

BDO BACK TO BUSINESS SERIES

Restructuring Options

Thursday 21st May

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AGENDA

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OPERATIONAL VS
FINANCIAL
RESTRUCTURING

02

DECLINE CURVE -
ACT EARLY

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RESTRUCTURING
PROCESS

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KEY TAKEAWAYS

OPERATIONAL VS FINANCIAL RESTRUCTURING

RESTRUCTURING

- Significantly modifying operational and financial aspects of the business to enhance viability and value

OPERATIONAL RESTRUCTURING

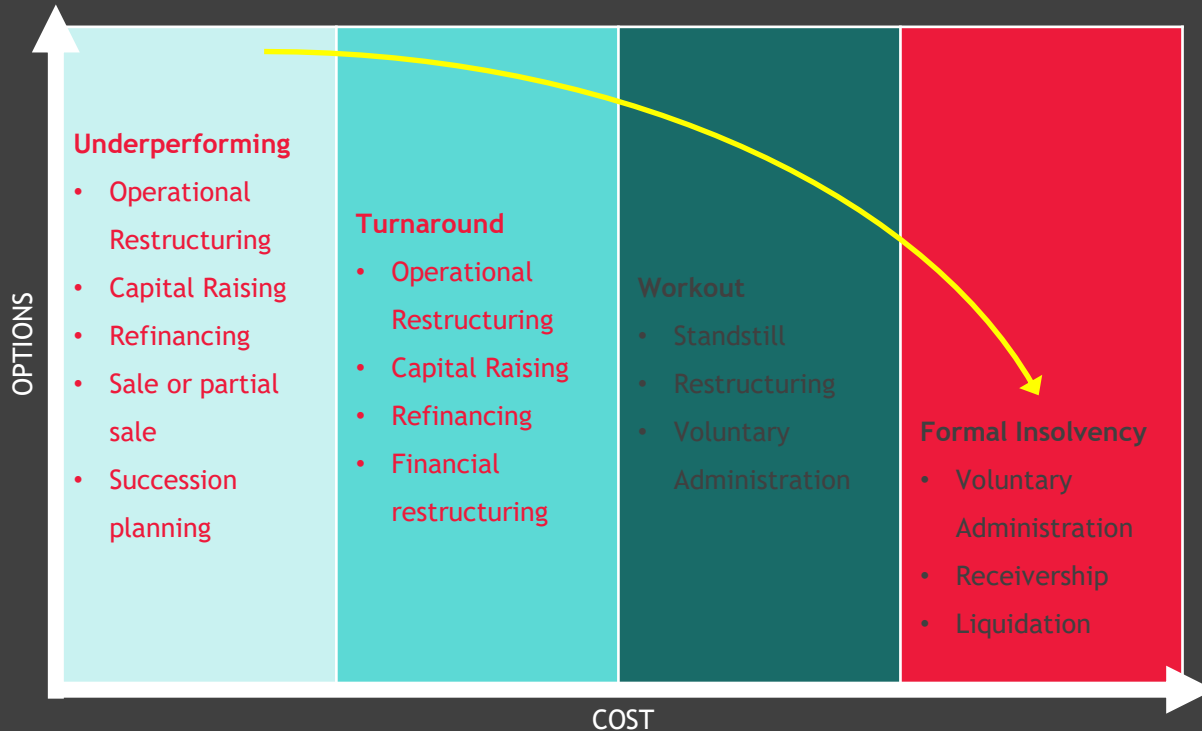
- Identify underlying causes of operational underperformance
- Develop a strategy to improve
- Implement

FINANCIAL RESTRUCTURING

- Identify issues with financial aspects and the capital structure
- Develop a strategy to modify
- Get stakeholder support
- Implement



DECLINE CURVE - ACT EARLY



RESTRUCTURING PROCESS

1



DIAGNOSIS

- Identify underlying issues.
- Focus on building confidence in financial information.
- Work with directors to stop erosion of value.
- Goal to have decision making supported by rigorous financial information.

OUTPUT: Trading forecast scenarios

2



STABILISE

- Stabilise cash position - control cash, create time, preserve options.
- Work with directors and senior management to implement:
 - Cash controls with a 13 week focus.
 - Quick cost reductions.
 - Accelerated asset disposals.

OUTPUT: Short term weekly cash flow tool

3



PLAN

- Develop with stakeholders a mutually acceptable and achievable plan for restructuring. To be time-bound.
- Focus remains on controlling cash to preserve time to implement plan.
- Key action point is negotiating with banks and other financiers to agree viable options.

OUTPUT: Restructuring plan

4



IMPLEMENT

- Implement the agreed restructuring plan.
- The goal is to align the business plan for turnaround and growth with the capital structure.
- Key stakeholders include financiers, employees as well as customers and suppliers in the supply chain.
- Improvement initiatives will focus on revenue growth and cost reduction, together with “right sizing” the capital structure for the restructured business.

