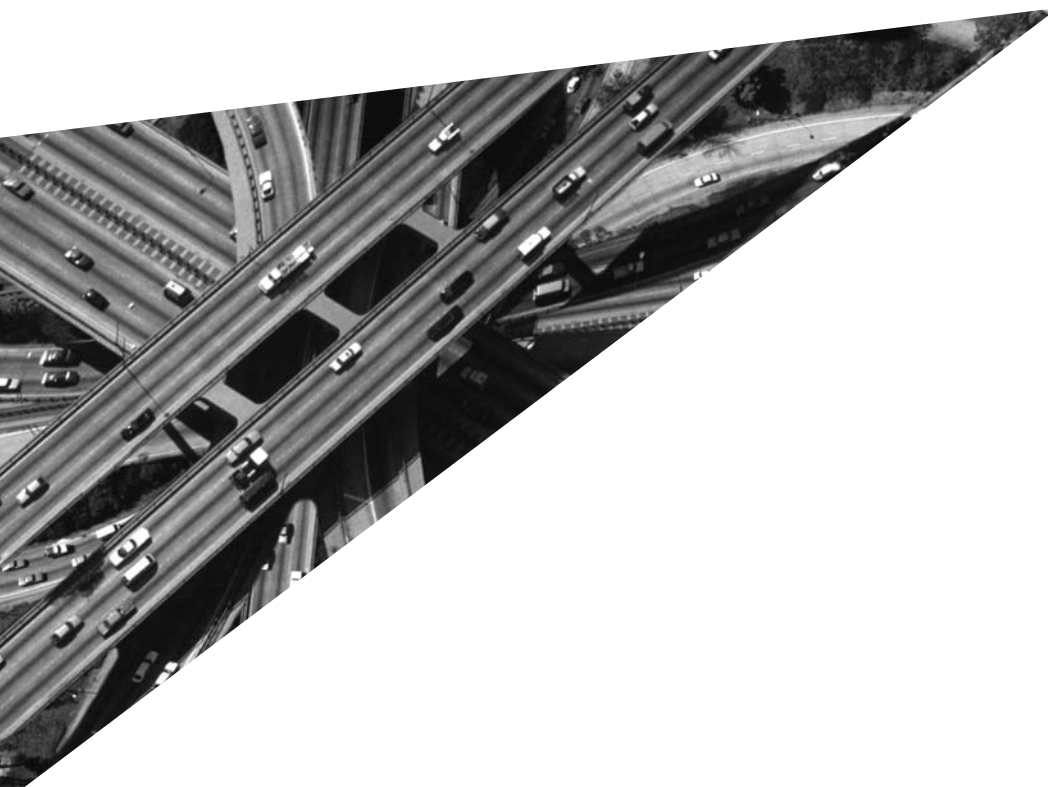


Navigating uncertainty



Navigating uncertainty

Corporate restructuring

We are witnessing a highly complex and fast-moving economic environment. Even the most successful businesses are facing new and unexpected challenges.

What we have seen

- ▶ The global economy has seen many years of sustained economic growth.
- ▶ Around five years of sustained fiscal relaxation in the world's financial markets has led to extraordinarily high levels of liquidity, cheap debt and increasing use of leverage.
- ▶ In addition, there has been an increase in complicated debt structures and instruments, and the growth of "alternative asset" classes such as private equity, collateralised debt obligations and collateralised loan obligations.

And now

- ▶ The impact of sub-prime issues and the slowing of the US economy is impacting the rest of the world, creating uncertainty.
- ▶ We have seen the closure of the collateralised debt obligations and collateralised loan obligations markets and a squeeze on liquidity. Cheap debt is no longer readily obtainable.
- ▶ Most economic forecasters expect Gross Domestic Product (GDP), at least in the western world, to drop by at least 1% over the next 12 months.
- ▶ This drop will also affect the cost of credit and asset prices, with an expected downward valuation impacting highly leveraged assets in particular.

