

The image is a composite graphic. On the right side, there is a portrait of a middle-aged man with light brown hair, wearing a dark suit, white shirt, and a striped tie. Behind him, there is a stylized bar chart with three blue bars of increasing height. A blue line graph starts from the first bar and extends upwards, ending in a blue rocket that is launching and leaving a large, billowing cloud of blue smoke. The background is split into a light blue top half and a dark blue bottom half.

TURNING YOUR BUSINESS AROUND

"UNCOMFORTABLE
CONVERSATIONS ARE
CRITICAL TO SUCCESS"

Driving rapid
turnaround to meet
stakeholder objectives

Your vision. Our proven capabilities.

Rapid transformations can be a challenge, but with the right team, you can create a leaner, more flexible and far more competitive company. EMC consultants are forward-looking specialists who combine sector knowledge with the foresight that comes from experience — helping you to stay in front of the issues and make the best decisions.

Services to help you move from crisis to value realisation.

Real results achieved by integrated specialists.

Stormy seas ahead? Now is the time to take control, get back on an even keel and chart a course based on sustainable objectives.

With EMC, you have an experienced advisor who has helped clients navigate their way through similar circumstances. Someone who understands both the risks and rewards of a major turnaround. And who can offer tested strategies designed to identify pockets of value and increase a company's competitive advantage.

Serving as an objective, third-party consultant, EMC can help you ask the tough questions up front, stabilise your cash and liquidity positions, and take a realistic view of current options. Then we can help you build an effective turnaround plan designed for sustainability, execute your plan quickly in alignment with specific goals and realise business value from the transformation.

Learn more about how EMC is helping today's companies optimise performance and generate outstanding value for stakeholders.

Turnaround services

- 1 Option Identification
- 2 Stabilization
- 3 Transformation Strategy
- 4 Execution
- 5 Value Realization

How can I quickly and effectively review all my options?

Fixing, selling or closing the company can all provide pockets of value.

The clock is ticking. The more you delay taking action, the greater the chance of continued stress and value erosion. First step is to ask the right questions. Is there an actual cash crisis? If so, can we stabilise the situation? Is a turnaround possible? What are the best options at hand for the company?

Rapid appraisal of performance, risk and timing is key in assessing which routes are best. Value can quickly disappear if too much time is taken to stop loss-making or cash-depleting activities that have

little chance of being turned around or if valuable opportunities for sales of assets are not seized immediately. Another point to remember — **“sometimes even the best-managed companies are limited by preconceptions or traditional ways of thinking”.**

In such a case, objective third parties can provide ‘fresh eyes’ in determining options and gauging the relative feasibility and strategic fit of each option. Now is the time to ‘think outside the box’ and find new solutions based on what works in the real world of business.



? Can we stabilise the situation?

? Is there an actual crisis?

? Is a turnaround or refinancing possible?

? What are the best options at hand for the company

Ask the right questions

What are the profitability gaps in my business?

We can provide rapid assessments to help identify gaps between potential and current profits. We look at markets and competitors, the current operating model, taxes, and levers to prevent cash drain and reduce cost.

Which options do I need to consider?

We can help provide an assessment of what has worked so far, what has not and what options should be considered for improved performance. This includes reviewing existing efforts to stabilize the company, assessing future options with a balanced scorecard of strategic fit, identifying cash tax opportunities and outlining a proposed approach to help you prepare for next steps.

What objections could I get from stakeholders?

With stakeholder mapping, you can better assess requirements and objectives of banks, bondholders, owners, suppliers, employees, trustees and other relevant parties. We can help you get a clearer view of stakeholder issues and gauge the impact of various options on different stakeholder groups.

What should I do to stabilize the business?

Sometimes stabilisation requires selling part or all the business, so we can help you understand the benefits and risks involved

in a sale. This includes determining the value for whole or part of the company, considering the options for different sale structures and approaches, and estimating the time required to execute a transaction.

What risks and costs will I face from a closure plan?

