

DISTILLERS INDUSTRY INSIGHTS

Turning Inventory Into Growth Capital: Secured Finance for Spirits Companies

BY THE SECURED LENDER

For distillers, importers and distributors, growth can create a cash-flow challenge long before it creates a profitability problem. Asset-based lending (ABL) and factoring can unlock liquidity from assets already on the balance sheet, including aging barrels, bulk spirits, finished goods and receivables, to help businesses fund production, new-market expansion and strategic opportunities.

A spirits company may have a successful brand, growing distributor demand and valuable inventory yet still be short of working capital. Cash goes out early for ingredients, distillation, barrels, packaging, freight and sales support, while cash from finished-product sales may arrive months—or, for aged spirits, years—later.

Secured finance can align financing with that operating cycle. Rather than relying principally on trailing earnings or conventional financial covenants, ABL evaluates eligible collateral such as accounts receivable and inventory and, in appropriate structures, other assets. Factoring converts invoices into cash more quickly after product has been sold. Used independently or together, these solutions can provide liquidity when a spirits company needs it most.

The Challenge: Valuable Assets, Delayed Cash

Every segment of the spirits industry faces some version of this challenge. A craft whiskey producer may invest heavily in distillation and barrels, then wait four to six years before inventory becomes finished product and generates meaningful revenue. A tequila importer may need to place large overseas orders months before bottles arrive in the United States. A regional distributor may carry substantial inventory while waiting 60, 90 or more days for customers to pay.

In each case, the balance sheet may contain meaningful value, but that value is not immediately available for payroll, supplier purchases, marketing, new product launches or expansion. That is where an asset-based facility can make a difference. The question becomes not simply, “What did the company earn last quarter?” but also, “What assets does the company own, how liquid are they and how can their value support borrowing capacity?”

Aging Barrels Can Be a Financing Asset

The value of ABL is especially clear in aged spirits. Unlike ordinary inventory, whiskey and other maturing spirits may become more

valuable over time. The product is developing into a higher-value asset as it ages, yet many conventional financing structures are not designed around that long production cycle.

A well-structured secured facility can recognize the importance of aging inventory. Barrels and casks may represent a major share of a distiller’s enterprise value even though they will not produce finished-product revenue for several years. A lender can evaluate inventory composition, age, storage, insurance, marketability and appraisal value as part of a broader collateral analysis.

The borrower benefit is straightforward: an ABL structure may allow a company to turn a portion of aging inventory value into working capital. That liquidity can support continued production, expansion into new states or distributor relationships, bottling and packaging, marketing, raw-material and barrel purchases, and branded, contract-distilled or private-label programs.

Real-World Examples: What Secured Finance Can Do for a Spirits Business

Publicly reported transactions show how these structures can work across the spirits industry—from emerging brands to large established producers.

- An emerging canned spirits brand received a \$1-million senior secured facility supported by inventory, receivables and purchase orders. The financing helped fund supply-chain needs, marketing and logistics as the company scaled. For a growing brand, the lesson is that a facility can provide working capital before growth is fully reflected in cash flow.
- A Texas distiller received a \$10-million asset-based revolving line of credit and term loan to support working capital and continued growth. The company produced its own spirits as well as white-label products and sold into dozens of states and international markets. This illustrates how ABL can support a producer as distribution, product lines and manufacturing activity expand.
- A California wine and spirits producer obtained \$4.5 million of combined ABL, purchase-order financing and term loans. The \$3.9 million A/R and inventory line made finished goods and bulk wine and spirits eligible for borrowing purposes. The transaction is particularly relevant for producers whose inventory is aging while they simultaneously need capital to support future sales.
- A premium wine and spirits producer secured an asset-based growth-capital facility to provide working capital for continued U.S. and international expansion. The transaction demonstrates that ABL can be a growth tool for established premium brands, not simply a financing option for companies under financial pressure.
- An alcoholic beverage producer and distributor secured a \$78-million senior secured facility to refinance existing debt, provide additional liquidity and support future growth. The business produced distilled spirits and ready-to-drink cocktails through private-label, contract-manufacturing and branded-product channels. The example shows that secured finance can scale to the needs of a diversified, established spirits operation.

