

Financial survival

Restructuring report | 2020/21
Benelux

When the going gets tough
Options for your financial survival





OPTIONS FOR FINANCIAL SURVIVAL

In case you or your company needs (financial) help in a challenging situation such as COVID-19 there are several ways of action and options, including:

1. **Cash flow management:** fine tune your monthly or even (bi-)weekly cash flow overviews (past & future), enabling you to properly assess risks, 'stop the bleeding' and pragmatically fix issues;
2. **Raise capital:** when in need, renegotiate your existing (bank) debt or try to raise additional capital with (international) financiers like (PE) investors, mezzanine/debt funds and banks;
3. **Selling, merging or restarting:** in case your company is in distress or in a 'near bankruptcy situation' one also needs to consider: (i) potentially selling, merging or carving out (part of) your business or the (non-core) assets or (ii) restructure your company including a possible restart ('doorstart') of your company with the administrator / trustee in bankruptcy ('bewindvoerder/curator').

Obviously, there are more ways to solve a difficult financial situation. At the same time it is important to 'Keep It Simple' in a crisis-like situation. That's why we focus on these three main options.

CASH FLOW MANAGEMENT

Cash flow management is essential for your business. In economically favorable times it can be the accelerator for growth, whilst in challenging times, such as COVID-19, it can ensure the survival of your business ! Managing your cash is king:

Monthly cash flow - past & future

Most importantly you should review your monthly or (bi-)weekly cash flow overview. This will help you understand how cash has moved in the past months and – vital – how it will move over a specific period, minimum 12 months ahead.

Assess risks and opportunities

Risks and opportunities that have a direct impact on the survival of a business relate to inter alia:

- Customers & suppliers: make sure you agree to constructive arrangements with key customers and suppliers on payment and delivery terms (incl. for example granting discounts to your customers for rapid payments and possibilities for deposit payments), and also look at one-off opportunities that could swiftly boost your business;
- Cost-cutting/cash: Try to re-align your monthly cost structure to the current situation and look for short-term cost cutting possibilities. This includes e.g. delaying capital expenditures where possible. And try to look for short term cash-in possibilities like sale and lease back options, selling outdated inventory etc.;
- Loan and other debt: realize that financiers may have their own angle and make sure you know your existing obligations, also to other main stakeholders.

Pragmatically fix issues

Try to make arrangements and positively change the timing of payments from/to customers, suppliers, debt providers and tax authorities.

RAISING CAPITAL

If your company needs cash/capital, renegotiating your existing (bank) debt and covenant obligations is a viable option. Another option could be to try to raise (additional) capital with financiers / capital providers, both locally and *certainly also internationally*. The number of capital products has increased substantially in recent years.

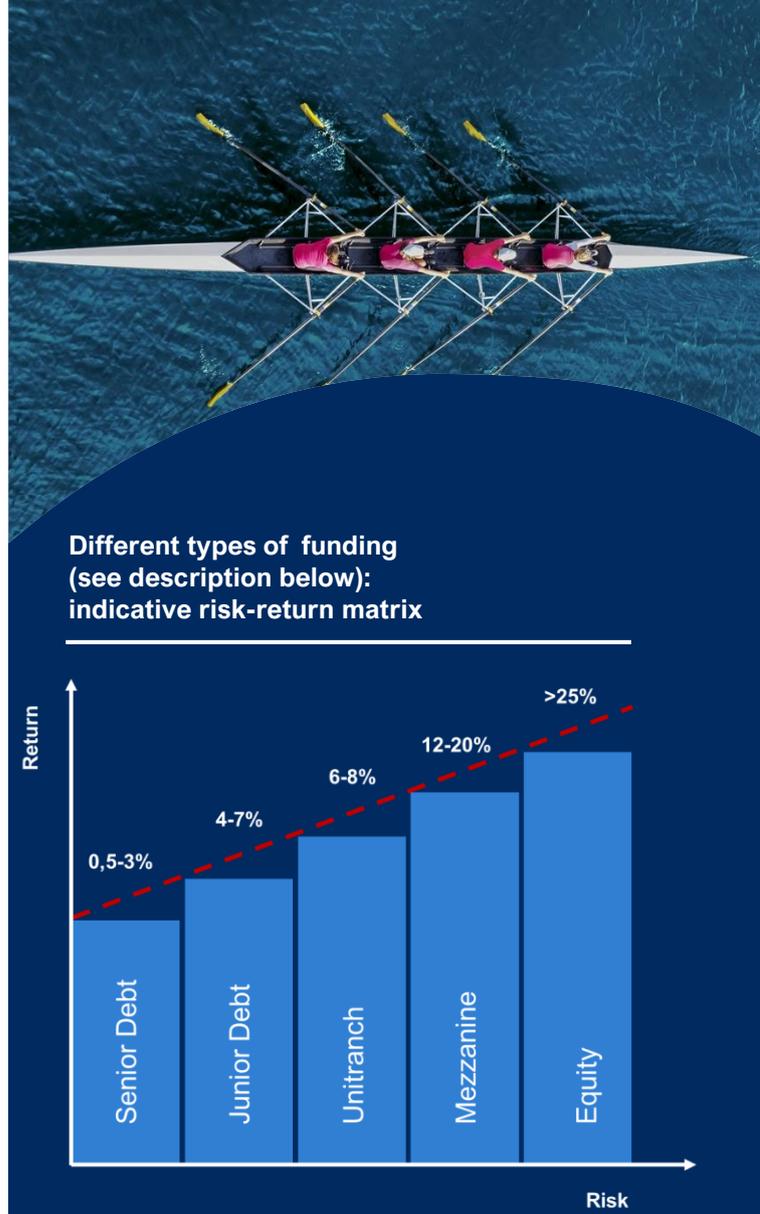
Capital providers include i.a.:

- Banks: a growing number of international banks are eager to look at opportunities across borders;
- Debt funds and other debt providers;
- Mezzanine funds, which offer a mix of debt and equity financing;
- Equity providers such as Private Equity (PE) firms, Venture Capital (VC) funds, family offices, and other investors. These also include turnaround investors, i.e. the ones who focus on crises like situations.

All these capital providers (see previous page) offer international (!) financing solutions, including for example debt for equity swaps. These capital providers can also jointly fund companies via different layers of financing and risk.

Turnaround investors are generally hands-on investors, who focus on operationally improving the company, whilst maintaining the (long-term) structural continuity and growth potential thereof. Upon 'survival' of any crisis, everyone's focus will (re)turn to new business development and growth opportunities. Investors still have a huge amount of dry (capital) powder available.

 <p>Restarted and acquired (financed) by</p>  <p>GREEN SWAN</p>	 <p>Aa portfolio company of</p>  <p>Acquired</p>  <p>Ihr Partner für synthetische Garne</p>
 <p>Sold to</p>  <p>nimbus hands-on investors</p>	 <p>Sold to and MBO by</p>  <p>Gimv</p>



Types of funding	General features (exceptions and combinations possible)
Senior Debt	<ul style="list-style-type: none"> Provided by banks, debt/unitranch funds or via private placement; Based on collateral and/or cash flows; Fully secured (by collateral) most of the time. Tenor: 1 to 7 years; cash interest; Amortizing or bullet repayment; <i>Unitranches</i> are a specific offering that combine senior and subordinated structure elements.
Junior Debt / Subordinated Debt	<ul style="list-style-type: none"> Provided by banks, debt funds and/or private placement; Based on cash flows and/or collateral; Generally secured, ranking after senior debt. Tenor: 6 to 8 years; cash interest or capitalizing (PIK) elements and sometimes capital gain via warrants/options; Bullet repayment; Ranks after senior debt.
Mezzanine	<ul style="list-style-type: none"> Provided by mezzanine funds and/or debt funds; Based on cash flows; Combination of interest and capital gain (via warrants/options). Tenor: 6 to 9 years; Bullet repayment; Ranks after senior and junior/subordinated debt; <i>PIK notes and loans</i>, also provided by mezzanine and hedge funds, are not described here.
Equity	<ul style="list-style-type: none"> Provided by PE and VC investors in most cases; Based on valuation considerations (and often cash flows). Holding period: 3-20 years (average 5-7); Capital gain at exit (plus dividend when tenor is longer); Ranks behind all types of funding: risk bearing capital.



SELLING (PART OF) YOUR BUSINESS OR POTENTIAL RESTART

In case your company is in distress or in a 'near bankruptcy situation' it is important to also look at:

- (i) Selling, merging or carving out (part of) your business or the (non-core) assets; or
- (ii) restructure your company including a potential restart ('doorstart') with the administrator/trustee in bankruptcy.

You know your business better than anyone, however selling it to the best buyer and at the best price is a quite different matter. Certainly when there are multiple (worldwide) buyers. We have closed hundreds of sell-side deals in all major sectors and have extensive experience in carve outs and the sale of (near) bankrupt companies, including fire-sales on behalf of an administrator/trustee.

We have worldwide access to and are constantly in contact most likely (strategic and financial) buyers.