- ▶ As liquidity seeks a high-yield home, this may give rise to a capital influence in the emerging markets.
- ▶ There are other global trends adding pressure on businesses, such as energy challenges and insecurity, globalisation of capital markets, risk and regulation, and environmental and political issues.

The implications

- ▶ If you are a corporate, an investor or lender to a corporate holding highly leveraged assets, you may need to consider issues such as debt service ability, compliance with covenants and undertakings as well as refinancing risk.
- ▶ If you are an investor looking to the next deal, you will need to review the best way to finance the investment.
- ▶ If cash is an issue for your business, you will need to find ways to improve cash management or release cash into the business.
- ▶ If you have a strong balance sheet this creates opportunities – you might consider buying distressed or semi-distressed assets. This requires different skills from normal transactions and you may need an advisor who understands how to buy and sell these types of assets.

Top 10 questions to ask yourself

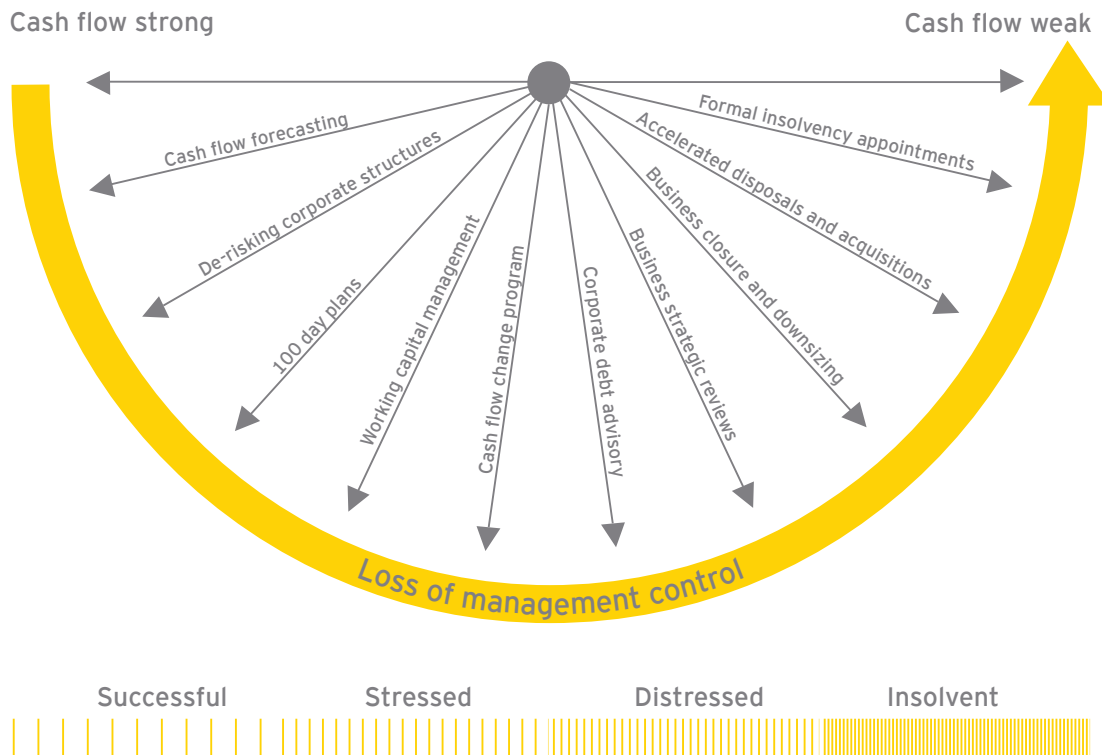
1. How will my business be impacted by the current credit crunch; what risk/opportunities assessment has been conducted and what are the conclusions and actions arising?
2. How does the current capital structure match my business strategy?
3. What is the amount of leverage (debt and debt-like items) in my business and who owns the debt?
4. What plans are in place for any capital markets activities – re-financings, capital raisings, debt repayments, lender negotiations – and how have these been impacted by the credit crunch?
5. Who is or might be at risk in my customer base or supply chain?
6. What steps are being taken to manage cash more tightly and improve cash flow forecasting?
7. How much working capital finance is there in my business and how does this change under downside scenarios?
8. What communication strategies are in place for debt providers, equity analysts and rating agencies?
9. What are the plans for seizing opportunities to grow my business through acquisition, sales growth and earnings improvement?
10. What corporate governance changes are envisioned – tightening of internal controls, impairment testing, frequency of board meetings or credit crunch special projects team?

