

RETAIL FUEL GUARANTEES

The Cash flows of any business is one of the key building blocks to the success of a business. The service station business is not exempt from the ever-demanding cash required to maintain the adequate stock levels to ensure uninterrupted trading and to be compliant with the fuel companies' requirements. The constant fluctuation in the oil prices, and the rise in fuel prices can have an immense strain on the cashflows of the service station business.

The retailer no longer has to offer one to one security to a bank to provide the fuel company with a guarantee because the Retail Fuel Guarantee product has become an accepted alternative to a bank guarantee.

To trade on 'hard cash' with the fuel company means that you need to pay for a load of fuel before you can receive the fuel. Having a guarantee in place allows the retailer to order a load of fuel, receive the fuel and only pay a day or two later which would have a significant impact on the cashflows of the service station business.

Apart from many other benefits, the retailer pays a monthly premium for the guarantee, which is an operating expense to the business. The monthly premium is a calculated percentage of the guaranteed value, and it could differ based on the risk profile of the service station business.

Please contact your broker for a quote or email timothyp@ua.co.za