You should study the potential implications of closure as a fallback option. Our services can help you model closure scenarios, assess balance sheet assets and liabilities, address employee needs and concerns, and develop a preferred closure approach to support value.

How can I better understand the risks and benefits of formal proceedings?

Before any formal proceedings occur, you need to analyse the implications of distress or insolvency events such as a Corporate Voluntary Arrangement (CVA) or entering Administration. We can help you evaluate the potential impact of these events. We can also help estimate the impact on the rest of the group and evaluate the ability to mitigate the cost of a closure or expedite a fix through formal proceedings.

What kind of financial impact should I expect from each of the various options?

Developing a financial business case helps determine the financial issues, payback, monetising tax attributes and Discounted Cash Flow (DCF). Our services include considering the Net Present Value (NPV) and risk of each option and developing recommendations for options.

²Stabilisation

How can I stabilise the business and assess its financial position?

How can I stabilise the business and assess its financial position?

After looking at your cash flow and your options, the next order of business is to quickly gain control of the situation and establish a solid ground for the turnaround process. This includes delivering a series of quick wins and embedding changes that will support the building of an effective turnaround plan.

To achieve these goals, you need to engage all stakeholders and listen to and assess their perspectives about the current state of affairs.

Additionally, it is important to understand the corporate calendar and who is available to support the plan.

At the same time, you need to build a communication network inside the company, develop plans to manage external communication, initiate action logs and regular meetings, set up the turnaround team, and incorporate a strong and balanced presence of relevant stakeholder groups.

STAKEHOLDER SUPPORT

**NEW
GOVERNANCE
+
ROBUST
PROBLEM SOLVING**

TO SUPPORT VALUE

For a quick win, you need to develop and deliver an early plan of action that clearly explains what needs to happen and when. The plan should support a change in governance if required, demonstrate a robust approach to problem solving, and help assure stakeholders that the company is being proactive, not reactive, in dealing with the turnaround.

Ask the right questions

How can I get control of cash and liquidity?

First steps include determining your available headroom, assessing your cash tax position, and identifying any large, near-term receipts and payments. We can help with preparing 13-week cash forecasting, assessing the timing and duration of cash shortfalls in your forecast, and closely managing working capital and liquidity.

What governance do I need to stabilise the cash flow?

Proper governance can reduce unnecessary costs and improve cash flow. Accordingly, we can help you initiate cash flow improvement measures, maintain cash flow forecasting, and transition to medium-term cash improvement actions.

How can I get better control of my cash and costs?

We can help you review and rationalise cost budgets, adjust or halt discretionary capex, expedite collections, renegotiate payment terms, and identify stocks to sell at a discount.

What progress reports do I need to have?

The development of effective communications for lenders, tax authorities, credit insurers and other relevant parties is a critical success factor for any turnaround. We can work with you to help stakeholders understand forecast cash requirements and planned cash improvement actions, develop cash improvement initiative reporting, and support detailed receipts and payments forecasts.

Are there gaps in the management team?

You can encourage better management performance when you understand both the strengths and limitations of your management team. We can help you gauge whether the managers have the understanding, skills, knowledge, support and commitment needed to fulfil their roles.

What information do I need to share with external stakeholders?

You can increase support for the transformation by mapping external stakeholder groups, their characteristics and the communications appropriate for these groups. We can help you identify key stakeholders, gauge their negotiating strengths and weaknesses, and structure communications appropriately.

³Transformation Strategy

What financial impact might I realise with the various options?

A strong plan recognizes stakeholder concerns and needs.

Financial payback is a key value of any transformation. A robust turnaround plan will articulate the problems and issues affecting finances and cash flow, lay out the operational, financial, and tax impacts of addressing those issues, describe the future state for the company, and calculate how much it will cost to reach that state.

These three steps can serve as a platform for developing an operational improvements and transition plan:

1 Agree on the plan's scope with the stakeholders who are controlling the process. They may set constraints — such as the level of investment or gearing that can be tolerated — or they may recognize certain parameters for the process, such as financial return.