■ At the larger end of the market, a major distilled-spirits producer refinanced into a \$300-million revolving credit facility, replacing a \$ 150-million facility and increasing available capital by \$150 million. The facility included an accordion option that could increase availability; in 2025, the revolving facility was subsequently increased to \$500 million. The takeaway for larger producers is that secured revolving credit can provide significant flexibility for strategic growth and acquisitions.

■ An SFNet case study of a whiskey-focused business illustrates another possibility: a financing structure can be designed around the distinctive economics of the whiskey industry, including inventory and the long period required for spirits to mature. The objective was to create a capital structure that could grow with a business whose assets and cash-conversion cycle do not resemble those of a conventional manufacturer.

Together, these transactions show that the opportunity is not limited to one size or type of spirits company. Similar financing principles can apply to a craft distiller building inventory, a growth-stage producer expanding distribution, an importer funding large orders, a contract manufacturer taking on new programs or an established producer seeking substantial liquidity for growth or refinancing.

Financing Growth Across the Industry

ABL is not only a solution for small or emerging distillers. It can also support established manufacturers, importers and distributors whose working-capital needs rise with scale. Adding SKUs, entering new markets, launching an RTD line or taking on a major retail program can require more inventory, packaging, production and exposure to distributor payment cycles than internally generated cash can support.

For a manufacturer, borrowing availability may be based on eligible receivables, finished goods, raw materials and—in certain situations—aging or bulk inventory. For an importer or distributor, the borrowing base may be driven primarily by inventory and invoices due from creditworthy customers. The result can be a facility that grows as the eligible asset base grows.

This model can be useful for geographic expansion or national distribution; new brands, line extensions or RTD launches; private-label and contract-manufacturing growth; acquisitions; refinancing; turnaround or operational-improvement initiatives; and seasonal inventory builds ahead of holidays or major retail programs.

Where Factoring Fits

Factoring addresses a different, but equally important, challenge: the delay between a sale and collection. Once product has shipped and an invoice has been issued, a spirits company may still wait weeks or months for a distributor, retailer, restaurant group or other customer to pay. Factoring can accelerate the cash-conversion cycle by allowing the company to sell eligible receivables to a factor and receive an advance against invoice value.

The company receives cash sooner while the factor collects payment from the customer. When the customer pays, the factor releases the remaining reserve, less its fee. For a rapidly growing importer or distributor, factoring can be useful when a major retail opportunity requires inventory purchases before prior shipments have been collected, or when customer payment terms are longer than supplier obligations.

A typical growth cycle is: Purchase order → Inventory purchase → Product shipment → Invoice issued → Factoring advance → Cash available for the next order.

Factoring may stand alone for businesses with strong receivables, but limited inventory borrowing capacity, or complement an inventory-based ABL facility. In a combined approach, one financing source supports product before it sells while another helps monetize the receivable after the sale.

Matching the Facility to the Business

No two spirits companies have identical financing needs. A craft distiller with a warehouse full of maturing whiskey has a different collateral profile from a wine and spirits importer selling to national retailers. An established producer with private-label operations and international distribution may need a larger, more flexible facility than a regional distributor managing seasonal inventory swings.

The right lender will do more than apply a generic formula. It will understand the company's route to market, aging cycle, customer concentration, inventory profile, supplier relationships and strategic objectives. That industry-aware underwriting matters in spirits, where collateral value, liquidity and timing can vary considerably by business model.

A More Strategic View of Liquidity

Secured finance is not simply a fallback option for businesses in distress. For many spirits companies, it can be a strategic capital tool—turning operational assets into usable liquidity and providing flexibility during growth or change.

A distiller's barrels, an importer's warehouse inventory and a distributor's receivables are the assets that drive the business. When financing is structured around those assets, companies may be better positioned to invest in production, pursue new opportunities and manage the gap between making a product and getting paid for it.

For spirits executives, the key question is not whether there is value in the business. It is whether the company's financing structure recognizes that value—and puts it to work. ■

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