

KordaMentha



Buy side transformation and implementation

Unlocking investment value
in strategic acquisitions.

kordamentha.com



Enhancing acquisition value through transformation.

Implementing and realising performance improvement for buyers.

When acquiring an organisation, realising opportunity and capturing available synergies underpin any investment decision.

With extensive experience identifying and creating value in turnaround and transformation programs, we achieve strong results for a diverse range of stakeholders. Our approach involves partnering 'in the trenches' with investors, boards and management to implement and deliver solutions in complex acquisition environments.

Working with buyers from deal conception, we can diagnose, design and implement the acquisition, transformation and integration of an organisation to accelerate and maximise investment returns.

What makes us different?

We do more than advise. We work alongside our clients to unlock the value of their deals.

Our team are experts in organisational transformation and balancing the needs of complex stakeholder groups.

Our experience and hands-on approach delivers sustained outcomes to a wide range of clients, including those seeking to implement transformation programs as part of a broader acquisition strategy.

We have a proven track record of tackling entrenched problems, often considered too difficult or intractable by insiders, and achieving results that are strategically important to the success of a deal.

How we work with clients

We develop and implement strategies that deliver the change required for a successful acquisition and buy side transformation.

Measurable results Our clients come to us when they need results. We provide value by accelerating the transformation path, identifying key commercial drivers and following acquisition, delivering measurable and sustained value. Success is demonstrated by our clients' improvement across financial, operational, and cultural key performance indicators (KPIs).

Implementation partners We provide additional bandwidth to investment, executive and operational teams. This support can include embedding our turnaround professionals into an organisation in key leadership or operational roles. In bringing a proprietor's perspective, we see the organisation's challenges as our responsibility to solve and we work collaboratively to achieve sustained change.

Flexibility We know that large, complex commercial challenges require agile thinking and flexible delivery models. We provide commercial insight by bringing best-in-class investment and commercial turnaround expertise, with the flexibility to source complementary, top-tier specialists to support our clients' technical challenges.

Bias to action Our buy side transformation plans narrow an organisation's focus. Our strong implementation capability and bias to action builds confidence and momentum from day one. To ensure delivery of results, we rely on our experience and judgement to achieve rapid progress.

Our focus on successful implementation

We bring an evidence-based approach to transformation with a strong emphasis on action and results, delivered through a three-phase process: Diagnose, Plan, Implement.

Indicative activities

Diagnose

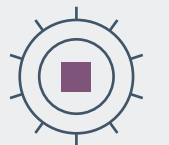
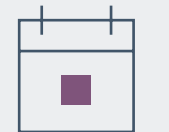
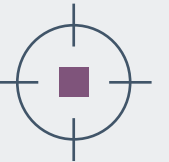
- Understand the current business model and operating environment of the acquisition target.
- Conduct due diligence on key financial and commercial drivers and outcomes.
- Identify cost out and synergy opportunities.
- Develop financial restructuring strategies to rapidly improve balance sheet and liability position.
- Understand the need for any business separation and/or merger integration pathways.
- Develop the investment thesis, including the acquisition hypothesis, supporting modelling, and key commercial and operational drivers.
- Provide advice on the acquisition investment structure designed to minimise risk and maximise value.

Plan

- Develop the necessary business separation, merger integration and/or transformation plans, including activities, deliverables, required resources, risks and mitigation strategies.
- Develop the approach and realisation of performance improvement opportunities, cost and revenue, creating a blueprint for value creation.
- Rapidly identify and support internal talent suitable to champion the implementation.
- Address key interdependencies, sequencing challenges, workforce and cultural issues.
- Develop stakeholder engagement and communication strategies.

Implement

- Implement the transformation, delivering planned initiatives and tracking alignment of performance to agreed KPIs.
- Build confidence by delivering quick wins and realising high-yield opportunities.
- Embed key support or leadership roles to supplement organisational capability.
- Leverage flexible delivery models to ensure top-tier specialist advice on technical challenges.
- Proactively guide stakeholders through the process.



