

KordaMentha

# Restructuring advisory

Protecting and recovering value.

[kordamentha.com](https://kordamentha.com)



## We explore all avenues for clients to protect and recover value.

Companies in financial distress engage KordaMentha to urgently restructure and stabilise their businesses, protecting not only monetary value at risk but also their reputation and social licence, and those of their key stakeholders. Whether through independent business reviews, cash flow monitoring and forecasting, restructuring, financial and strategic advisory or a formal insolvency appointment, we plan and implement the most appropriate solutions for our clients and their stakeholders.

Organisations rely on us to solve their most pressing transactional and commercial challenges and provide stability at the most critical times. We work with company directors, lenders, shareholders, employees and other creditors to protect and recover value, providing direction in times of crisis. Looking beyond the numbers, we consider how our actions affect people's lives and communities. Taking bold and creative steps, our specialists achieve the best results for all stakeholders, no matter the complexity.

Our Restructuring group has been entrusted with many of Asia-Pacific's most complex corporate restructures and formal insolvency engagements, including Network Ten, Arrium, Gunns, Timbercorp, Forge, Noble Group, Sydney Cross City Tunnel, Redbank and, more recently, our appointments with Seafolly, Tigerlily, Grocon, Paladin Energy and Altura.



# How we can help you

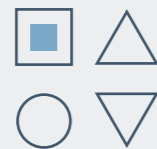
Clients rely on our independence and expertise to provide clarity in critical situations. We typically help our clients in six key areas:



## Business turnarounds and restructuring

We provide business turnaround and restructuring solutions to businesses facing financial stress. Our specialists explore all avenues to save businesses through restructuring and streamlining operations and managing stakeholder relationships. We offer a creative approach to distressed company consulting to realise optimal outcomes for all parties – in many cases, a turnaround is achievable.

Clients rely on us to help with business stabilisation through improving efficiencies in capital structure, resourcing, processes, procedures and controls. We identify opportunities for reducing costs and enhancing productivity and revenue. We help clients with divesting distressed assets, recapitalisation or, where necessary, managing the sale of the business.

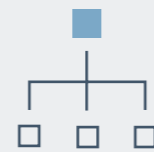


## Recapitalisation

We provide financial and strategic advisory services to clients navigating capital structure challenges. Our senior team has a reputation for independent, creative advice and capital raising solutions that facilitate consensual outcomes and maximise value for all stakeholders.

Our recapitalisation services include:

- Evaluation of capital structures, business plans, and liquidity forecasts to identify and assess solutions.
- Advice and financial modelling in respect of debt capacity, valuation, facility structure/sizing, covenant suites and maturity extensions.
- Source and structure of alternative capital solutions.
- Support for investors in assessing, structuring and implementing investments in distressed and underperforming situations and loan portfolios.



## Independent business review – debtor advisory

Companies are often confronted with liquidity problems, excessive debt or leverage, underperformance, over-expansion and various other business, operational or financial issues.

Our debtor advisory services include:

- Crisis management and stabilisation of finances and operations through timely and accurate reporting and clear communication with key stakeholders.
- Liquidity and cash flow management.
- Planning for optimisation of business operations and turnaround.
- Strategic negotiations and dispute resolution.
- Interim management or board of director roles to align objectives and lead change.



## Independent business review – creditor advisory

We assist creditors to optimise recoveries when affected by borrowers or customers in distressed situations. This often involves advising the creditor about identifying and managing risk, protecting their positions and preserving and recovering maximum value in the business and/or its assets.

This includes:

- Assessing short- and long-term liquidity and forecasting borrowers' financial performance.
- Assessing the rationality of forecasts, business plans, management strategies and turnaround plans.
- Investigating transactions, operating performance, management capabilities and conduct and corporate governance.
- Determining alternative plans to reduce, mitigate or exit the creditor's financial position.



## Receiverships, administrations and liquidations

Our Restructuring team has been appointed receiver and manager of companies, covering all sectors and in circumstances where the complexity of the engagement requires a specialist skill set. We mitigate the risks faced by secured lenders, reducing their exposure to underperforming companies.

