



Business separation and wind down

Planning and managing strategic exits
and separations to optimise financial,
operational and organisational outcomes.



Business separation and wind down

Optimising value through the strategic exit of underperforming or non-core assets and operations.

Whilst acquisitions often get media attention, business separations and wind downs remain important options for boards and executives seeking to reposition and reset their organisations.

In a changing world, with increased pressure and stretched resources, the ability to narrow focus can assist in creating significant value. Done well, separations and wind downs can become the cornerstone of performance improvement, often releasing capital to pursue profitable growth.

Our approach may include supporting a discrete separation or wind down initiative or using our experience and insight to achieve a broader set of transformation and turnaround objectives. Specifically, we can assist in business or subsidiary closures, asset and business divestments or the wind down of underperforming functions, operations or portfolios.

We work alongside our clients to understand, plan and implement their most complex separation and wind down programs in order to improve their financial, operational and organisational outcomes.

What makes us different?

We do more than advise. We work alongside our clients to help them achieve rapid progress in their most complex separation and wind down needs. We position organisations to shed underperforming businesses and activities to measurably improve their performance.

Our team are experts in working through periods of financial, operational and organisational stress and in understanding and balancing the needs of diverse stakeholder groups.

Our experience and hands-on approach has delivered sustained outcomes to a wide range of clients, including those seeking to implement

separations or operational and asset wind downs as part of broader transformation strategies.

We work with clients on business-critical and significant projects that are time-sensitive and strategically important to the success of the organisation.

How we work with clients

We work with our clients and key stakeholders to develop and implement strategies that deliver the outcomes associated with a successful separation or wind down.

Measurable results Our clients come to us when they need results. We hold ourselves to account by achieving agreed outcomes and quantified targets. Financial, operational, human resources and reputational outcomes all must be considered and measured during separations and wind downs.

Implementation partners We partner 'in the trenches' by providing additional bandwidth to executive and operational teams. This can include embedding our professionals into an organisation in key support or leadership roles. In bringing a proprietor's perspective, we see the organisation's challenges as our responsibility to solve and we work collaboratively to make meaningful changes.

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

Bias to action Our strong implementation capability and bias to action builds confidence and provides momentum to the separation or wind down process. To break inertia and ensure delivery of results, we use our experience and insight to achieve rapid progress in uncertain environments.

Our focus on successful implementation

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

Indicative activities

Diagnose

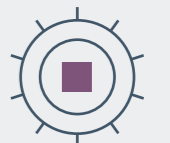
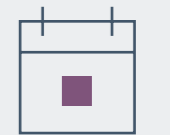
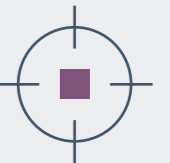
- Understand what success looks like and validate key organisational targets and broader objectives being pursued.
- Perform a granular assessment of key implementation risks and develop risk mitigation strategies.
- Develop stakeholder management maps and engagement options.
- Understand any transitional requirements and service-level agreements.
- Understand real estate and commercial leasing obligations and opportunities.
- Identify any legal or other technical experts required.

Plan

- Develop a detailed project plan and timetables (potentially to a day-to-day level).
- Prepare a detailed communications and media strategy.
- Engage leadership and create a comprehensive day one readiness checklist.
- Position for a smooth implementation with tools such as workforce transition plans, union engagement strategies and transitional service agreements.
- Prepare detailed financial forecasts.
- Understand key interdependencies, sequencing challenges and opportunities.

Implement

- Implement the agreed approach with support from key stakeholders, monitoring and mitigating risks and managing issues as they arise.
- Manage and support internal and external stakeholders through effective communication and reporting.
- Track and tightly manage realisation of financial, operational and workforce outcomes, including delivery of targeted returns, payments management and transitional service agreements.



Case study

Masters Home Improvement

Australia's largest-ever solvent business exit.

Outcomes

- Successful business wind down of Masters' 63 sites, with all sites vacated on time and on budget.
- Sale of all inventory with a retail value of \$1 billion, achieving a recovery of >90c in the dollar on cost and exceeding target by \$60 million.
- From 6,500 Masters staff, 1,639 were redeployed across the Woolworths group and a further 600 employees were supported by external job placement partners.
- Facilitated the seamless handover of IT, finance systems and books and records to relevant stakeholders.

Background and approach

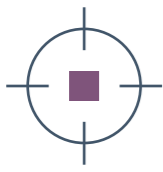
Big-box hardware chain Masters Home Improvement (operated by ASX retailer Woolworths Limited) had failed to effectively penetrate the lucrative home improvement market dominated by Bunnings Warehouse. A decision was made to wind down the business, with the focus on a smooth transition and preserving value, where possible.

KordaMentha was engaged to assist the Woolworths and Masters senior leadership team to plan and implement a managed wind down and closure of the Masters business.

Following a detailed initial planning phase, we deployed an experienced project team to support implementation and coordinate activities across five key workstreams: HR and people, Store operations and inventory, Financial reporting and cash flow management, Real estate and Management of legacy issues.

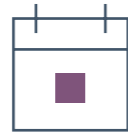


Structured wind down process



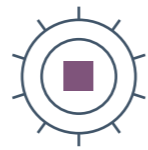
Diagnose

Rapid review of performance and outlook. Validation of targets being pursued and development of a range of implementation options.



Plan

Initiation and management of a comprehensive planning process, including development of a stakeholder management and communications program.



