

KordaMentha



Organisational turnaround and transformation

Addressing the most pressing financial,
commercial and operational issues.

kordamentha.com



Organisational turnaround and transformation

Delivering significant and sustainable change with a different mindset.

When faced with complex financial, commercial and operational challenges, key stakeholders turn to us to help them understand the issues and deliver material and sustained change and performance improvement.

Our experience includes end-to-end turnaround and transformation, or more focused activities in respect of subsidiaries or divisions. We work with private and public sector organisations navigating serious disruption and facing significant risk to financial, operational or reputational outcomes.

Our team are experts in understanding complex commercial issues and working with diverse stakeholder groups. Our experience and insight enables us to serve a wide range of clients. We work on businesses and projects that are time-sensitive and critical to the ongoing success of the organisation.

What makes us different?

We do more than advise. We work alongside our clients to understand their most complex commercial, operational and financial challenges.

Our team are experts in working through periods of disruption and balancing the needs of complex stakeholder groups.

Our experience and hands-on approach enables us to support a wide range of public sector and private clients.

We work with organisations and projects that are time-sensitive and critical to the success of the client. We tackle entrenched problems, often considered too difficult or intractable by insiders, that may be limiting the performance of the business or organisation.

How we work with clients

We work side-by-side with clients to develop and implement sustainable strategies that deliver significant change.

Measurable results Our clients come to us when they need results. We provide value by delivering measurable and sustained performance improvements. Success is demonstrated by our clients' improvement across financial, operational and cultural key performance indicators (KPIs).

Implementation partners We partner 'in the trenches' by providing additional bandwidth to executive and operational teams. This can include embedding our turnaround professionals into an organisation in key leadership or support 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 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 business and commercial turnaround expertise, with the flexibility to source complementary, top-tier specialists to support our clients' technical challenges.

Bias to action Our turnaround and transformation plans narrow an organisation's focus and prioritise action. Our strong implementation capability and bias to action builds confidence and momentum with the turnaround. To break inertia and ensure delivery of results, we use our experience and judgement 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

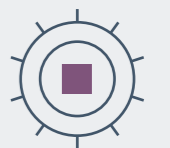
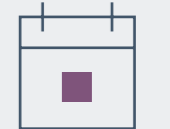
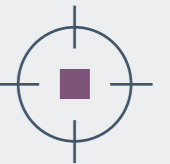
- Understand the current business model and operating environment.
- Conduct a review of the organisation's performance to identify opportunities and challenges across areas of finance, people and culture, operations, and risk and governance.
- Diagnose the root-causes of performance concerns, including the identification of impediments to prior transformation attempts.
- Engage staff and stakeholders to gain on-the-ground insights.
- Determine what success looks like and how it will be measured.

Plan

- Agree on the prioritisation of transformation initiatives to improve performance.
- Develop a detailed transformation implementation plan, including activities, deliverables, required resources, risks and mitigation strategies.
- Develop stakeholder engagement and communication strategies.
- Partner with key resources within the organisation.
- Rapidly identify internal talent suitable for accelerated development or promotion.
- Understand key interdependencies, sequencing challenges and opportunities.

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.
- Proactively guide stakeholders through the process.
- Work with legal and other technical experts.



Case studies

Central Adelaide Local Health Network

Outcomes and benefits delivered

- >\$150 million annual financial improvement.
- Improved performance against the National Efficient Price by 10%, (132% to 122%).
- New organisation structure, reducing spans of control and embedding new leaders.
- New performance management framework with patient, people and financial KPIs.

Background

Central Adelaide Local Health Network (CALHN) is South Australia's largest healthcare network with circa 13,300 staff, five hospitals and a \$1.8 billion annual budget.

CALHN was an organisation in systemic distress, forecasting a \$274 million FY19 budget overrun.

Approach

We undertook a diagnostic review and developed and implemented an end-to-end transformation of CALHN.

A recovery plan was designed and implemented across Finance and performance, Workforce, Service delivery and efficiency and Information, evidence and insights workstreams.



Fitness First

Outcomes and benefits delivered

- Reduced operating costs by circa \$50 million per annum.
- Replaced 25% of club managers following HR capability audit for a talent refresh.
- Sold, handed back or renegotiated leases for 24 sites with NPV lease liabilities totalling circa \$160 million.

Background

Fitness First Australian operations included 100+ sites, 5,000 staff and over 300,000 members.

A global turnaround and financial restructure was required to address circa \$900 million of debt and a liquidity crisis.

Approach

KordaMentha developed and implemented a turnaround plan for financial and working capital performance, site rationalisation and capital expenditure and planning.

The team quickly stabilised the business, while engineering and executing a highly successful sales process for under-performing clubs. By leading a series of high value leasehold negotiations, significant value was preserved for shareholders.