OUTPUT: Refinance debt, operational improvement

5

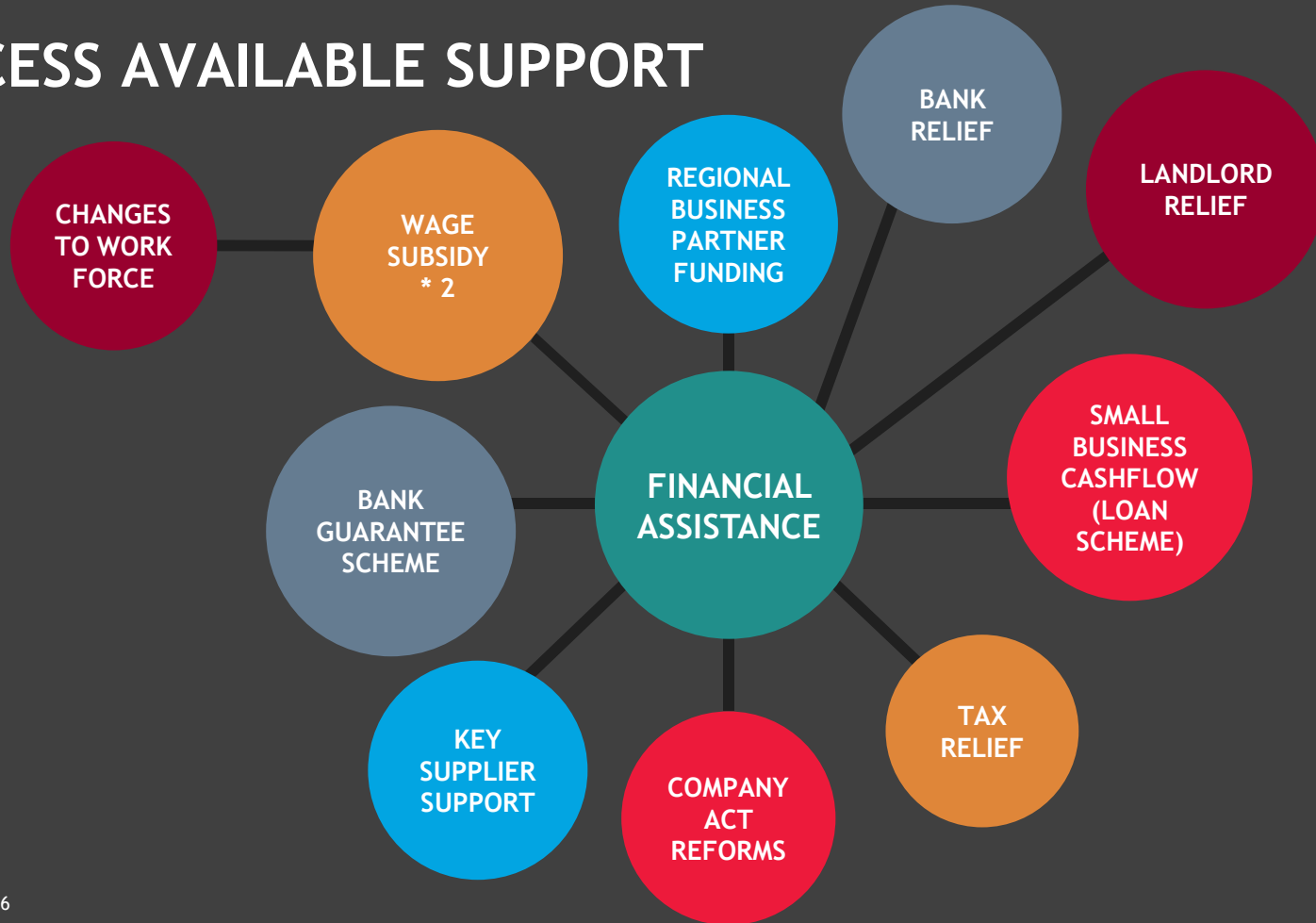


MONITOR

- Remain focused on profit improvement and business growth.
- The restructuring plan needs to be aligned to appropriate KPIs within the employees of the business.
- Remain open minded to growth through acquisition and organically.