Implement

Sale of all inventory and redeployment, transfer or exit of employees over a 16-week period.
Completion of structured wind down process to vacate all sites on time and on budget.

Guiding principles

- 'People first', while acknowledging the need to balance financial outcomes.
- An orderly wind down of the business with all stores closing.
- Maximise financial returns from assets, minimise payments in respect of liabilities and manage operating expenses.
- Strive to balance people, commercial, financial and legal considerations.
- Focus on protecting and enhancing shareholder value and reputation.

Implementation structure

Masters management

- Run the business.
- Manage staff and people issues.
- Make 'ordinary course' decisions.
- Deliver the functional wind down plans developed with KordaMentha.

KordaMentha

- Support management.
- Assist with key decisions.
- Deal with exceptions.
- Manage interdependencies.
- 'Firefighting'.
- Report to Steering Committee.

Outcomes

\$1 billion

Retail value of inventory sold in 16 weeks.

16 weeks

After commencement, all sites were exited on time and on budget.

>\$60 million

Inventory sales in excess of target, achieving >90c in the dollar on cost.

61

Sites successfully de-fitted for make-good requirements.

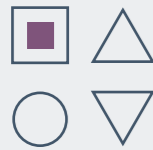
600

Additional employees supported by 90 external job placement partners.

1,639

Employees successfully redeployed within the Woolworths group.

How we can help you



Program design, planning and management

Separation and wind down initiatives can be complex. Typically, these activities bring periods of heightened media and public scrutiny.

We support our clients to design the process to manage risk and maximise value. We establish clear targets and objectives, providing an achievable set of success measures.

Our team develop and implement complex, interdependent and time-critical program plans.

We differentiate ourselves through our commercial acumen and experience navigating commercial situations and stakeholders.

Most importantly, we work alongside organisations to implement plans and achieve targets while not losing sight of the importance of governance and tight reporting frameworks



Property leasehold exit

In many cases, significant value can be unlocked through resetting and reducing lease liabilities.

In these cases, we partner with our KordaMentha Real Estate Advisory team to:

- Assess 'go forward' footprint requirements, financial liability and legal and commercial leverage.
- Complete scenario modelling of existing lease liabilities to develop exit negotiation strategies and wind down plans.
- Conduct exit negotiations with landlords and unions to significantly reduce liability.
- Manage operational and organisational wind down requirements, including inventory clearance, workforce transition and any implementation of new systems and processes required.



Contract, asset and operational wind down

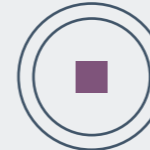
Asset or operational wind downs are a necessary part of resetting a business. Managed well, they provide a unique opportunity for organisations to protect and grow financial and reputational value.

We have experience working with clients on their most challenging and high profile wind downs.

Our focus on delivering results, minimising stakeholder noise and managing risks provides space for our clients to focus on growth areas of their businesses.

Our areas of expertise include:

- Identifying and developing stakeholder management plans, including assisting with communication strategies.
- Facilitating employee separations and redeployment processes.
- Financial management of the wind down, including developing and committing to a budget.
- Developing asset realisation strategies that maximise value.



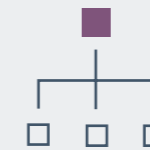
Business unit divestments and shared services efficiency

All business unit divestments have a different transaction focus. Organisations may, for example, prioritise price, rapid exit, minimising exit cost, employee experience or reputational considerations.

We assist our clients to navigate their competing priorities by working through the process, including realising shared services efficiencies and avoiding stranded costs.

Our capability includes:

- Identifying and targeting potential interested parties.
- Assisting with, or leading, commercial negotiations.
- Facilitating, drafting and negotiating sale contracts with internal or external legal teams.
- Structuring sale transactions to maximise client value.
- Coordinating the sale completion process, ensuring conditions are met.
- Identifying and executing any efficiency opportunities within shared services.



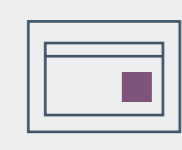
Human resources and industrial relations

Failure to adequately prioritise people and manage human resources and industrial relations concerns during a separation or wind down most often results in compromised outcomes.

Clearly defining the future state organisation, proactively planning the workforce transition and treating stakeholders with respect, dignity and empathy is important.

Our areas of expertise include:

- Design and implementation of future-state operating model, organisation structures and right-sizing.
- Development of change and communication strategies.
- IR assistance, including strategy, negotiations and implementation of required reform.
- Introduction of labour management and controls, such as appointments and recruitment measures.
- Depending on the timing and nature of the separation or wind down, our team may assume interim management or board roles to stabilise leadership.



Financial restructuring solutions

The Corporations Act provides a range of provisions which enable businesses to restructure their financial and corporate arrangements.

With a restructuring and insolvency heritage, we have a deep understanding of how these different options can be strategically and optimally utilised.

This may include, for example, working with an organisation to assess the strategic advantages and disadvantages of the Voluntary Administration process of a parent company and/or subsidiaries.

We work with boards, owners and management teams to understand an organisation's restructuring goals, then guide them through the various restructuring options available to help them to meet those objectives.

“The senior management team and I are very proud of the manner in which the shut down was conducted and the value of KordaMentha’s insight and counsel cannot be underestimated.

The KordaMentha team bring a calm, controlled and mature approach to all of their dealings and this really helped the (the organisations’) team work through a range of emotions and challenges. Given the size and complexity of the project, it is a credit to the team to have completed the project on time and on budget.”

Chief Executive Officer, Retail

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