Case studies

Private Equity acquisition of Virgin

Outcomes and benefits delivered

- An innovative solution for a global Private Equity firm to buy Virgin out of Voluntary Administration.
- Re-negotiated contracts, rationalised fleet, and worked with management to redesign Enterprise Agreements to reduce costs and provide operational flexibility.
- Virgin 2.0 will have a lower, more flexible cost base, be more profitable, have a refreshed commercial strategy and a business model and structure appropriate to the unprecedented challenges faced.
- Engaged with media and key stakeholders during a period of intense interest.

Background

A large global Private Equity investor engaged KordaMentha and 333 Capital to provide transaction advice and a road map for acquiring Virgin out of Voluntary Administration.

Our combined experience provided a unique skill-set and knowledge-base around the Voluntary Administration process and aviation. With a high degree of public pressure surrounding the deal and significant stakeholder interests at risk, our insight and experience delivered an inventive solution to ensure our client's pursuit of Virgin was successful.

Approach

During the sale process, we devised an innovative acquisition strategy which leveraged the challenges and benefits of purchasing a company in Voluntary Administration.

Following the second creditor's meeting, KordaMentha worked closely with the Company and Private Equity team to actively manage stakeholder relationships and renegotiate hundreds of contracts through the Deed of Company Arrangement (DOCA) period.

Partnering with the incoming buyer and incumbent management, we worked across three key transformation implementation streams being fleet strategy and simplification, employee management and balance sheet and contract renegotiation. Post-acquisition work focused on transitioning Virgin to a new business strategy and reduced cost base while providing short-term flexibility to manage COVID-19 uncertainty.

Trade buyer acquisition of SKM Recycling

Outcomes and benefits delivered

- Provided expertise to help an ASX listed client to buy, restructure, and transform distressed, but valuable, assets in Receivership.
- The transformation included turning a loss-making business into a financially viable, trusted employer and service provider to Local Governments and numerous commercial customers.
- Undertook structural and cultural change and improvement, transition of management and employees, establishment of processes, transfer of customers and suppliers to integrate SKM Recycling assets into the buyer's broader business.
- The engagement was highly political and public, and required extensive stakeholder management across multiple State and Local Governments.

Background

SKM Recycling was one of Australia's largest co-mingled material recycling groups, processing 50% of Victoria's kerbside recyclable material. The business had over \$60 million debt owing to their secured creditor prior to being placed into Receivership.

KordaMentha was initially engaged by an ASX listed company to advise on how they could acquire the SKM Recycling assets. We subsequently assisted with restoring each of the Victorian sites into full operation and integrating the new business unit into the larger parent.

Approach

KordaMentha provided advice to our client in the distressed debt transaction with SKM's primary financier and subsequently were appointed Receivers and Managers to realise the assets.

Following the sale of SKM's assets, a KordaMentha team was engaged to work alongside the management team, to restore the assets to full operation, rebuild trust of the employees and suppliers, re-negotiate upstream and downstream customer arrangements, help turnaround financial performance and integrate the operations into the parent company's business.

This role included overseeing operations, project management and strategic advisory.

Divestment of real estate assets post acquisition

Outcomes and benefits delivered

- Provided strategic advice to a buyer on release of capital from real property assets acquired as part of a business acquisition.
- Through our investor network, we raised equity and senior debt and established an investment fund to acquire the real property assets for \$21 million via a sale-and-leaseback transaction.
- The proceeds from sale capitalised the client and enabled them to pursue growth investments in other operational activities.
- The off-market process provided certainty of an outcome to the client, achieved their price expectations, and was completed within a short timeframe.

Background

AustCo Polar was the owner-occupier of a large purpose-built cold storage facility located in Laverton North. It provides blast freezing, storage and distribution services to international and domestic markets.

Our client acquired the operating business and facility in 2018 through its acquisition of AustCo Polar. Following integration of the businesses, there was a preference to lease, rather than own, the facility which would unlock capital to invest in other growth activities.

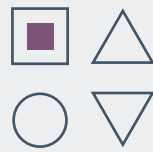
Approach

There was an immediate investment opportunity which required a short-term transaction program that would not have been possible through a traditional on-market process.