As administrators, we focus on preserving the going concern and maximising value for all stakeholders, often facilitated through a deed of company arrangement (DOCA).

We act as liquidators in both solvent (corporate streamlining) and insolvent contexts. In the event of an insolvent liquidation, our analytical and creative thinking can help recover value – even when all seems lost.



## Safe harbour

Safe harbour provides directors, in certain circumstances, the time and scope to develop a strategy to improve outcomes for creditors as compared to the insolvency of the company. Personal liability arises for directors of a company that incurred debts whilst insolvent and where those debts remain unpaid. Implemented properly, safe harbour protects directors from personal liability.

Our Restructuring team helps clients to identify their eligibility for safe harbour, develop a comprehensive turnaround plan with clear objectives and milestones and demonstrate the turnaround plan is likely to lead to a better outcome than the immediate appointment of an administrator or liquidator.

# Our experience

We are trusted advisors, applying creative and analytical thinking to critical, confidential and time-sensitive restructuring matters.

Our restructuring specialists are trusted to deliver outcomes for financial institutions, boards of directors, lawyers and regulators to preserve, protect and enhance value in the most challenging and complex financial or operational circumstances.

From the first signs of financial stress, we can assist companies in taking proactive steps. We assist our clients to identify issues, develop strategies to overcome challenges and guide them through often complex restructures.







## Arrium Australia

Arrium is a business with 7,500 employees worldwide. With Arrium under crippling debt of over \$4 billion, KordaMentha partners were appointed in April 2016 to restructure its business and deliver a seemingly impossible outcome – to save the business and the city of Whyalla, a community of 22,000 in regional South Australia entirely dependent on Arrium’s mining and steelworks operations.

### Outcomes

Working with Arrium’s steelworks facility in Whyalla particularly highlighted the inextricable social and economic links between this large industrial business and its regional Australian community.

Key outcomes:

- Minimal redundancies during the administration.
- We entered into a share sale agreement for Moly-Cop on 4 November 2016 for USD 1.23 billion.
- Over 50 expressions of interest received for Arrium Australia, numerous site tours held and over 8,000 documents uploaded to the virtual data room.
- In conjunction with Morgan Stanley, KordaMentha conducted the sale process for Arrium from July 2016 to July 2017, with the successful party, Liberty House GFG, completing its acquisition in August 2017.
- The return to creditors materially exceeded expectations, with the majority distributed within 21 days of completion of the sale.

### Overview

Arrium was Australia’s leading steel long products manufacturing and distribution business with circa 6,500 employees across 150 sites in Australia, 2.6 million tonne p.a. steel-making capacity and 10 million tonne iron ore export capacity. Its global mining consumables division, Moly-Cop, comprised 24 entities across seven jurisdictions, headquartered in Kansas City, USA.

In early 2016, following a period of operational underperformance and financial stress, the Arrium board developed and presented a proposal to its banking syndicate to trade the existing financiers’ debt at reportedly less than 50 cents in the dollar. The key risk was the closure of the Whyalla operations in South Australia which would have had catastrophic consequences, including over 5,500 job losses further risking the exit of the majority of Whyalla’s population and an annual loss of \$700 million from the state’s GDP.

The proposal created deep distrust between the board and banking syndicate which ultimately led to our appointment as Voluntary Administrators in April 2016.

### Our approach

The business was viable, so our plan was simple – to stabilise and prepare it for sale, run a competitive sale process and settle and distribute proceeds to creditors. However, due to the scale of the business, its relationship with the town of Whyalla, volatile commodity and energy markets and political and operational challenges over the course of the 17-month engagement, the process was complex.

