THE ANATOMY OF A DEAL

Relationships, Industry Expertise, and Big-Picture Focus:

How Hedaya Capital Helped a Woman-Owned Business Navigate a Crossroads

BY ALFRED HEDAYA

A successful transaction is about more than a financial snapshot in time. While P&L statements and mitigating risk are important, success lies in building relationships, developing innovative solutions, and assessing a company and its future holistically. The Hedaya Capital Group exemplifies this approach with its interactions with entrepreneurs.

Combine a determined, creative woman who has been designing shoes since she was 16, the Company she launched from her studio apartment, and 25 years of success. Add in a financial hiccup and a lender exiting the relationship. That could be a recipe for tragedy, unless you know The Hedaya Capital Group.

From day one, the founder's mission was to empower and inspire women through products designed to reflect their confidence, purpose, and strength. She built relationships with overseas factories, mentored designers, and cultivated distribution channels. The Company partners with a few select major retailers such as Target and Walmart, as well as through e-commerce sites, and is now one of the largest female-founded private label footwear development companies in the U.S. Her designers work closely with their clients' merchandising departments to develop unique designs tailored to each client's customer demographic. The business has delivered consistent year-over-year revenue growth and is projecting $70 million in sales for 2026.

But despite consistent growth, a combination of post-COVID disruption, rising payroll costs, tariffs, elevated operating expenses, and margin compression created a working capital squeeze. Factoring had long been a foundational solution, but its existing factor sought to exit the relationship. Knowing of The Hedaya Capital Group's expertise in the apparel industry, the factor reached out to Louis G. Barone, Hedaya Capital's senior advisor.

The Hedaya team, including myself, Barone, and Michael Stanley, visited the Company's headquarters to evaluate the opportunity first-hand. Rather than focusing solely on historical financial performance, our team spent time understanding the company's operating model, customer relationships, sourcing strategy, and growth objectives.



ALFRED HEDAYA
The Hedaya Capital Group

We believed in the Company's founder and management team, their turnaround plan, and the underlying business's fundamental strength and decided to step in and replace the existing lender.

"The owner wanted a factor who understood the industry and could simplify the financing process so she could stay focused on growth," Barone said. "By making a few process adjustments, we were able to deliver a seamless experience and a lower cost of capital in an $8 million factoring facility. The owner appreciated our fresh perspective, industry knowledge, and personal attention."

Structuring Around Direct Import Complexity

One of the primary challenges involved the company's "direct import" customer arrangements. Under these structures, certain large retailers took possession of inventory at overseas ports and remitted payment directly to the company rather than to the factor — a dynamic that can complicate collateral control for traditional factoring firms.

Instead of viewing the issue as a deal-breaker, Hedaya worked with the company to structure a solution. We established a dedicated account in the company's name and implemented a deposit account control agreement (DACA), allowing incoming payments to be swept directly into Hedaya Capital's lock box account. The adjustment preserved the customer relationships while maintaining the controls necessary to support the facility.

Testing the Turnaround

In conducting early due diligence, Hedaya engaged a field examination firm to validate the financial data presented by management. Just prior to closing, the examiner revisited to update actual performance and confirmed that the Company's projections were coming to fruition, further strengthening our confidence to close the transaction.

Addressing Customer Concentration

Another key underwriting consideration was customer concentration. Two major retail accounts accounted for approximately 80 percent of the company's revenue — a level that many lenders would consider significant exposure risk.

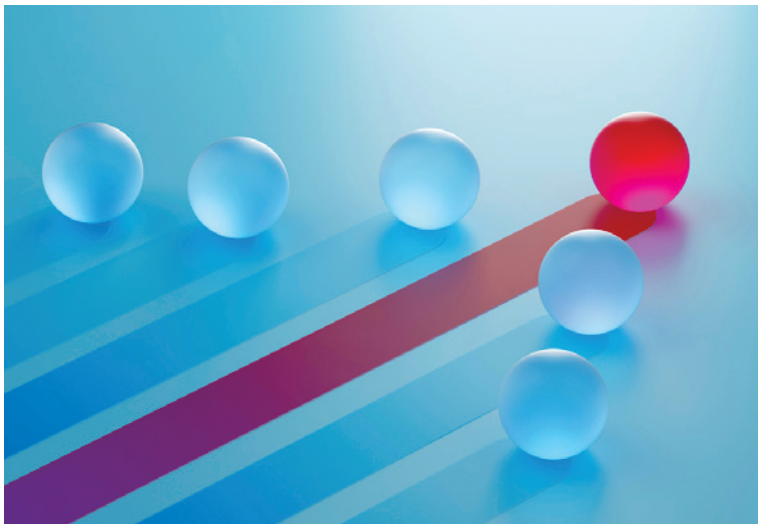
To mitigate the concentration, Hedaya negotiated a side collateral package with the founder. The structure helped mitigate risk while enabling the company to secure the liquidity needed to stabilize operations and continue executing its growth strategy.

The Outcome

Hedaya ultimately closed a flexible $8-million factoring facility designed to support working capital needs and position the business for renewed profitability. For Hedaya, the transaction reflected the importance of combining our industry expertise with flexible structuring and hands-on diligence.

"We appreciate the founder's vision and work ethic," Stanley added. "They have a strong business plan for 2026 and beyond, and we look forward to scaling the relationship alongside their growth."

The Company's turnaround began with cost-cutting over the past year and gained momentum after partnering with Hedaya Capital in December 2025. In its first full quarter under the new relationship, sales grew 15%, operating expenses fell 40% year-over-year, gross margins grew 30%, and the Company posted its second consecutive profitable quarter. Together, they are proving that with the right team, challenges can be overcome, a trusted design partner can carry on, and dreams can continue to grow.



Hedaya ultimately closed a flexible $8-million factoring facility designed to support working capital needs and position the business for renewed profitability. For Hedaya, the transaction reflected the importance of combining our industry expertise with flexible structuring and hands-on diligence.

Alfred Hedaya is a founding partner and principal of The Hedaya Capital Group, responsible for the firm's overall leadership and strategic vision. Over the last 20 years, he has earned a reputation for quickly underwriting traditional and non-traditional financing structures to support clients' growth needs across a wide range of industries. He understands how trade finance tools, including factoring, asset-based lending, letters of credit, and purchase order financing, can propel small businesses and middle market companies forward. He is passionate about the firm's collaborative approach and commitment to fair dealings based on honesty and integrity. Prior to co-founding The Hedaya Capital Group, Alfred held senior leadership roles in merchandising and sales in the consumer products and apparel industries, giving him valuable insight into the financing needs of entrepreneurs and management teams.