2 Examine, evaluate and test hypotheses on how the company can be improved.

3 Build scenarios and select an option where combinations of hypotheses are built and compared against the scope. This way, you can find the best fit in terms of financial outcome, risk and timing.



Executives might want to maintain the status quo and hope for an upturn.

Lenders or suppliers might perceive higher risks and force higher costs on the company.

Owners may want a more radical and timely solution, exiting from a region and withdrawing the capital.

Employees and their representatives may fear wide-scale layoffs.

TO SUPPORT VALUE

Your plan will have to balance the different priorities of different stakeholders. Often, the plan represents a difficult negotiation among these groups.

Ask the right questions

What are the key value drivers that will define the transformation strategy?

We can help you build a value-based strategy by determining what level of ambition is required, evaluating the market and competitive environment, and identifying business constraints.

Are managers fully committed to the plan?

To help ensure a successful turnaround, you need managers who are fully committed to the plan. We can help you put 'change' at the top of the management agenda and, equally as important, reinforce it.

What is my run rate financial performance?

Run rate assessments provide a current view of the company's financial performance, providing you with solid support for decision making. We can help you quickly appraise the company's financial position, build a run rate baseline, assess the impact of lengthy contracts, and analyse portfolios.

Which improvements should I fast track?

Fast-tracking quick wins can increase adoption during the critical early stages. We can help with assessing the company's current position and identifying easy-to-execute profit and cash opportunities.

What operational governance changes will I need to deliver the plan?

The successful move from planning to execution depends on proper governance. Our services are based on what we call the four pillars of operational governance: Board composition and constitution; management information; a cycle of meetings and decision making; and processes, systems and controls.

How will my strategy create value?

We can help you determine high-level planning to help maximize value against each initiative and workstream. Our services include assessing the readiness for change, and reviewing plans that cover tactical cash, structural cash, quick wins, immediate cost actions and strategic business changes.



⁴Execution

How can I execute my turnaround plan?

Rebuilding trust between the company and its stakeholders can be a key benefit of a well-executed plan.

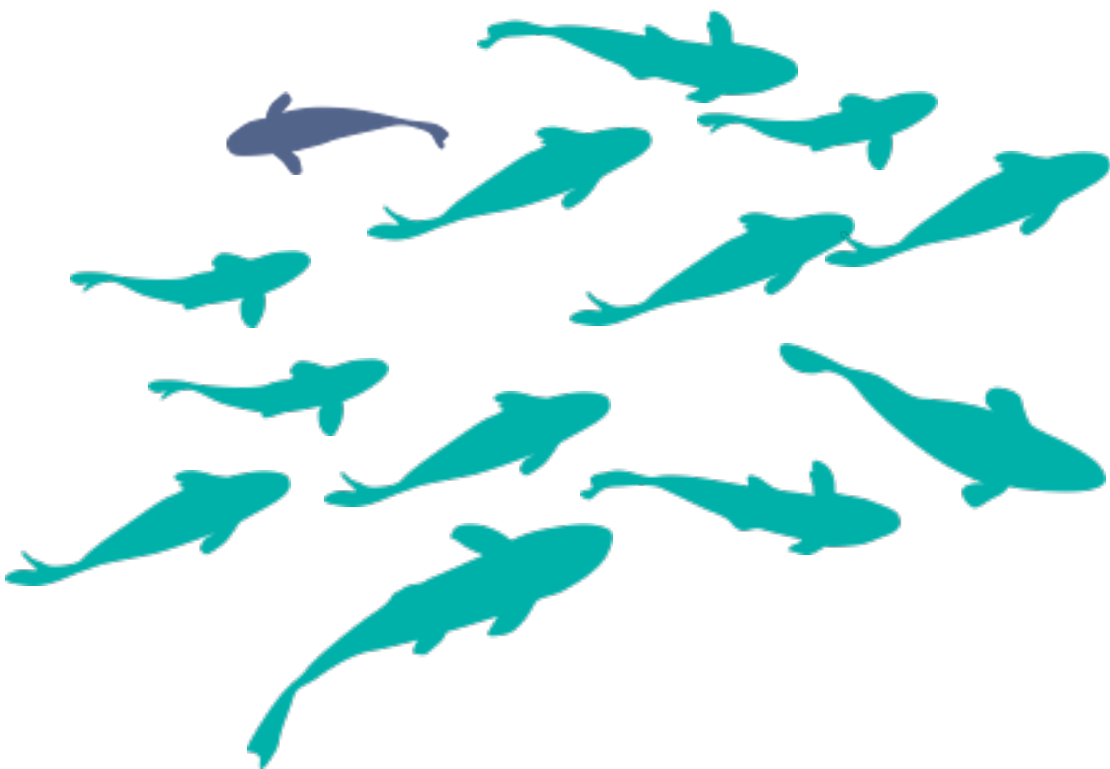
Throughout this document, “EMC” [“we,” “our,” and “us”] refers to Ernie Melling Consulting, a trading style of Ernie Melling. Further information regarding our projects can be found at erniemelling.co.uk. Relevant contact details are also available at our website.