A multifaceted approach was critical to the administration’s success, and included:

- A dual track IPO/trade sale process for Moly-Cop, generating competitive tension.
- Our restructuring, forensic and real estate specialists working across Australia to stabilise the business and prepare it for sale.
- Establishing the OneWhyalla committee – a group of diverse Whyalla representatives to ensure regular and clear communication with the community.
- A vote by employees of Arrium in Whyalla in favour of a 10% wage reduction and four-year EBA, which critically stabilised industrial relations.
- Novel DOCA solutions implemented.

## Restructure of Australia's leading women's swimwear brand

The administration of Seafolly resulted in a consolidated and stronger business following its restructure, coupled with the strategic acquisition of rival brand Jets Swimwear during the administration. All employee entitlements were either preserved or paid in full.

### Outcomes

KordaMentha ran a competitive sale process for Seafolly, receiving 87 expressions of interest and 15 non-binding indicative offers. The successful bidder's DOCA proposal was approved at the second meeting of creditors.

The Administrators also conducted the due diligence and acquisition of Jets Swimwear from PAS Group, a major competitor of Seafolly, also in voluntary administration. The acquisition resulted in greater economies of scale, increased market reach and diversity and overall better opportunities for the combined business. The acquisition of an asset while in administration is uncommon and highlights KordaMentha's different mindset and entrepreneurial approach.

### Overview

Seafolly was Australia's leading women's swimwear brand, with 44 stores (Seafolly and Sunburn branded) in Australia and a significant wholesale and online presence. It also had several international retail stores and large wholesale and online sales overseas. Significant international markets for Seafolly included USA, UK and mainland Europe. Seafolly was also an exclusive swimwear manufacturer and distributor of licensed Victoria's Secret products.

Our restructuring specialists were appointed as Administrators over all Australian entities of the Seafolly Group and as a director in the Seafolly USA entity to protect the Seafolly Group's interest. The focus of the administration was to conduct a sale process of Seafolly and trade the business to preserve value until the sale was completed.

### Our approach

The Administrators immediately commenced a sale process while simultaneously restructuring the Australian retail network, closing 20 unprofitable Sunburn branded stores, negotiating rent reductions for the remaining 24 Seafolly stores and renegotiating contracts with key stakeholders.

The Administrators took on approximately \$10 million in trading liabilities (for which they personally assumed liability). This was critical for the success of the restructure as it enabled the business to continue to operate as a going concern during the administration and preserved the value of the business for the sale process.

We apply a different mindset and fresh approach to every engagement.

