

HANDCRAFTED EXCELLENCE AND CREATIVE FINANCING

How Pegasus Foods overcame financial challenges with eCapital.

In Rockwall, Texas, Pegasus Foods, a frozen food manufacturing company, operating out of 135,000 square foot plant, has become a powerhouse in handcrafted frozen appetizers and desserts for food service and retail grocery companies, including some of the largest retail and restaurant chains across the United States. What sets Pegasus Foods apart from its competition is not just their emphasis on hand-made and premium quality products, but also their commitment to culinary ideation and strong product research and development support teams, which elevate the dining experience for their customers.

We had the pleasure of speaking with Vicki Kraft, the CFO of Pegasus Foods, to learn about their journey, the financial challenges they faced, and the exciting future ahead.



Interview with **Vicki Kraft**, CFO of



Vicki, could you share with us a glimpse into the story of Pegasus Foods?

How did the company evolve over time, and what financial hurdles did you encounter along the way?

“Absolutely,” Vicki begins. “Pegasus Foods was founded by a Greek family renowned for their expertise in crafting phyllo dough. Their culinary journey began when they started producing spanakopitas for a retailer. They were operating out of Los Angeles, and if you know anything about the West Coast or the East Coast from a labor perspective, it’s very expensive to do business in LA. As labor costs on the West Coast began to soar, the family made the decision in 2018-2019 to move their operations to Dallas, TX. This strategic move not only brought them to a more affordable labor market, but as the national brands continue to have distribution on both coasts, it just made sense to have a production facility in the middle of the US.”

But relocation came with its own set of hurdles. She continues, “Although the move brought immense potential, it also brought significant challenges. With only the daughter of the

founders accompanying the relocation, the company lost a lot of corporate knowledge. They found themselves in a position where they needed 800 people to achieve the same volume and quality that our original 400-person team achieved in LA. Everyone was new and there were a lot of inefficiencies. The entire production line had to be redesigned, and they had to invest time and resources into retraining the workforce. And so, with that, the company faced financial strain, and as a family-owned business, they reached out to a private equity group for assistance. Now, as with many moves like this, with the huge cost of transition, in a fairly short period the company landed in financial trouble. The private equity group was able to provide some assistance, but then the challenges of the move were compounded when COVID hit. It was just kind of a disaster.”

Amidst these challenges, Pegasus Foods found a silver lining. Some of their in-demand products saw a surge in popularity during the isolation months of the

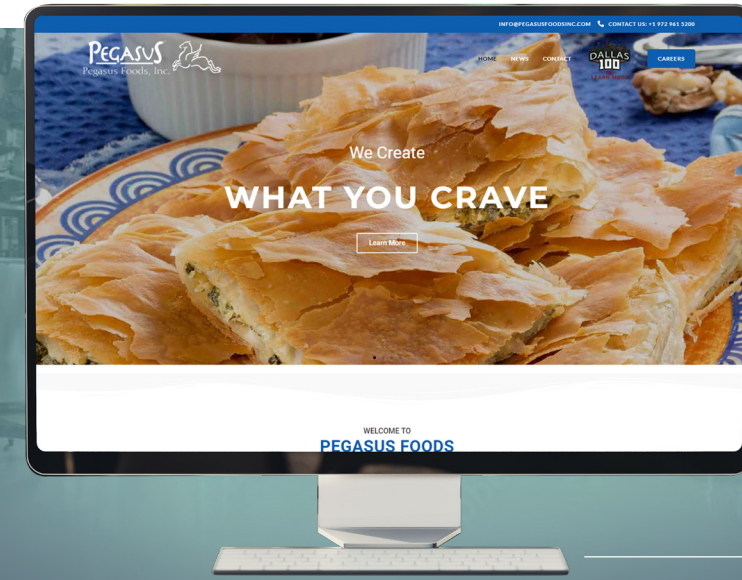
“ I CAN CONFIDENTLY SAY THAT MY COLLABORATION WITH eCAPITAL HAS BEEN THE BEST BANKING RELATIONSHIP I HAVE EVER DEALT WITH. ”

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pandemic. Vicki explains, “Fortunately for us, some of our SKUs, like Chinese cuisine, were a great fit during the COVID isolation months. It traveled well and delivered well. And so, we always had demand, but conversely during that time frame we also had to spend a lot of money to ensure that our employees were safe. And that was the origination story for our current operations. It almost felt like we were going back to a startup because it was all new talent, new processes, and new facilities. Thankfully,

we managed to retain our loyal customers and products, but with the unexpected increased costs associated with maintaining our premium quality standards, the company had to make some substantial changes. That’s when, in 2021, a new management team, including myself as CFO, joined the organization.”

And what was your assessment once you had an opportunity to review the situation?

“My initial assessment of the situation, I won’t deny that it appeared to be an uphill battle. We began by scrutinizing our SKU lineup and delisted those that failed to contribute to the bottom line. Focusing on our top ten SKUs, which generated substantial revenue, allowed us to streamline operations and improve profitability. However, on the financial side, one of the first things we had to do was

refinance our loan and find a lender who understood the complexities of our turnaround situation, and a partner who would be flexible with some of the unknowns that we were facing.”

What was your process to find the right financial partner for Pegasus Foods?

“We knew that come November 2021, we wanted to end our relationship with our bank because of the restrictions that were put in place on the lending front. We were restricted in the ways that we could use our own cash. Now, understandably, those restrictions were driven from the history of where we came from. As we explored our options, we were determined to find a partner who truly understood our business and the risks associated with our journey. Our thought process was really driven by... here’s our story, here’s what our needs are

and how quickly we think that we can get to cash flow positive. What do you think? How can you help us?