Defence Housing Australia

Outcomes and benefits delivered

- A significant reduction in portfolio risk for Defence Housing Australia's (DHA) \$3 billion apartment property capital program.
- A reforecast of financial outlook and budget.
- A model-led approach to forecasting sales.
- A stakeholder management framework for engagement and reporting to improve governance and transparency.

Background

DHA is a Commonwealth Government Business Enterprise that provides accommodation to Australian Defence Force members and their families.

DHA had \$1.2 billion in annual revenue, \$2.3 billion in total assets and 600 staff.

Approach

KordaMentha conducted a strategic review of DHA with a focus on forecast performance, strategy, structure and options analysis.

We worked collaboratively with the stakeholders and DHA to develop recommendations which were implemented through an organisational transformation project delivered with management.

Slater and Gordon

Outcomes and benefits delivered

- Contributed to a \$100 million improvement in EBIT over two years.
- Streamlined operations with a renewed focus on core business.
- Divested 12 unprofitable practices, transferred/exited circa 250 employees and transferred circa 1,400 client legal files.

Background

Slater and Gordon is an iconic Victoria-based law firm that narrowly avoided insolvency via a recapitalisation backed by a US hedge fund.

In Australia, Slater and Gordon reported a \$67 million EBIT loss in FY17 and had 1,100 staff operating in 51 locations.

Approach

We diagnosed key financial, operational and people issues and designed and implemented a turnaround plan. Transformation workstreams were established for People and culture, Financial management, Real estate and Shared services.

How we can help you

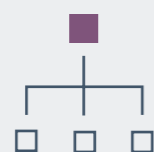


Focused advisory and program management

Clients seek our assistance in providing independent, commercially focused, strategic and financial advisory and program management services.

This may include:

- Business plan reviews, where we assess the strategic plans and financial outlook of the organisation.
- Financial analysis and forecast reviews, where specialised support is required to evaluate financial projections and outcomes.
- The establishment and ongoing implementation of complex program management offices and functions.



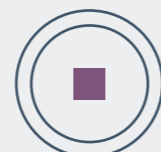
People and organisation design

An organisational reset is often required to reboot a distressed company.

With our guidance, internal functions are aligned to support the overarching strategy of the organisation.

Additional improvements include:

- Developing a labour framework aligned to operational needs and financial objectives.
- Improving labour management and controls, such as recruitment measures and optimisation of the labour base.
- Active assistance with industrial relations challenges, including strategy, negotiation and implementation of transformation reform.



Cash and working capital

During organisational turnarounds, cash is paramount. We identify and implement immediate and long-term strategies to forecast, generate and track cash to improve cash flow and working capital management.

We identify the short and medium-term liquidity position and cash flow drivers, and implement improvements, such as:

- Improving cash forecasting. For example, by building a rolling, 13-week cash flow forecast.
- Improving inventory management practices.
- Developing cash preservation strategies.
- Identifying opportunities to unlock cash from non-productive assets.
- Managing communications to vendors, customers, employees and shareholders.



Financial management and controls

We understand the importance of stabilising financial performance. We identify an organisation's key drivers of financial performance to better inform decision making and implement improved financial management.

We review and improve an organisation's processes, policies and procedural changes to better manage finances and associated internal controls.

We also develop detailed ground-up budgets and forecasts; design and implement procurement controls to rapidly reduce spending; and provide CFO services, such as team structuring, organisational controls, management reporting and risks management.

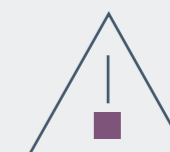


Performance improvement and cost-out

We prepare and implement cost-reduction strategies and streamline operations focused on achieving sustained cost reduction and avoiding pursuit of short-term targets at the expense of long-term success.

To ensure performance improvement, we redesign and implement changes to internal functions and processes to better align with organisational strategy, while instituting strong performance management frameworks.

We establish regular performance meetings with clear and measurable KPIs, structured reporting and stakeholder engagement.



Interim and crisis management

We can assume interim c-suite or leadership roles within the organisation.

This may involve:

- Embedding specialists into operational teams in the organisation to provide leadership support and project management capabilities.
- Leveraging our extensive experience with complex stakeholder management issues at all levels (including governmental, financiers, politics and media) to guide organisations through sensitive and high-risk transformations.
- Drawing on our wide network of industry experts to provide an independent and external perspective, or to take specialised interim management or board positions.

“KordaMentha’s professional conduct and approach was paramount to the success of the transformation project. Most importantly, the support and guidance delivered by KordaMentha provided our stakeholders with confidence in the outcome which benefited both the organisation and key stakeholders. It is clear to me that KordaMentha is committed to delivering real results and is adept at balancing competing and complex interests.”

Chairman, Defence

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