



**TURNAROUND
SERVICES**
MANUFACTURING SECTOR

START ►

IDEAS | PEOPLE | TRUST

BDO



TURNAROUND SERVICES MANUFACTURING SECTOR

TURNAROUND SERVICES

HOW WE CAN SUPPORT YOU

DELIVERING WHAT WE PROMISE

We recognise that businesses are operating in a new reality and may need to rethink their business models. Our Turnaround Services team helps stressed businesses overcome the challenges that they are facing.

We partner with clients to assess, develop and implement effective turnaround plans that deliver improved business operations and financial performance.

From operational performance improvement, balance sheet restructuring, refinancing, M&A, financial modelling and taxation we will bring colleagues from across BDO to support your business.

Our broad **manufacturing** sector expertise and hands on approach will give you the time and space to build a strong and stable platform for future growth.

CONTACT OUR TEAM



RICHARD AUSTIN
PARTNER | NATIONAL HEAD OF
MANUFACTURING

t: +44 (0)20 7893 3286
m: +44 (0)78 0824 6133
e: richard.austin@bdo.co.uk



CHRIS MARSDEN
PARTNER | BUSINESS RESTRUCTURING SERVICES

t: +44 (0)11 7930 6783
m: +44 (0)79 7159 5032
e: chris.marsden@bdo.co.uk



STEPHEN COONEY
PRINCIPAL | VALUE CREATION SERVICES

t: +44 (0)20 7893 2215
m: +44 (0)79 7643 0648
e: stephen.cooney@bdo.co.uk

TURNAROUND SERVICES

THE TRIGGERS FOR TURNAROUND SERVICES



CASH OR AVAILABLE FACILITIES
UNDER PRESSURE



ACTUAL OR ANTICIPATED
COVENANT BREACHES



SUSTAINED PROFIT AND
MARGIN DETERIORATION



AN UNEXPECTED CHANGE IN THE BUSINESS E.G.
LOSS OF SIGNIFICANT CUSTOMER OR SUPPLIER



OVERTRADING



TRANSFER TO HIGH RISK
BANKING TEAM



TECHNOLOGY OR
PRODUCT OBSOLESCENCE



PENDING OR THREATENED
LEGAL ACTION



LATE OR NON PAYMENT
OF CREDITORS

AGED OR POORLY
INVESTED ASSET BASE

HOW WE CAN SUPPORT YOU



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1 - ASSESS THE SITUATION

The information required by management and stakeholders to make informed decisions is often incomplete.

Our team works closely with you and your stakeholders to conduct a rapid business assessment to assess areas of opportunity and the implementation time available.

To achieve this we will support you to ensure your forecast models are robust, realistic and are a true reflection of your business and its future to ensure a suitable turnaround plan can be developed.

KEY AREAS CONSIDERED IN SITUATIONAL ASSESSMENT

- ▶ Overview of the business, its operations, products and markets
- ▶ Rapid improvements to existing management information
- ▶ Short term cash flow review and / or preparation
- ▶ Integrated trading and cash flow forecast preparation
- ▶ Opportunities for trading and profitability improvement
- ▶ Assessment and management of key stakeholders
- ▶ Solvency of the business
- ▶ Current funding arrangements.



2 - DEVELOP A TURNAROUND PLAN

Our turnaround plans are pragmatic and typically involve a range of performance improvement components.

The solutions to the issues faced by your business will reflect your financial and cash position and shareholders requirements.

Working with you and your stakeholders, we will develop an effective turnaround plan that supports operational performance improvement and financial stability. The goal is always to preserve and create value in the long term.

POTENTIAL COMPONENTS OF A TURNAROUND PLAN

- ▶ Working capital and cash management
- ▶ Restructure/refinance of current debt
- ▶ Secure alternative funding including business plan preparation/review
- ▶ Payment plans with key creditors
- ▶ Cost base reduction
- ▶ Business exit of non core parts of the business
- ▶ Performance and profit improvement initiatives
- ▶ Other sources of cash; R&D tax credits
- ▶ Solvent restructuring; formal CVA, or moratorium/restructuring plan per Corporate Insolvency and Governance Act 2020.



3 - IMPLEMENT THE TURNAROUND

Our experienced team can support the implementation of the turnaround plan in any way you need.

We can provide light touch support through to full programme management implementation.

Our multi-disciplinary teams have the deep sector and functional expertise to support you in delivering sustainable improvements.

IMPLEMENTATION SUPPORT

- ▶ Full solution implementation
- ▶ Programme management and oversight of implementation
- ▶ Chief Restructuring Officer
- ▶ Ongoing monitoring and controls
- ▶ Interim management:
 - Supporting gaps in the clients capability and/or capacity
 - Manage creditor and stakeholder negotiations and ongoing reporting
- ▶ Support to secure additional funding / debt restructuring.

DELIVERING WHAT WE PROMISE



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We are experts in supporting management teams and stakeholders to develop and implement turnaround plans that lead to the recovery and growth of their stressed businesses.



PROJECT SKYLARK - DEBT RESTRUCTURE AND REFINANCE

Understanding the business issue - UK biomass pellet manufacturer experiencing operational and cash flow issues due to regular equipment failures. The company had £6m of asset based loans against this equipment and required a further £3m to acquire new machinery.

Impact on the business - BDO supported management with obtaining a repayment holiday from the existing asset based lender. This was followed by negotiations, which achieved a settlement at c50% of the outstanding loan balance. Simultaneously, we introduced the company to a specialist lender who provided a £8m refinance, providing sufficient funds for working capital and acquisition of new machinery.



PROJECT MOVE - TURNAROUND AND SALE

Understanding the business issue - UK medical product manufacturer fell into an annual loss as a result of a major client moving volumes to lower cost manufacturers. The shareholders had lost confidence in the management team and were unclear how to proceed.

Impact on the business - A multi-disciplined BDO team assessed the costs and benefits of winding the business up, investing in new product development, a cost reduction programme and business sale. Following initial recommendations, we supported the management team to rapidly reduce costs by £2m and then oversaw the sale to an international customer.



PROJECT GIRTON - TURNAROUND AND REFINANCING

Understanding the business issue - UK furniture manufacturer operated from two UK sites that had aging assets, poor productivity and customer service. Business profitability was at breakeven due to poor demand management that resulted in low summer output and contract penalties in busy periods.

Impact on the business - We identified a turnaround programme and developed a three year business plan, including a cash flow forecasts. We supported management **implement** the changes, which resulted in the business being able to refinance away from the incumbent lender.



PROJECT WIRE - INVENTORY REDUCTION TO FREE UP CASH

Understanding the business issue - UK cable wholesaler and manufacturer **operating** with a high level of working capital, tied up in inventory, which had led to breaching banking covenants as a downturn in demand led to falling sales.

Impact on the business - We identified an opportunity to reduce inventory by 30% by introducing more effective forecasting and stock re-ordering processes. We supported management to implement the changes, which also enabled a move to a smaller warehouse which reduced overhead costs by 25%.