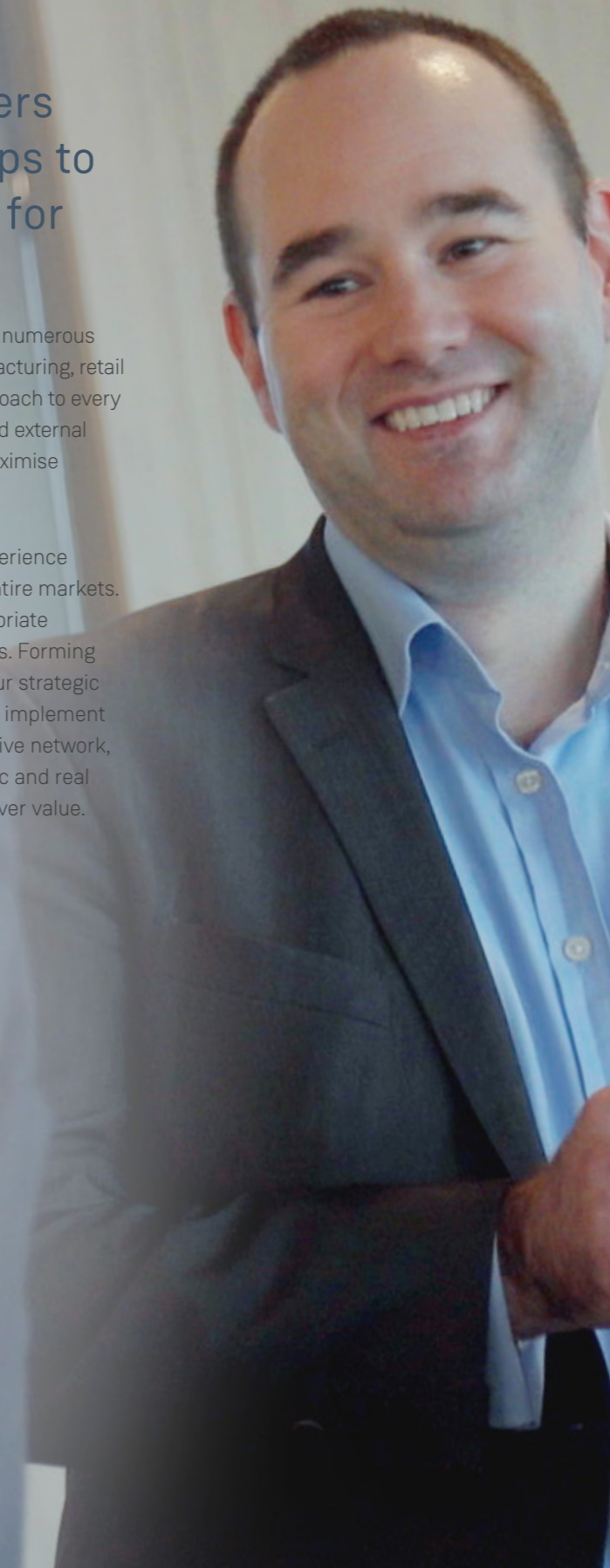


# What makes us different?

We look beyond the numbers and take bold, creative steps to achieve optimal outcomes for all stakeholders.

With diverse backgrounds and extensive experience across numerous industries, including accounting, agriculture, mining, manufacturing, retail and real estate, we apply a different mindset and fresh approach to every engagement. Our specialists consider a range of internal and external factors and regularly communicate with stakeholders to maximise individual and whole-of-business or community results.

Our team has demonstrable expertise and unmatched experience in conducting formal and informal engagements across entire markets. Applying situational proficiency, we select the most appropriate restructuring approach suited to our clients' specific issues. Forming collaborative relationships is key, and our clients trust in our strategic and technical abilities to diagnose the issues and plan and implement beneficial solutions. With access to KordaMentha's extensive network, cross-functional teams of restructuring, corporate, forensic and real estate specialists may also collaborate to protect and recover value.



## Restructuring to protect value

As with all engagements, where the business is viable we provide stability and, where necessary, prepare it for a competitive sale process. Engaged early, we can conduct independent business reviews to proactively protect value. This may include assessing:

- the company's background
- management's business plan
- historic trading results, balance sheet and cash flows
- management forecasts and likelihood of achievement (including sensitivity analysis)
- management competency
- accounting policies and financial controls
- debt structure and bank security
- strategic direction and ways to generate profit
- business viability and risk reduction.

## Restructuring to recover value

Where a formal appointment is required, our analytical and sometimes unconventional approach can help to arrest decline and recover value. When it comes to formal insolvency appointments, our Restructuring team applies a different mindset when formulating solutions, managing stakeholders and dealing with distressed companies and assets. Stakeholders rely on us to provide crucial stabilisation and viable solutions and improve returns.

## Our approach

The Restructuring team at KordaMentha takes an action-orientated approach, focusing on collaboration, understanding the needs of, and effects on, stakeholders and achieving extraordinary results.



A passion for our work, ownership of the challenge.



Urgency, making decisions. Actions, not consulting.



Hands on, senior resources.



Open communication and a collaborative approach.



Considered use of advanced technologies.



Transferring knowledge and tools.



“All my experiences working with KordaMentha have been positive despite some very challenging situations. I think what differentiates them is that they own the client’s objectives. Their strategic and technical expertise in identifying the best outcome and progressing this is a hallmark of their firm... They are a firm who operate with honesty and integrity.”

Law Firm Partner

## Contact us

With eight offices across Australia, Jakarta and Singapore and strategic affiliations in the United Kingdom, Europe and America, our clients benefit from our global reach.

