

HOW WE HELPED A BUSINESS ON THE ROAD TO RECOVERY...

ABOUT THE BUSINESS

A business established for over 100 years, working in production space of 20,000 square feet in Derbyshire employing approximately 80 staff.

Unique within the industry the company manufactures the display solution for fabric, carpet, blinds, wallpaper, flooring and a range of other materials, from a simple swatch to a highly complex book.

The business employs a dedicated team of experienced professionals with an average of 16 years in house experience per person who support the management team to provide an exemplary service to clients. Seventy percent of the business is repeat work from valued clients.

THE ISSUES FACING THE BUSINESS

Bibby Factors Manchester Limited ("Bibby") provided funding solutions in the form of invoice finance to the company. Following an annual audit it was discovered that the company had been receiving draw downs from Bibby for orders that had not been completed ('pre-invoicing').

As a result of this the true sales ledger was massively overstated resulting in Bibby potentially facing a large shortfall on their current account in the event that the company was unable to fulfil their orders.

They approached Cowgill Holloway Business Recovery to conduct an inspection of the business with a view to proposing a formal insolvency procedure.

On review, Cowgill Holloway Business Recovery found:

- Aged sales ledger which did not underpin the level of funds invested by Bibby and further funds should not have been extended without significant control over use and benefit.
- A poorly run business with issues over allocation of bill and hold.
- Significant incomplete orders.
- Majority of stock was free issue.
- Physical assets did not hold any significant realisable value.

Overall Cowgill Holloway Business Recovery reported that the business was unlikely to hold much value if sold through an formal insolvency process and unless the current work-in-progress could be completed Bibby would receive a substantial write-off.

However, the review also identified the business to be viable if it implemented procedures to run correctly. In conjunction with independent agents Cerberus Group a strategy was presented to Bibby and subsequently implemented which ultimately saved the company.

STRATEGY

We worked with the directors to put together a strategy that allowed them to repair the position for the funder and bring about control of the sales ledger. Trading was supported over a period of four weeks which included:

- An objective assessment of the company's current financial position
- Identification of the reasons for financial difficulties and detected problems requiring immediate attention
- Assessment of the achievability and practicability of business turnaround
- Reviewed and tightened control over cash flows
- Initiated discussions with creditors
- Reviewed the existing forecasting methodology and prepared financial projections
- Analysed future free cash flows
- Assessed cash-flow sensitivity to changes in the forecast assumptions
- Assessed the volume and timing of funding needs and approached and negotiated a suitable funding option on behalf of the business
- Worked with lenders to provide sufficient financial and cash flow information to allow them to support the funding requirements of the business until alternative funding was sourced
- Identified potential restructuring initiatives
- Prioritised the initiatives based on their potential effect, implementation time, cost and level of risk
- Prepared a restructuring plan, clearly indicating the goals, timing, responsible persons and measurable deliverables
- Assisted with implementing the recommendations and monitored the results

In addition, we engaged a third party, Cerberus Group to:

- Dispose of surplus stock
- Review the product costs

- Prepare proper allocation of cash
- Collect outstanding monies
- Review the systems and collections process

OUTCOME:

The quality of our approach, proven hands-on methodology and tools used meant we delivered an optimal sustainable outcome:

- Continuation of the trade of the business
- Avoidance of any insolvency procedure
- Invoice finance provider fully repaid
- All jobs within the business preserved
- New funding solution found, deal negotiated and completed

When your business is at stake and you cannot afford to make a wrong move, urgent and effective measures are needed. In the face of a corporate crisis, most executives do not have the experience to deal with rapidly declining operating performance or to decide what needs to be done first. If this is what is happening to your company, we are ready to provide support to your management team, share our knowledge and the hands-on experience we have gained working with a large number of distressed companies and help you stop the processes destroying your organisation.

For more information on how we can help call us on Freephone **0808 168 3211**.

"I cannot believe we let the business numbers get so out of control that we didn't know how long monies had been overdue. With the help of Cowgill Holloway Business Recovery, we got our company out of a potentially fatal situation"