Taking care to ‘plan your work and work your plan’, you can start to see signs of progress as your company recovers its stability and begins the turnaround toward improved efficiency, revenue and profitability.

However, progress means that you need to keep a close eye on activities to ensure that the programs identified during the planning process are fully executed according to schedule. If you see early warnings of problems — budget overruns or missed milestones, for example — you need to immediately identify the cause and then take appropriate remedial action.

At the same time, you need to stay flexible.

During plan execution, remember that circumstances can change, operating environments may shift, stakeholders may change their perceptions, raise concerns or resist, or new stakeholders may emerge. Staying in control requires a clear set of actions to address each of these issues, the ability to change or adjust plans, and a strong operational governance process to monitor progress and respond to risk.



**TO SUPPORT
VALUE**

Make sure that everyone is working as a team across the company. Sometimes a division or business unit can move out of sync with the rest of the company in terms of strategies, goals or milestones. Regular communications and progress reports shared with other team members can help mitigate this development.

Throughout this document, “EMC” [“we,” “our,” and “us”] refers to Ernie Melling Consulting, a trading style of Ernie Melling. Further information regarding our projects can be found at erniemelling.co.uk. Relevant contact details are also available at our website.

Ask the right questions

What should I include in a robust implementation plan?

Implementation plans can enable you to address complex objectives by breaking them down into manageable tasks. We can help you prepare action plans, establish responsibilities for each task, determine execution risk, and specify both timing and track.

What is the best way to drive accountability?

Detailed accountability for each work stream supports increased productivity and goal realization. We can specify accountabilities for work stream leads and help ensure that they are capable of fulfilling their responsibilities for program execution while performing 'business as usual' tasks.

How can I make sure that the impact of improvements is embedded in the planning?

To measure and support a return on investment for the turnaround, you need to ensure that the impact of profit improvement plans are embedded in the budget and owned by budget holders. We can help you finalise a single action plan with specific costs and benefits, combine these cost and benefits with a business baseline for the next corporate budget, and help ensure management delivers these initiatives.

Which KPIs should I track?

Key Performance Indicator (KPI) tracking improves program management and supports the timing, format and content of progress reports. We can help set up a central project management office (PMO) with tracking tools that are ready at the start of the execution phase.

How can I best prepare for financial restructuring and/or recapitalizing?

Proactive planning can increase your negotiation strength in the event of financial restructuring or recapitalizing the company. We can help you reset covenants with lenders, obtain new cash from equity holders, reschedule debt and swap debt for equity and assess the tax impact of these events and transactions.

Will I need to refresh operational governance?

Sometimes you will need to adjust your operational governance so management can react to changes quickly and make more informed decisions on a timely basis. We can help you by reviewing steering group structures, designing new governance structures and implementing these structures.