If you are facing any of the questions above it may be time to question the structure of your business.

Understanding underperformance

Many businesses in the current economic climate are experiencing some form of underperformance. It is important to identify the warning signals quickly, understand the underlying factors and seek assistance to undertake the necessary actions to return your business to maximum performance with minimal disruption. If you leave it too late to call in effective operational assistance, the range of potential structuring solutions can narrow and time pressures can dominate the decision making process.

Each scenario calls for different specialist skills and experience. We offer a broad range of services and tailor our team and advice to your individual situation. We can help you evaluate opportunities, optimise transactions and achieve your strategic goals whatever your current challenges.



Our approach

Co-develop and implement solutions	Buy time and stability Stabilisation <ul style="list-style-type: none"> ▶ Establish robust short-term cash flow ▶ Hands on cash management ▶ Minimise any extra funding need ▶ Negotiate with debt and equity providers 	Understand the problem Strategic review <ul style="list-style-type: none"> ▶ Regular communication - "5 day" heads up ▶ Identify key risks to entity value ▶ Focused financial analysis ▶ Utilise sector expertise ▶ Operational review 	Assess options Options analysis <ul style="list-style-type: none"> ▶ Identify value drivers ▶ Identify key stakeholders ▶ Identify key levers and negotiating strengths
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We take a strategic, pragmatic and holistic approach to addressing underperformance. We work with you to co-develop and implement solutions that involve initially stabilising your current situation, identifying and understanding all issues and consequential impacts, then finally assessing your options and executing strategies aimed at delivering optimum performance.

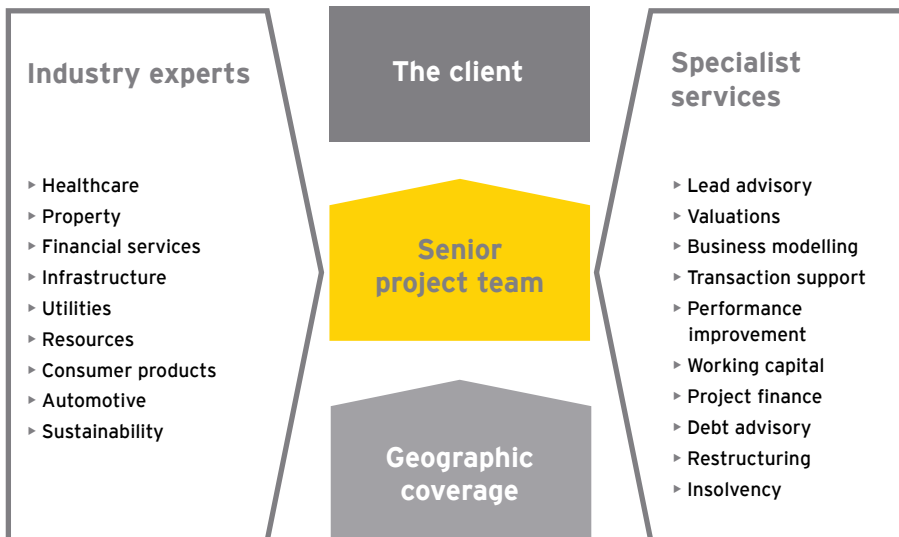
We can help you evaluate opportunities, optimise transactions and achieve your strategic goals whatever your current challenges.

