

Case Study: Global Pipeline

HOW GLOBAL PIPELINE WON MULTI-MILLION DOLLAR CONTRACTS FOR SUSTAINED GROWTH WITH FUNDTHROUGH

A Texas-based midstream energy company secured larger clients and bigger contracts by boosting its cash flow with FundThrough. Here's what happened next.

The COVID-19 outbreak created one of the most volatile periods in the oil-and-gas industry's history.

In April 2020, oil futures markets experienced negative prices (under \$0 per barrel) for the first time. Since April, oil prices have recovered from single-digit levels.

However, by August, prices remained below breakeven levels for many producers. The result was more idled rigs, reduced capital expenditure, and greater uncertainty around new projects. These concerns ripped up the energy supply chain for midstream companies that construct new pipelines and storage facilities.

COVID-19 and broader market conditions also raised new concerns about future cash flow and payment terms across the industry. Contractors working with large North American oil-and-gas companies know that competitive bids for new projects will require significant cash on hand.

Today, we look at Global Pipeline, a midstream pipeline and facility services firm based in Texas. The midstream company has found a way to reduce cash flow gaps, access new funding, and ensure it has enough working capital to make payroll and bid on larger products.



Its new best practice is the integration of invoice factoring into its cash management and project planning.

THE WHO

Global Pipeline is a family-owned business engaged in the design, construction, and commissioning of energy pipelines across Texas.

Based in Carrizo Springs, the company operates in the midstream of the energy supply chain. This portion of the supply chain includes the transportation, storage, and processing of crude oil and natural gas. Global Pipeline helps oil producers get their product out of the fields and upstream toward refiners and, ultimately, consumers.

A few years ago, Global Pipeline started in traditional Mom-and-Pop fashion. It benefited from a strong relationship with a single natural gas producer. That producer helped Global Pipeline get off the ground by ensuring the contractor had the cash flow to assist in new projects by offering Net 13 days payment terms.

However, as Global Pipeline started to grow, it had become heavily aligned with this single customer. Roughly two-thirds of its revenue came from a single client. That figure could be considered risky in any economic climate.

Global Pipeline wanted to expand its customer base and its ability to bid on larger projects. However, its team quickly realized most production companies don't offer the same payment terms as its largest client.

The Challenge

In January 2020, the company experienced a few delays that were exacerbated by COVID-19 a month later. Global Pipeline continued to bid on new contracts.

However, it would need cash flow to make payroll and scale up on projects. "Larger companies in the energy space prefer to work with contractors with [available] cash flow," said Anna Garcia, a Global Pipeline co-owner.

One of its newest clients could only provide payment terms of Net 60 days. Cash flow can be a significant bottleneck in the oil-and-gas industry. Therefore, Global Pipeline needed to find a way to get access to money locked in their accounts receivable.

"Since we are growing really fast, it's hard to work on Net 60 payment terms," Anna said.

To be competitive, Global Pipeline needed to have cash on hand. Anna soon discovered FundThrough through OpenInvoice, a digital accounting platform for firms in the energy supply chain. "We filled out an application," Anna said. "FundThrough checked on any liens. The process went very smoothly."

The Process

Global Pipeline worked with FundThrough to fund its outstanding invoices. This funding helped eliminate the wait of 60-day payment terms. Using FundThrough's Velocity product, Global Pipeline submitted its unpaid invoices and received the invoice's value within 24 hours, minus a small fee.

As a result, the company could better manage its cash flow and increase the number of projects in its books. It also could use this cash flow to target larger clients and bigger projects.

"With FundThrough, we land bigger projects without having the stress about making money for payroll right away," Anna said. "If [the pipeline project] is two miles or 50 miles long, we have money to start that project. [cont'd]"

It feels safer getting money today instead of waiting between Net 45 and Net 60 days. We're also able to broaden our clientele and go after bigger projects." Most importantly, the company could land larger projects despite the COVID-19 shutdown. "We haven't stopped working," Anna said.

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The Result

Global Pipeline continues to grow and expand its client base. Invoice funding remains central to its financial success and growth.

Today, Global Pipeline works with a handful of clients (some with market capitalizations in the billions) with different payment terms ranging from 15 to 60 days. Even though one of its largest customers recently extended its payment terms from 45 to 60 days, Global Pipeline always knows it can obtain working capital to launch its latest project or to make a competitive bid.

"We land bigger projects without having to stress about making money for payroll right away," Anna says. "If it's 50 miles or more, we have money to start that project."

Finally, Global Pipeline announced in late August that it is now on the official bid list for a new 70-mile pipeline project. Furthermore, this project would be the second \$20 million bid that Global Pipeline could win since partnering with FundThrough.

"Without our partnership with FundThrough, we would not be attempting to bid on as many multiple large contracts as we are now," Anna says.

Ready to get growing? Let's talk.

Contact Zuri Harris, Partnerships Lead at [FundThrough](#), at [778-747-0174](tel:778-747-0174) or zuri@fundthrough.com to learn more.