⁵Value Realisation

How can I make sure my plan delivers value?

At this point, the more cash you have, the more options you have and the better you can react to markets. However, value can be realised only if management and stakeholders continue to make decisions based on both the downside and upside potential of each option.

The turnaround management team needs to carefully gauge the stakeholders' appetite for various options such as a sale, an Initial Public Offering, CVAs, an Accelerated Mergers and Acquisition (AMA) process, or other ways to realise value.

“Some stakeholders will resist change until they see that the company has the will to change and that this change will translate into actual benefits”.

TO SUPPORT VALUE

Make sure that everyone is working as a team across the company. Sometimes a division or business unit can move out of sync with the rest of the company in terms of strategies, goals or milestones. Regular communications and progress reports shared with other team members can help mitigate this development.

Ask the right questions

How can I determine the best source of new capital?

Value realisation can be supported by a capital infusion or refinancing by debt offerings or equity offerings.

For a capital infusion, we can help you develop a robust and realistic business plan to support the infusion. For refinancing, we can help you gain a clear view of current stakeholder plans and aspirations and develop an action plan and timeline in agreement with stakeholders and specialist advisors.

How can I exit non-core operations?

Value during an exit is maintained by an orderly wind down and the sale of non-core divisions. We can help you assess options for the company, determine why an orderly wind down is the best option, address taxation issues and liabilities, and help ensure that all stakeholders buy into the concept of a wind down.

How can I improve the performance of my core business?

To increase value for the core business, we can help you support efficiency and effectiveness in running R&D projects, implement tax cost reductions and improved procurement processes, and optimise production processes and material flow

Should I consider an IPO?

If you choose to undertake a public offering, we can help you optimise your return by helping you to define the equity story to help ensure an attractive proposition to new investors, review your corporate governance and understand the potential valuation range.

How can I accelerate value realisation?

To expedite processes that support AMAs, pre-packs, CVAs or other strategies, we can help you choose the right specialist advisor in terms of sector focus and proximity to the potential buyer population, evaluate key options and investment hypotheses, prepare 'teaser' documents, and obtain specialist advice on any pension liability.

How can I continue to create, enhance, and preserve value?

From mergers and acquisitions to divestitures, the key to any transaction is to realise its full expected value. And that means being able to answer critical questions at every phase of the transaction lifecycle.

EMC's team of professionals can help you know what questions to ask and how to find the answers.

For more information on Turnaround and other services, please visit:

www.erniemelling.co.uk

Buy Side Services

Sell Side Services

Partnering & Joint Venture Services Fund Services

Financial Restructuring Services Turnaround Services

Deal Advisory

For more information contact:

Ernie Melling

Consultant Director

ernie@erniemelling.co.uk

07463 646477

Ryan Melling

Consultant

ryan@erniemelling.co.uk

07814 510585

www.erniemelling.co.uk

Ernie Melling – Notable Projects

1st Turnaround – Pilot Stationers – Newcastle

I was part of the M&A team for BRICOM tasked with turning around a family business that was in distress and part of a distress acquisition. Turnaround process 2 years onsite and project leader and remote resulted in improved P&L and merger with national service provider.

Autobar UK Limited – A PE funded company owned by the Kuwaiti National bank. Involved in over 47 acquisitions and growth improvement strategies to form the Europe's largest provider of hospitality vending services. Acquired by CVC partners for £1.4 billion providing and 5:1 return on investment.

11 Year involvement with Autobar as a Board Director with P&L responsibility in the UK for £83m sales.

Berendsen UK Limited – appointed as Turnaround Consultant to support UK Board with specific focus on National Account Group – Scale, Results, Profitability and Strategy. This formed part of a larger project prior to acquisition by Elise.

I am currently retained by a number of clients on specific growth strategies and turnaround projects: University of Cumbria, Salford Leisure Trust, Nexperia.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.