

Turnaround of c£20m t/o electrical contractor



Company:
Electrical Contractor

Impacted by Covid 19 after retail clients lost appetite to invest in sites.

Strong pipeline of contracts and c£21m of forecast sales

BACKGROUND:

- The company was historically profitable until 2019 when turnover and profit saw a downturn due to a decline in clients appetite to invest in retail focused sites.
- The company began to diversify into construction redevelopment projects however this transition was impacted by Covid related delays and cancellations. Further lockdowns and market uncertainty disrupted operations and presented financial challenges.
- Company had a strong pipeline of contracts and c£21m of forecast sales, but servicing the recently introduced government supported debt was depleting profit generation.
- The company was unable to refinance its lending facilities or introduce additional investment / debt.

MOOFIELDS ACTION:

- Building an integrated financial model for providing forecasts to potential funders;
- An options review for the company, comparing the return to key stakeholders in the various scenarios;
- An accelerated marketing exercise advertising the opportunity of both a share sale and a business and assets sale out of administration;
- Cashflow monitoring and forecasting key short-term milestones to advise on risk mitigation;
- Reviewing the company's key contracts and engaging a specialist QS to advise on recoverability of debtors and WIP in a variety of scenarios;

- Simultaneously exploring a solvent restructure and consulting with key creditors whilst planning for a potential insolvency;
- Negotiating a sale of the company's business and assets which resulted in the best possible return to creditors whilst also providing the purchasing company the best possible start to trading by reducing the initial cashflow impact;
- Assisting the company in novating contracts to protect WIP and project completion;

RESULT:

- A sale of the business and assets out of administration;
- Continuation of business meaning minimal disruption to projects, supply chain continuation and a transfer of all employees;
- Initial sale consideration resulted in the company's primary lender being repaid in full;
- The sale will achieve higher realisations across all asset categories compared to the likely alternative, resulting in a higher return to all creditors;
- Mitigating the likely claims on the British Business Bank and considerable repayment to HMRC anticipated.

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