We looked for someone who was willing to be part of our story, and during our conversations with potential partners, eCapital emerged as a standout choice. The eCapital team wanted to know our story. They wanted to understand our needs and how quickly we could reach a better place in our journey. The team came out to tour our facility and immersed themselves in the nuances of our manufacturing process. They wanted to understand exactly what products we were making and how we were making them. And beyond the ongoing process, they wanted to know what equipment we would need to purchase to get us to that growth side of turnaround. And through all of that, they were focused on assessing how quickly we could get to a better place in our story.”

How was that transition switching from a bank to a specialty lender, and how did you make that decision?

“Collaborating with eCapital to secure our partnership in November 2021 was a lifeline for us. When we first spoke to eCapital about Pegasus Foods, our barrier to entry, our expertise and what our customers were looking for, they quickly realized we had a good story to tell, but just needed better financial support to get there. They stepped in to fund our turnaround and provided much-needed support during the challenging initial phase of our relocation and associated financial strain.”

Having navigated through those challenges, what lies ahead for Pegasus Foods?

“Well, coming out of that into 2021, we really needed 2022 to be one of those years where we

developed a very sound strategy going forward. We were able to start that process because eCapital helped us fund the turnaround. Their flexibility and understanding of our unique circumstances set the stage for our strategic planning in 2022. It created the essential window where we could just pause and explore what the future of Pegasus Foods looked like, how we move forward and grow quickly. It provided us with what we needed to develop a comprehensive growth strategy for the future.”

Vicki shares how the assistance provided by eCapital extended beyond the initial funding, allowing Pegasus Foods to fuel their growth, and overcome the financial hurdles inherent in the industry. “On the other side of the turnaround, we found ourselves in a position to pursue growth. However, being a food manufacturer comes with a cash cycle that can take up to 45 days, from purchasing raw

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materials to receiving payment from customers. This is where we were so fortunate to have eCapital as a partner to help us bridge that gap and fund our growth. The flexibility and strategic benefits of our asset-based lending (ABL) solution with eCapital have been instrumental in our growth and success.”

After working with traditional banks for many years, what was it like to work with a specialty lending team?

Delving deeper into her experience working with eCapital, Vicki emphasizes the distinction between specialty lending organizations and traditional banks. She explains, “David Holland, our credit partner at eCapital, has been an incredible asset. His commitment to understanding our business extends far beyond the usual scope. He visits our plant, walks the floor, and witnesses firsthand the manufacturing process and the equipment we have acquired. Overall, I can say it’s a great relationship. It’s an incredibly comfortable and fruitful relationship, where we can bounce ideas off each other and collaborate on funding decisions. This level of engagement is something I had never experienced with traditional banking partners.”

I understand that you have additional new projects from time to time that require support. How does that work?

“We have two funding mechanisms with eCapital. We

have an ABL solution that we lend against with the revolver and then we also have a Capital expenditure (Capex) loan that

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we can draw against that was included in this funding package. Both were part of the initial recommendation from eCapital to us. When we use the Capex loan component of our credit facility to acquire the necessary equipment to propel our expansion, they don’t base it on collateral security. It’s based on the identified potential that eCapital is helping us realize. The multi-faceted funding mechanisms from eCapital have played a crucial role in our journey to success.”

Now that you’ve had an opportunity to build this new working relationship with eCapital, how does it compare to your past experiences with other providers?

Comparing her experiences with traditional banks to her collaboration with eCapital, Vicki expresses her newfound appreciation for specialty lenders. “Initially, I was hesitant about partnering with a specialty lending organization, as I had primarily worked with larger banks in the past just

because I thought it would be a bigger pool that we could pull from. I always felt they would be able to take on more risk because of the diversity within their portfolios. But now that we have gone through the process, I’ve come to realize that when you look at a specialty financing partner, there’s a lot more growth that we can pursue, because they’re able to meet certain needs much easier. Areas where I can see now that the bigger banks would have a lot more red tape to go through to get to the same outcome.

Once I began working with eCapital, my preconceived notions were shattered. Their ability to comprehend our specific needs and provide tailored solutions exceeded my expectations. The agility and responsiveness they bring to the table are unparalleled. I can confidently say that my collaboration with eCapital has been the best banking relationship I have ever dealt with.

Vicki continues to elaborate, “Typically, there’s a lot of pressure on an organization to answer questions either about forecasts or performance, or even just questions around innovation and what that means and how much that would return on the investment. And typically, I haven’t seen partners come out to tour facilities and have conversations with operations. I haven’t seen partners wanting to really understand the manufacturing side or the operational side of our business. To me, that has been the biggest difference. I’ve just never seen a banking partner want to come out and

talk to operations. It all goes back to the frame of reference. This is what I knew (before I started dealing with a specialty lender) and I really had no idea what they could offer. And now this is what I know, and it’s so much more than I expected.”

Do you have any advice for others considering using a specialty lender versus a bank?

Drawing from her personal journey, Vicki offers valuable advice to those considering a specialty lender over a traditional bank. “My advice would be to approach the decision with an open mind, While many CFOs seek diversity and expansive credit facility options, it is crucial to recognize that specialty lenders possess unique expertise and can fulfill specific needs with greater ease. They are nimble, well-versed in industry nuances, and more attuned to the demands of turnaround situations. eCapital has proven to be an extraordinary partner. The knowledge that came with the relationship, and the willingness to work with us and learn our business has built a solid partnership that has empowered us to successfully grow.”

As our conversation with Vicki Kraft concluded, we are left inspired by the story of Pegasus Foods. Their journey serves as a testament to resilience, adaptability, and the power of strategic financial partnerships. With eCapital by their side, Pegasus Foods is ready to take the industry by storm, serving up their handcrafted delights to an ever-growing audience. 🍷

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