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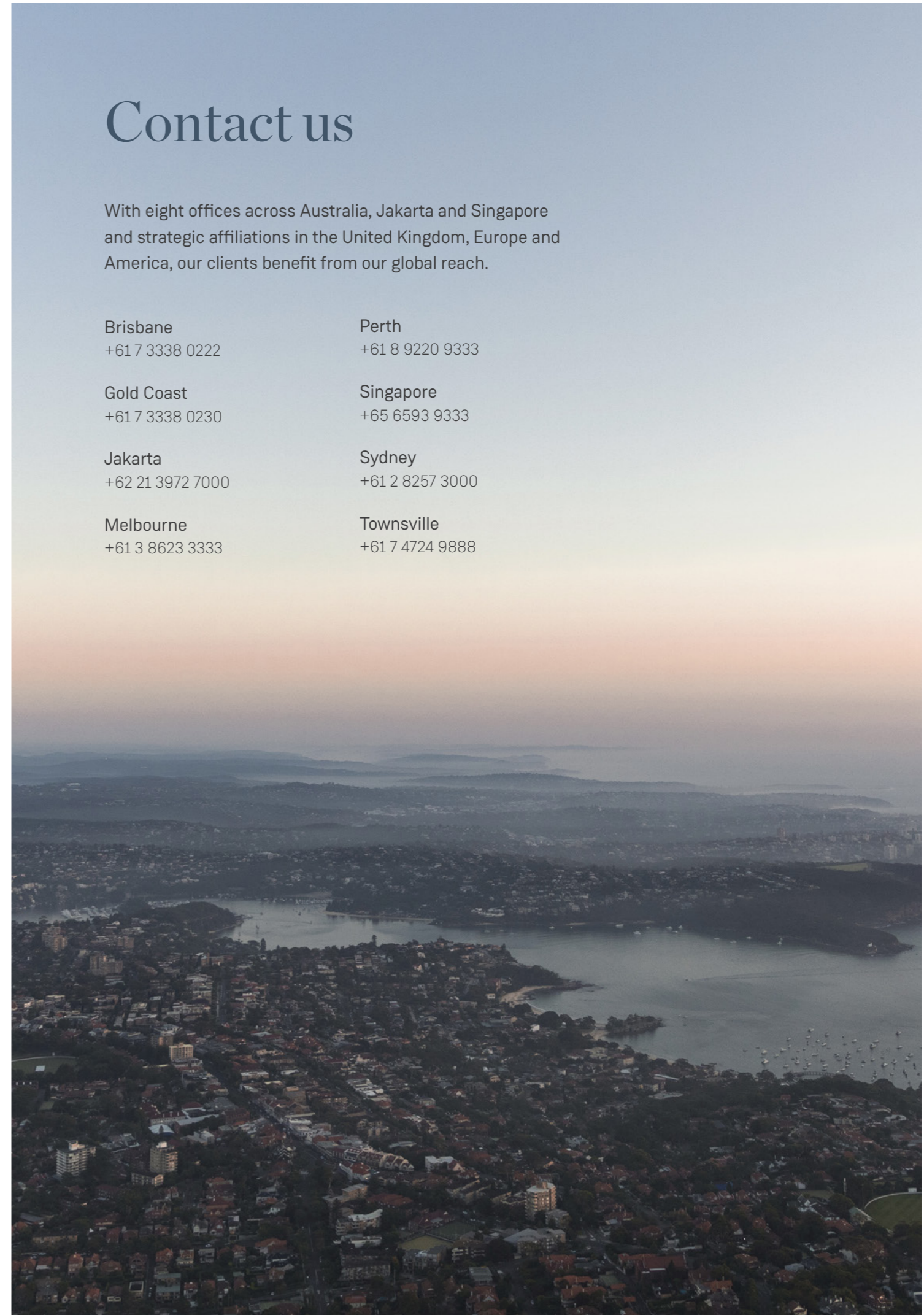
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