Optimising your outcomes

Our services	Triggers	Benefits
Cash flow forecasting	<ul style="list-style-type: none"> ▶ Approaching debt or equity raising milestones ▶ Major capex project 	<ul style="list-style-type: none"> ▶ Independent advice ▶ Assurance for key stakeholders
De-risking corporate structures	<ul style="list-style-type: none"> ▶ Outdated complex structures ▶ Dormant subsidiaries ▶ Governance issues, loss of "corporate memory" 	<ul style="list-style-type: none"> ▶ Protects brand and shareholder value by mitigating risk and increased transparency ▶ Optimises efficiency/reduces compliance costs
100 day plans	<ul style="list-style-type: none"> ▶ Post-acquisition situations without established processes for managing cash and financial reporting ▶ Working capital deterioration ▶ Lack of visibility and control over cash and forecasting 	<ul style="list-style-type: none"> ▶ Immediate start to realising working capital improvements ▶ Deliver excess cash tied up in working capital, prioritising quick wins ▶ Extend organisational cash culture ▶ Greater visibility and confidence in control over cash ▶ Sustainable improvements
Working capital management	<ul style="list-style-type: none"> ▶ Funding requirements/working capital increasing or relatively high ▶ Benchmarking against peers ▶ Desire to improve cash management ▶ De-gear/return cash to shareholders 	<ul style="list-style-type: none"> ▶ Reduces borrowing and improves profitability ▶ Frees up cash for new initiatives ▶ Helps provide flexibility to meet financial covenants ▶ Improves cash flow generation, enterprise value and management reputation
Cash flow change program	<ul style="list-style-type: none"> ▶ Desire to improve cash management 	<ul style="list-style-type: none"> ▶ Improve cash management, enabling an acceleration of debt repayment, refinancing and minimisation of funding needs ▶ Establish organisational cash culture
Corporate debt advisory	<ul style="list-style-type: none"> ▶ Funding requirements/facility excesses ▶ Profit warnings ▶ Missed forecasts ▶ Loss of key management/customers/suppliers ▶ Deterioration of lender relationships 	<ul style="list-style-type: none"> ▶ Assistance with management of external financiers ▶ Crisis stabilisation and negotiation of standstill agreements ▶ Analysis of reasons for underperformance, business viability and options to address ▶ Financial restructuring
Business strategic reviews	<ul style="list-style-type: none"> ▶ Funding requirements ▶ Covenant breaches (actual or forecast) ▶ Stakeholder pressure, deterioration of lender relationships ▶ Short term viability concerns 	<ul style="list-style-type: none"> ▶ Experienced in providing guidance around crisis stabilisation that provides confidence and protects/increases value for stakeholders ▶ Demonstrates that management is engaged in developing solutions for measured and controlled restructuring ▶ Management is able to handle difficult negotiations with confidence, having been clearly advised on strategy
Accelerated disposals and acquisitions	<ul style="list-style-type: none"> ▶ High-risk, underperforming or non-core operations ▶ Need to raise cash or stem losses in the short-term ▶ Opportunity for acquisition 	<ul style="list-style-type: none"> ▶ Execution of transactions with speed ▶ Protection of brand and stakeholder value
Business closure and downsizing	<ul style="list-style-type: none"> ▶ Unfavourable legislation or industry reform ▶ Underperforming or non-core subsidiary/business unit ▶ Post-acquisition strategy execution 	<ul style="list-style-type: none"> ▶ The turnaround or exit of underperforming businesses improving overall corporate performance ▶ Increased management focus on core business
Formal insolvency appointments	<ul style="list-style-type: none"> ▶ Client unable to continue to trade due to cash flow constraints, creditor pressure or withdrawal of funding 	<ul style="list-style-type: none"> ▶ Maximise returns to company's creditors through either the rescue of the company or the realisation of its assets

Our people

Our advisory services have been realigned to match market conditions to assist you with the issues you face in the current environment. We have mobilised senior advisory professionals with deep experience and technical specialisation around the globe to provide you with a world class team to support you in dealing with your commercial challenges and navigate uncertainty.



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