MART FRANKEN

Trustee (curator) of Budelpack

"The complexity and international nature of the 3 European Budelpack companies urged for an experienced M&A firm. Capitalmind's extensive international track record and connections proved to be invaluable help in successfully selling the 3 Budelpack companies in Germany, Portugal and UK"

	STRATEGIC BUYERS	FINANCIAL BUYERS
Transaction	<ul style="list-style-type: none"> ▪ Market consolidation ▪ Diversification in business activities, geography and/or customer base 	<ul style="list-style-type: none"> ▪ Management Buy Out / Buy In ▪ Exit possibilities for founder ▪ Add-ons / Buy & Build strategy
Main focus areas	<ul style="list-style-type: none"> ▪ Product range and customers ▪ Market share and geographical presence ▪ Diversification possibilities ▪ Know how: processes, patents 	<ul style="list-style-type: none"> ▪ Size, growth, structure and market share ▪ Growth and profitability ▪ Quality of management ▪ Cost cutting potential ▪ Working capital and Capex
Advantages +	<ul style="list-style-type: none"> ▪ Buy-out of strong competitor ▪ Potential synergies ▪ More (financial) body 	<ul style="list-style-type: none"> ▪ Funds for (future) investments & rollouts ▪ Stronger debt financing possibilities ▪ Possibility to strengthen (management) capacities
Selection of buyers / trackrecord		

YOUR FINANCIAL SURVIVAL

Whether your company - or you as a shareholder or creditor - need help or are in 'near bankruptcy situations' we have ample track record to assist you.



BART JONKMAN

Managing Partner / co-founder

“As Capitalmind we can help you in various ways, be it the very survival of your company or growth opportunities. Often the solution will have an international angle, approaching worldwide financiers or buyers. In any case we will get you the best possible result and ‘Keep It Simple’ ”

- Since 1999 we have restructured (via distressed M&A or otherwise) many companies/deals, from EUR 10 million up to one billion euros.
- Capitalmind has direct and high-level access to numerous international (alternative) equity, debt and mezzanine capital providers (including Private Equity and banks).
- We also help trustees/administrators in (near) bankruptcy cases to arrange capital, sell distressed businesses or carved out parts thereof.

Our restructuring services include:

- A pragmatic 'stop the bleeding' approach from a financial and business-minded perspective;
- Financial (re)structuring scenarios;
- Value, debt and sell-side analysis;
- Raising fresh capital, selling business assets, and/or capital raising via (international) equity and/or debt investors;
- Negotiating financial / restructuring agreements with all stakeholders;
- Perform a joint quick scan of possibilities and offer pragmatic recommendations.

SELECTED TRACK RECORD OF RAISING CAPITAL (EQUITY AND/OR DEBT) & RESTRUCTURING CASES

 <p>Asset sale of Amsterdam Metallized Products by Standard Investments</p> <p>sold to </p> <p><i>Detailed market review of the global market to identify most likely buyers</i></p>	 <p>Long term strategic relationship with listed Interxion</p> <p>Funded €135m by </p> <p><i>Strategic advising, acquisitions and several debt financing processes</i></p>	 <p>Restructuring and sale of BELECTRIC to RWE company</p> <p>sold to </p> <p><i>Dual track process looking for acquirers or providers of financing</i></p>
 <p>Raised €121M debts to finance capex, minority stake acquisitions and refinance short-term debt</p> <p>raised €121M debts</p> <p>    </p> <p><i>Organized a club deal involving 8 banks, including Natixis as lead arranger</i></p>	 <p>Reorganisation of Verona debt structure</p> <p>Structured growth financing with    </p> <p><i>Debt refinancing with multiple banks</i></p>	 <p>Funding of high growth business Catawiki with world leading VC firm</p> <p>completed a fundraising underwritten by </p> <p><i>€10 million Series B Round funding with Accel Partners and Project A Ventures</i></p>
 <p>Restructuring/sale of Polymer Vision to Wistron on behalf of Trustee</p> <p>sold to </p> <p><i>Transaction was closed within 3 weeks inbankruptcy, while over 100 worldwide potential buyers were approached.</i></p>	 <p>Fundraising of € 50m for leading global automotive supplier Reydel</p> <p>Raised €50m</p> <p>   </p> <p><i>Raised a €50m credit facility to finance its capital expenditures</i></p>	 <p>Restructuring of leading hair salons chain Yes!</p> <p>Experts in hair Restructuring and carve-out of the Belgian locations by management and private investors</p> <p><i>Dual track process looking for providers of financing and a carve-out of the Belgian locations</i></p>



CONTACT US

We can help to finance your future (or refinance your past)

Capitalmind has extensive experience in restructuring and capital raising cases. With 6 European offices and a team of 60+ dealmakers we advise on 50+ deals yearly, 600+ deals since 1999. We provide advice to clients including mid-market companies, entrepreneurs, (PE) investors & (large) corporates.

We operate in the following sectors:

Business Services | Consumer | Food & Agro | Healthcare | Industrials | TMT



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- **In any crises** take time to go over your options, and do this sooner rather than later;
- Make sure that you have enough options; do not bet on 1 or just a few solutions;
- This is a very complex and non-transparent process, usually international;
- Speed and (deal) certainty are essential;
- We have restructured numerous companies and have the right international contacts to arrange a speedy recovery.

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Capitalmind is a global corporate finance advisory firm that enables its clients to sell, buy and finance businesses at the best terms.

We are ambitious minds who share one culture, common values and an entrepreneurial spirit. We invest significantly to thoroughly understand your business, and are determined to lead your deals to great success - no matter what!