ACCESS AVAILABLE SUPPORT



INFORMAL TOOLS



COVID-19 TOOLS

SAFE
HARBOUR
FOR
DIRECTORS



BUSINESS
DEBT
HIBERNATION



SAFE HARBOUR FOR DIRECTORS

Provides directors with protection from:

- S 135 (reckless trading)
- S 136 (duty in relation to obligations)

Can be used from 3 Apr to 30 Sept if:

- Able to pay debts 31 Dec 2019
- Liquidity problems due to Covid-19
- Incorporated between 1 Jan - 3 Apr
- Company likely to be able to pay debts by 30 Sep 21

Excludes:

- Banks
- Insurers
- Non-bank deposit takers

BUSINESS DEBT HIBERNATION



- Moratorium from creditors enforcing for 1 month
- If approved by 50% of creditors, extended for 6 months
- Purpose to maximise chances of survival or better than liquidation

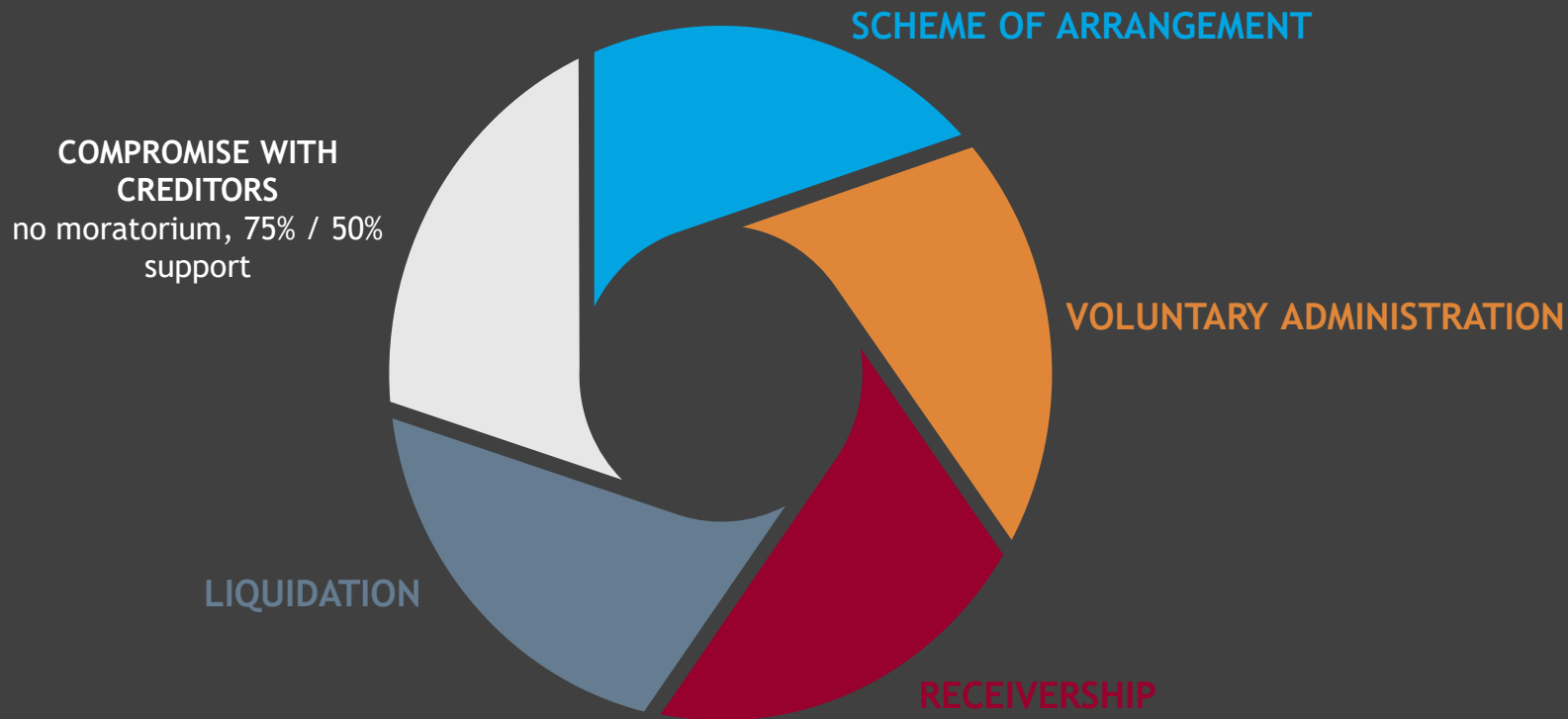


- Benefits - directors remain in control, 1 - 7 month at least breathing space. If passed all creditors bound, low cost, used to buy time to implement other restructuring options
- Draw-backs - public domain, unproven



- Criteria - supported by 80% of directors certifying:
 - Pay debts as they fall due at 31 Dec 19
 - Likely to have liquidity issues
 - Liquidity issues due to COVID-19
 - More likely than not to be able to pay debts by 30 Sep 21

TRADITIONAL TOOLS



RECENT EXAMPLES



KEY TAKEAWAYS



QUESTIONS



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Presented by Craig Gower, Carl Ferner and Josh Ambler

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Meeting the
challenges of
Alert Level 3,
and beyond

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Resetting
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Revenue
Recognition and
impairment of
assets

04 JUNE 2020