Accordingly, we identified and executed a divestment strategy to best meet the client's timing and financial objectives. Partnering with KM Property Funds, we established a fund and quickly sourced the capital necessary to complete the transaction.



How we can help you



Acquiring businesses in Administration or Receivership

We are experienced in navigating the unique regulatory and commercial complexity that comes with acquiring and integrating businesses in Voluntary Administration or Receivership.

As the premier restructuring and insolvency practice in the region, KordaMentha has a deep understanding of the range of options available under the Corporations Act and how these can be strategically utilised by a buyer.

We work with buyers to understand their immediate and long-term goals, we guide them through the available restructuring options to meet those objectives whilst minimising transaction risk.

This may include working with a buyer to develop new and creative acquisition strategies, for example, utilising asset sale agreements to safeguard a DOCA in the event of unpredictable challenges from creditors or other key stakeholders.



Commercial due diligence and growth assessment

Comprehensive commercial due diligence provides confidence in investment decisions and identifies opportunities for, and risks associated with, transformation and growth.

Our experienced team works with clients to understand the strategy and objectives of the proposed transaction and the core commercial assumptions that underpin future success.

Through our detailed analysis of financial, operational, human resources and risk/compliance data and the organisation's proposed business strategy, we deliver a commercial diagnostic assessment report that informs key valuation assumptions.

Throughout this process our team identifies synergies, strategies to unlock value and the most effective approach to grow the business through the right combination of improved performance and market share, additional investment and diversification



Real Estate portfolio optimisation

Our Real Estate capabilities support buyers to unlock value through the efficient use of an organisation's real estate assets.

We develop bespoke strategies to enhance real estate portfolio performance, maximising value derived from owned property and strategically minimising lease liabilities.

Our areas of expertise include:

- Critical assessment of the existing portfolio to meet ongoing operational needs.
- Leasehold footprint optimisation, including exit strategies and landlord negotiations.
- Divestment strategies to unlock capital, including sale-and-leaseback of operational assets.
- Asset/development strategies to add value and re-position surplus freehold property.



Separation and merger integration plans

Our team specialise in guiding the successful separation and integration of the operations, governance, and culture of two organisations as a result of a merger or acquisition.

We work with key stakeholders to define the success of the merger, understand the parameters of any separation or integration and prioritise initiatives designed to ensure the business continues to operate effectively during the transitional phase.

This may include:

- Establishing core requirements and implementation for business continuity.
- Designing and implementing any required business separation and/or merger integration program.
- Realisation of planned synergies after change of ownership.
- Developing a stakeholder management and communications strategy.
- Facilitating the shift towards a single organisational culture.



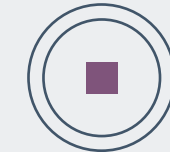
Turnaround and transformation plans

Our team supports management teams, boards and stakeholders under intense financial, media or political pressure who need to act quickly to protect their performance and organisational reputation.

We work with an organisation to diagnose and prioritise the most important factors impacting performance and deliver a plan for post-acquisition transformation.

This may involve:

- Identifying immediate measures to arrest performance decline.
- Identifying strategic opportunities which address the root cause of the organisation's problems.
- Prioritising transformation initiatives.
- Developing an approach and timeline for implementation.
- Documenting a comprehensive, structured and implementation-ready plan, including key projects, workstreams, delivery teams and phasing.



Rapid cost out and synergy identification

A key feature of successful integration and turnaround is identifying how to re-position the new organisation as a financially viable business.

Our team undertake detailed analysis to identify synergy opportunities to streamline operations and apply cost reduction strategies whilst ensuring the pursuit of short-term targets does not inhibit longer-term success. This may include:

- A granular review and assessment of financial accounts, budgets, supply chains, IT agreements, employment contracts and other source documents to identify cost out and opportunities to align internal functions and processes to support the business strategy.
- Introducing strong performance management frameworks including regular leadership performance meetings with clear and measurable KPIs.
- Active stakeholder engagement.

“KordaMentha helped guide the business through a process that included a diagnostic, planning and implementation program. KordaMentha played a significant role helping reshape the business model and geographic footprint.”

Chief Executive Officer, Legal services

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