



*cutting through complexity*

# Restructuring Services

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# Challenging environment

Confronted with the most challenging market conditions in decades, companies no longer have the luxury of conducting business as usual. In fact, there is nothing usual about it. Economic turbulence, severely tightened credit conditions, and a depressed global market have significantly-and rapidly-changed market dynamics, at a time of increasing competitive and regulatory pressures.

As a result of these external pressures, more and more companies are experiencing liquidity, financial and/or operational issues. These can include a dip in profits, significant decreases in revenue, cash flow shortages, over-leveraged debt positions, significant customer and/or supplier losses and declining consumer confidence. Meanwhile, concerned lenders are looking to protect their interests.

When facing such time-critical issues, companies may need to restructure rapidly to get their businesses back on track. Restructuring involves identifying and addressing critical issues, possessing the courage to make hard decisions, and seizing opportunities presented by current economic conditions. In a stressed environment, hiring the right advisers can make the difference between survival and failure.

Our teams can help address the complex problems that may threaten a company's value, and focus on out-of-court approaches for situations of stress, distress and insolvency.

They understand the unique nuances of each restructuring and the need for a tailored strategy. Whether working closely with management to turn around a company or with banks and other lenders to help protect their interests, our experienced professionals are well-equipped to operate in a stressed/distressed environment, identify the key contributors of underperformance, and develop and deliver responses in a rapid approach to remedy problems and create new opportunities.

# Are you experiencing any of these symptoms?

Symptoms of corporate distress can be found within performance, finance, operations, and management and can serve as key indicators that trouble is brewing. Answering **YES** to some of the following questions represents warning signals worthy of your immediate attention because they may indicate the need for restructuring.

## Performance:

- Is underperformance a continuing trend and are losses prolonged?
- Does profitability continue to decline?
- Is the company experiencing negative operating cash flow?
- Are earnings insufficient to fund interest, investment or financial commitments?
- Have management's improvement initiatives failed to make a difference?

## Financial:

- Are covenant breaches occurring?
- Is available credit reduced?
- Have lender relationships changed or are there new entrants to the relationship?
- Is more information being required by lenders?
- Are lenders eager to discuss the need for a financial advisor or for third party due diligence?
- Are you in default/arrears/excess of limit?
- Are you facing a proposed/imminent financial restructuring?

## Operational:

- Are there potential supply chain disruptions?
- Are suppliers demanding payments or converting to cash-in-advance policies?
- Are customers insisting on more transparency and reducing volumes to minimize their risk?

## Management:

- Is there a sudden focus on cash and cost instead of growth?
- Is attracting new senior management becoming a recurring problem?
- Are there rapid changes in senior management or the board?
- Is there controversy with tax authorities?



# The KPMG approach

Working with management, lenders, and other stakeholders, our teams can assist in identifying, developing and implementing restructuring actions that can provide improvements to cash flow, profit and loss, and the balance sheet. The following framework outlines how our teams help to initiate positive change in the turnaround of a company:

## Stabilise

- Improve visibility of cash flow and operations
- Build in the new crisis-related disciplines across the management team
- Identify significant contributors to underperformance and implement "quick win" programs.

## Restore stakeholder confidence and secure interim financing

- Communicate more often with various constituencies, ie. banks
- Demonstrate success with "quick wins" (ie. overtime controls, salary review, change of culture, purchasing and selling decisions, limit unnecessary expenses)
- Complete a more thorough analysis to identify further improvement opportunities
- Demonstrate ability to be decisive and make hard decisions (ie. be open and honest in communications, listen and respond to the demands).

## Create decisive, achievable turnaround plans

- Form the appropriate steering group
- Identify the key initiatives/drivers
- Consider the need for deeper expertise on technical matters
- Assess available mechanisms to facilitate the plan
- Be realistic about the range of options.

## Implement the turnaround plan and secure permanent financing

- Develop a method for measuring progress
- Undertake consistent reporting and communication
- Hold people accountable
- Ensure sufficient resources.



# A network of services

## Financial Restructuring:

- a) Perform an Independent Business Review on business plans, forecasts, valuation exercises, or other corporate documents to assess the financial performance and to enable stakeholders to make decisions regarding their current and future strategies
- b) Assist Financial Institutions to improve collectibility of their loans by restructuring underperforming companies that have borrowed money and are having difficulties in repaying their loans
- c) Assist stakeholders in their Early Exit Strategy with the accelerated disposal of businesses or refinancing in distressed situations
- d) Advise on the rationalization of a company's financial liabilities, i.e. restructuring of the financing of a company, to bring them in line with the company's underlying performance (i.e. balance sheet improvement).

## Turnaround & Crisis Management:

- a) Work with all levels of management in an Operational Restructuring to:
  - help create decisive strategic and operational plans to turn around underperforming businesses, i.e. combine group companies to reduce administration expenses
  - assist companies with the assessment, planning and implementation of Exit Planning: business closures, including practical hands-on assistance with exits from countries, facilities, contracts and operations,

- b) Advise companies on ways of Improving Operational Performance through profit and loss account and cash flow enhancement
- c) Help companies implement the right processes and structures to increase the speed and effectiveness of decision making and better manage risk during a Turnaround
- d) Enable companies to better manage the risks and implications of financial failure in their supply chain and Distressed Suppliers
- e) In the context of Cash Crisis Management, experienced professionals can quickly assist management to stabilize cash flow and create the time needed to consider the options available to stakeholders buying time for effective negotiation with stakeholders (i.e. Banks, customers, suppliers, union, etc)

## Corporate Recoveries:

- a) Act as court appointed officers to either rescue a company or to realise assets for the benefit of stakeholders
- b) Act as the instigation of the members solvent voluntary liquidation or the creditors in an insolvent liquidation to realise assets or recover assets or facilitate recovery
- c) Act in accordance with statutory restructuring or wind-down regulations in Solvent Reconstruction/Liquidation
- d) Provide services in relation to the appointment of receivers/managers and assisting with the receivership and administration procedures

- e) Provide Insolvency Expert Witness Reports and /or testimony for the purposes of criminal or civil legal actions against insolvent entities or individuals.



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