

## Turnaround Consultancy

We are often called upon to use our business turnaround skills in companies experiencing moderate to severe financial problems. In this briefing note we examine how we support such clients.

'Turnaround' is a much used expression with no precise definition. In broad terms it is the establishment and implementation of an agreed plan to rectify areas of business underperformance. As both chartered accountants and insolvency practitioners our experience of financial crisis - knowing what can and cannot be done - and our access to specialist funding sources gives us an additional perspective enabling us to support the distressed company's turnaround plan.

### Our role

Once a company goes into decline, its problems quickly escalate. Our role will be determined by where the company is along the decline curve.

Early on, a range of advisers are able to support a company through a turnaround. However as the company travels further down the curve a combination of advisers with complimentary skill sets, work-out experience and formal insolvency expertise will be necessary.

### Warning signs and events include:

- Continuing trading losses
- Order intake falling away
- Increasing costs and reducing margins
- Under-utilisation of staff
- Increasing cash restraints
- Major bad debt(s)
- Loss of a major customer
- Significant creditor pressure

### Timing

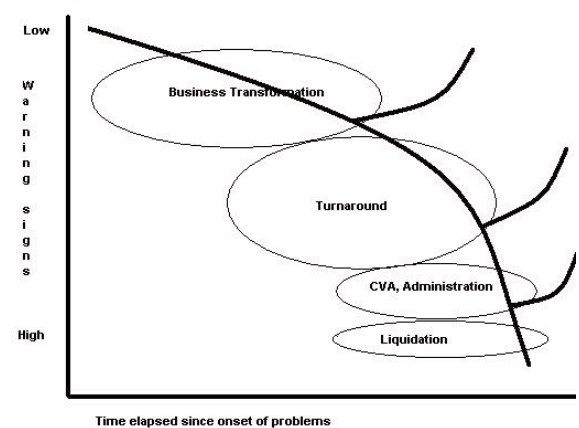
In most cases the management team will be acutely aware of critical events or downturns that have a significant adverse impact on the business. Knowing what to do next is more difficult. Where there is a turn of events the easier decision is usually to continue as before and attempt to recover the loss from future trade. But this rarely works.

Often a better course is to import the situational skills to enable the management team to concentrate on developing the business. Here we can help. Roundtable discussions and consideration of alternative options, their requirements and potential consequences are essential. It is at this early stage that turnaround advice and support can be most useful and influential in bringing about future success.

### Cashflow

Cashflow is critical to all business, and cash might be seen as the remedy to a turnaround. Again we can help, having access to specialist funding sources. However, unless profits are achieved, cash will only shore up a business. Alternatively, if cash and funding facilities dry up, so does the time available to implement a turnaround strategy, as illustrated by the decline curve. Time is of the essence once a problem arises. The options in determining a turnaround strategy must be addressed early.

The Decline Curve



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## What can we achieve?

Our focus for a turnaround strategy is to:

- Stabilise the financial position.
- Evaluate with the board the viability of the business going forward.
- Develop alternative turnaround strategies.
- Introduce seasoned specialists with skills to supplement those of management to implement the turnaround strategy.
- Negotiate or raise additional cash facilities.
- Win back the confidence of stakeholders in the business through the turnaround plan.

## Is there an alternative?

If the time line on the decline curve is short because of an unexpected crisis all may not be lost. A viable business should survive and in the final analysis the rescue culture embodied within insolvency legislation together with appropriate refinancing can be used to achieve this.

## About us

At Mercer & Hole we have three Business Recovery Partners and three Business Recovery Managers with supporting teams who have immense experience and capability in assisting and advising on turnaround strategies and raising cash. Should you require advice or support in designing a viable turnaround strategy for your business then please contact us.

**The Mercer & Hole Rescue, Recovery and Insolvency team has extensive experience covering the breadth of restructuring and recovery work. Our partners and managers have many years of experience helping companies and individuals facing financial problems.**

**Initial consultations are free of charge and without commitment.**



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