have been committed to supporting our growth. It goes beyond a transactional partnership; they genuinely care about our success.

You know it’s been about two and a half to almost three years that we’ve been working together and during that time, not everything in our business has been smooth. We haven’t always had great performance. From an eCommerce perspective we’re still an early-stage business. Like most businesses, we hit bumps in the road, and I think that’s where you really get to understand and appreciate the difference between having somebody who has a transactional relationship with you, and somebody who’s truly a partner.

Even during challenging times, when our performance wasn’t at its peak, the eCapital family has always proven to be constructive and supportive, working closely with us to find solutions. For example, if we have a month that doesn’t meet projections, they are very interested in understanding why that happened and they want to work with us on it. And so, for us, it feels very partnership oriented... like there was an interest in understanding the credit and a willingness to help support our growth.

We feel like we have a true partner in eCapital, one who believes in our vision of where we want to take the business and helps us achieve our goals.”

### Based on your experiences, what advice would you offer to others seeking a lending partner?

“When considering an alternative lender, like eCapital, it’s crucial to view it as a partnership rather than just a financial transaction. Treat it as if you’re bringing on an equity investor who can positively impact your business’s growth. They should be able to understand what happens in either very good times or very bad times.

Make sure you understand that it’s a relationship you should be building and not just money you’re taking. Look for a lender who understands your vision, appreciates unrealized growth potential, and aligns with your long-term goals.

Building a strong relationship from the bottom up and maintaining open communication is key to a successful partnership. Choose a lender who sees beyond the numbers and invests in your business’s future.”

In conclusion, the partnership with eCapital has proven to be a gamechanger for Pact. By aligning their needs with creative financing solutions from eCapital, Pact has been able to achieve remarkable growth and continue to build a more sustainable and fashionable future. 🍷

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