



# Frank Law

## Restructuring & Turnaround 101 Q&A



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**Meet the Team**

# THE LANDSCAPE



**High Debt Burden**



**Covid-19 Lockdowns**



**Government Support  
Stopping**



**Higher Cost Centres**

# Reasons to Consider a Restructure or Turnaround



ATO Debt



Aggressive Trade Creditors



Decreasing profit margins



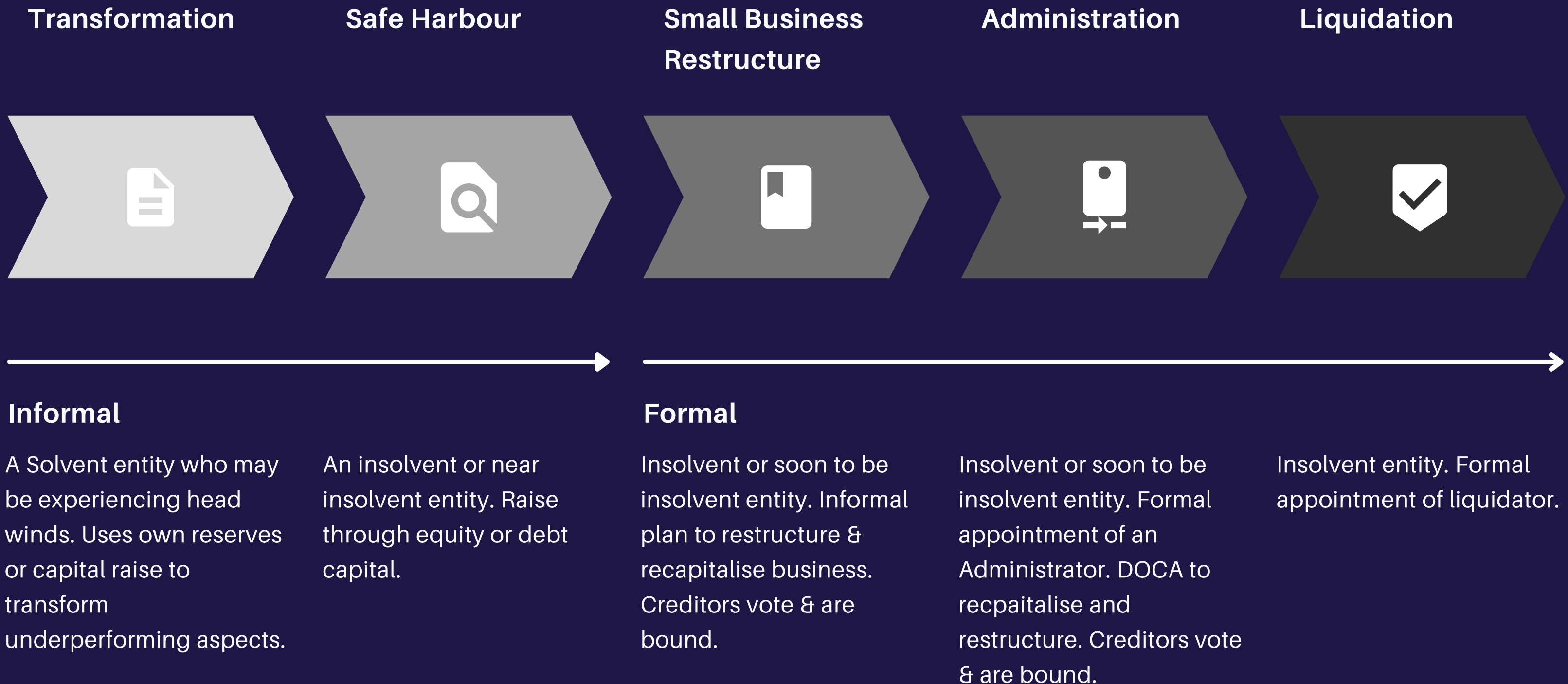
Loss of competitive advantage



Personal Risk



# RESTRUCTURING & TURNAROUND OPTIONS



# TRANSFORMATION

## Summary

A Solvent entity who may be experiencing head winds. Usually utilises own reserves or a capital raise to transform underperforming areas of the business.

