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Strategy in Action

Speeding towards a rescue culture

More healthy companies are choosing to restructure their businesses to help them weather the downturns

SINGAPORE and the broader region have begun to feel the effects of economic headwinds that have checked growth and in some cases led to corporate failures. Amid this challenging environment, however, there are those who see the value of deploying capital in the right situations. Increasingly, stakeholders are looking to take action to strengthen their business while they are healthy and still have the option to do so.

"Be it operational restructuring, capital injection, divestment to raise cash or debt restructuring, these measures take time to implement. The earlier the company can identify a cash crunch situation and take the necessary corrective action, the higher the chances of a successful turnaround," explains Goh Thien Phong, Business Restructuring and Investigations Partner, PwC Singapore.

To help them in this effort, stakeholders and companies are also seeking the advice of restructuring experts such as PwC, who can provide an independent view on the sustainability of the capital structure of a business, as well as identify and implement operational improvements and opportunities to enhance cashflows, and advice on capital raising or sale of businesses.

"The problem with leaving it too late before taking action is that the options for restructuring become limited and the timeframe compressed. The last thing a company in distress needs is to have to negotiate a restructuring of its debt or sale of assets with a looming interest or loan repayment hanging over its head," says Peter Greaves, PwC's Asia Pacific Business Restructuring Leader, who is based in Singapore.

"Also, by that stage, it may be too late to leverage operational improvements to release cash" he adds.

Both Mr Greaves and Mr Goh have over two decades of experience in the restructuring business and have seen every part of the economic cycle and the impact on various economies, industries and individual businesses.

"Working capital management for example is often the cheapest way for a business to access cash. In many cases we are able to identify savings that exceed the costs involved in realising them and it should be possible to enjoy the benefit on an ongoing basis provided that working capital discipline is maintained," Mr Greaves explains.

Mr Greaves reflects that a notable shift over time has been the increasing focus on a "rescue culture", with greater protection, time and opportunity for businesses to work out their issues to preserve value.

This shift is reflected in legal developments, with already sophisticated restructuring jurisdictions such as Singapore and the UK in the process of drawing up further improvements to existing processes that look set to add to the toolkit of options available to the restructuring practitioner. Singapore in particular is looking to carve a role as a hub for restructuring in Asia in the way that New York and London have been able to in their own regions.



The need to work across sectors and borders has kept things fresh for Peter Greaves and Goh Thien Phong, having worked in a wide range of situations, jurisdictions and industries

"While I continue to get involved in situations where clients are stressed or distressed, I find myself working with a much higher proportion of healthy businesses looking to proactively restructure to gain or maintain an advantage than was previously the case," he says.

Mr Goh started in restructuring and insolvency work almost 20 years ago after spending 10 years in audit. In the early 2000s he worked on many restructuring situations in the real estate sector, before handling the restructuring of S-ship companies in financial difficulties later in the decade and more recently in the offshore and marine industry. Mr Greaves, meanwhile, started his career in London in the early 1990s; a period which saw an uptick in restructuring work that came with a downturn in the economy.

The Asian Financial Crisis in the late 1990s, and the far bigger Global Financial Crisis in 2008 would see the two professionals busily involved in a large number of corporate rescues.

"Some of these companies had more than 30 financial institutional creditors and with debts in excess of US\$500 million," recalls Mr Goh.

"While the global economy has assumed a more even footing in recent years, we continue to see businesses with challenges,

whether it be through external factors such as oil prices and political shocks or issues more particular to an individual business," adds Mr Greaves.

The need to work across sectors and borders has kept things fresh for the duo, having worked in a wide range of situations, jurisdictions and industries – from construction to financial services and from manufacturing to transport and logistics.

"The nature of the work has put me in some interesting situations, not all of which were pleasant, ranging from being threatened by Hells Angels when dealing with the restructuring of a motorcycle dealership to working with the police to ensure the safe custody of several tens of thousands of dollars in cash that we found 'stored' under a desk at the offices of a finance company," says Mr Greaves.

Adds Mr Goh: "The more memorable cases are not necessarily the larger and more complex ones. A recent case I worked on involved operating a well-known food and beverage chain for almost a year and turning around the loss-making business. We eventually sold the business and provided creditors with a recovery that far exceeded what they would have received if the company had gone into liquidation."

One constant throughout is the strength, depth and reach of PwC's global restructuring team, and its ability to access the wide ranging skillsets within the firm in areas such as M&A and consulting. These attributes are crucial to help clients restructure and turn-around their ailing businesses, and lenders in their recovery efforts. The team has consistently been involved in high profile cases including local and regional situations such as Jones the Grocer and Hanjin Shipping, as well as global cases such as Lehman Brothers International Europe, Enron and OW Bunker.

Says Mr Greaves: "Our restructuring team is an integral part of PwC's Deals business for the simple reason that most restructurings involve a transaction of some description. Increasingly it is essential to have direct access to the wider Deal services of the firm, bringing skills and experience crucial to the roles we take on, including valuation, strategy, due diligence and M&A skills, as well as deep industry specific expertise."

■ This is the fourth instalment of a second five-part series 'Strategy in Action', which is brought to you by PwC

Notable restructurings over the years

- ◆ Accord Customer Care Solutions Ltd
- ◆ China Hongxing Sports Limited
- ◆ Fibrochem Technologies Limited
- ◆ Jaya Holdings Ltd
- ◆ Jones the Grocer International Pte Ltd
- ◆ KLW Holdings Limited
- ◆ Lehman Brothers Minibonds
- ◆ OW Bunker Far East (Singapore) Pte Ltd
- ◆ WesTech Electronics Limited
- ◆ TT International Ltd
- ◆ ZhongHui Holdings Ltd

*PwC provided restructuring services in all the above cases

