



Construction Waste Recycling

Executive Summary

The business had its origins as a start-up operation backed by a group of twenty plus private investors and had grown quickly delivering a recycling service for construction waste. The company operated three recycling centers servicing west Yorkshire moving into a distressed state at the £6m turnover level. An interim turnaround executive chairman was appointed in conjunction with BHL.

Challenges

- Quickly assessing potential outcome options and severity of distress.
- Financial information was lacking at a detailed level although basic accounts were in place.
- Managing the immediate cash position and implementing controls.
- Managing and determining the status of the funding source, invoice discounting and the funder relationship.
- Establishing cash forecasting system and scope to reduce contain cost base.
- Stabilising the business and managing stakeholders expectations and updating on progress.
- Taking all possible steps to optimize sale, costs and alleviate cash stress.

Turnaround - Managing a distressed business

Results, Return on Investment Summary

- ✓ Managing external funders and maintaining close communication and updates
- ✓ Preparing a rolling cash forecast and cash management system avoiding increased creditor exposure.
- ✓ Advising directors on duties and responsibilities in conjunction with interim exec chairman regarding solvency and protection of creditors being paramount.
- ✓ Assessing the viability of business and options including CVA, new investment (existing shareholders), damage limitation by way of prepack and sale
- ✓ Maintaining cash balances in order wages and payroll commitment could be met.
- ✓ Recovery plan put to an investor group (not without risk) and requiring £400K cash injection. Ultimately no agreement could be reached by investor group
- ✓ CVA route rejected as non-viable. Invoice discounter withdrew support to allow viable CVA
- ✓ The only choice left was to put into Administration (prepack) and company assets and trading base sold to a private waste management group.
- ✓ Secured creditors substantially paid down, 90% + employment retention. Minimised equity exposure downside.

Summary

Not a positive outcome for the investor group but the only one in the circumstances. Had help been sought sooner the chances of a full recovery and turnaround would have been much better. Often the outcome is damage limitation at the bottom of the distress curve.

Employment had been safeguarded and business continuity secured with a stronger group business behind it. The trading business was secured.