## Key Points

- Informal Process
- Directors retain control
- Very flexible
- Usually involves a long tail process of modernisation & cost cutting
- Usually a slow process. Can take years to complete

## Eligibility

This process is informal and is open to any entity regardless of whether they are up to date with their compliance and statutory lodgements.

## Case Studies

Cafe & Food Wholesaler  
Transportation

# SAFE HARBOUR

## Summary

An insolvent or near insolvent entity which requires a capital injection. Capital raised usually through equity, debt or asset divestments.

## Key Points

- Informal Process
- Directors retain control
- Flexible
- Provides protection from insolvent trading claims - s588GA
- Relatively quick (1-6 months)
- Enables the development and exploration of options which would lead to a better outcome for the company
- Requires evidence (eg a documented plan)

## Eligibility

- Employee entitlements must be fully paid
- Statutory lodgements must be up to date
- Evidence of appointment and plan to be kept

## Case Studies

Healthcare Distributor

# SMALL BUSINESS RESTRUCTURING (SBR)

## Summary

Insolvent or soon to be insolvent entity where a Restructuring Practitioner is appointed. A (semi) formal plan to restructure & recapitalise the business is developed. Creditors vote & are bound.

## Key Points

- Semi-Formal Process
- Directors retain control
- Semi Flexible
- Provides protection such as Ipso factor & proceedings
- Quick - 20 business days
- Enables the development of a restructuring plan for creditors to vote upon
- Requires evidence (eg a documented plan)

## Eligibility

- Total liabilities less than \$1 million
- No current director or director within 12 months has been a director of a company that underwent SBR/Liq within last 7 years
- Company must not have undergone SBR previously



# ADMINISTRATION

## Summary

Insolvent or soon to be insolvent entity. Formal appointment of an Administrator. The restructuring process usually involves a DOCA to recapitalise the business. Creditors vote & are bound. Casting vote is Administrators.

## Key Points

- Formal Process
- Directors lose control
- Inflexible
- Can impact licenses etc
- Provides protection such as Ipso factor & proceedings
- Relatively Quick - 4 to 6 weeks
- Exploration of options from an objective point of view

## Eligibility

- Company must be or will soon be insolvent
- Must be a corporate entity

## Case Study

- Printing Company DOCA

# LIQUIDATION (INSOLVENT)

## Summary

Insolvent entity who appoints a liquidator to deal with the assets and review recovery options.

## Key Points

- Formal Process
- Directors lose control
- Inflexible
- Can impact licenses etc
- Can be slow
- Market is open so risk of bidders increases
- Risks increase for Directors and past conduct

## Eligibility

- Company must be or will soon be insolvent
- Must be a corporate entity

# PERSONAL INSOLVENCY

## Summary

Insolvent or soon to be insolvent individual or sole trader.

## Key Options

- Bankruptcy
- Personal Insolvency Agreements
- Debt Agreements
- Disputed Debts

## Eligibility

- Individual
- Insolvent or soon to be insolvent

# RESTRUCTURING & TURNAROUND SUMMARY

## OPTIONS

	ANONYMOUS	DIRECTOR CONTROL	FLEXIBLE	CREDITOR BINDING	SPEED
Transformation	✓	✓	✓	✓	✗
Safe Harbour	✓	✓	✓	✗	✗
Small Business Restructure	✗	✓	✗	✓	✓
Administration	✗	✗	✓	✓	✗
Liquidation	✗	✗	✗	✓	✗



# Summary of Points



Get advice early.  
There are options.



Need to consider  
best solution for  
your business.




Now is a great time  
to restructure



No business is too  
small or too large



A well done turnaround or  
restructure can have  
incredible results







**QUESTIONS?**

**SCENARIOS?**

**STICKY ISSUE?**

# Get in Touch

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