Make the complex manageable

Deal Advisory / Ireland

We help create clear
Solvency Strategies.

Realising value
through insolvency.

Your vision. Our proven capabilities.

Insolvencies can test the limits of any organisation and hinder the ability of management to identify opportunities during what is usually a very stressful and complex transition. KPMG professionals are forward-looking specialists who combine innovative services and deep sector knowledge with the foresight that comes from experience — helping you to stay in front of the issues and make the right decisions based on your specific needs.

Assisting insolvent companies.

Real results achieved by integrated specialists.

Like any other business transaction, insolvency presents both risks and opportunities to realise value. Properly designed and executed, an insolvency plan enables complex financial, legal and regulatory obligations to be addressed in a manner that helps realise value for both the company and its creditors.

As an objective third-party advisor, KPMG member firms can help support you through each transaction phase. From clarifying the extent of the distress and ways to capture short-term value, to developing and implementing a plan, and exiting the formal process, KPMG can guide you every step of the way and help you emerge from the experience with as much value intact as possible, and ready for what comes next.

Learn more about how KPMG professionals can help you analyse, implement and exit an insolvency process.

Support at every phase of insolvency

[1]Distressed Corporates

[2]Insolvency Planning

[3]Commencement & Implementation

[4]Exiting a Formal Process

[1] Distressed Corporates

How serious is the problem?

Now is the time to ask the hard questions.

Declaring insolvency is never an easy decision for a company to make, nor is it a simple one. In most cases, a large number of issues come into play, and even for a heavily leveraged company, the prospect of a sale or other development can affect a company's understanding of its distress.

Nevertheless, when debts clearly outweigh assets or when cash flows become tight, management needs to begin a realistic assessment of the company's financial circumstances and next steps. Any agenda should take into account all relevant stakeholders, including creditors such as banks as well as including banks and other creditors, tax authorities and other parties such as employees, customers and business partners.

As with many transactions, insolvency is commenced under very tight timelines — often weeks rather than months, and sometimes, even days. Accordingly, the company and its stakeholders need to find an efficient and productive way to work together so everyone can move into the process in a timely fashion.

TO HELP STABILISE THE POSITION

Control over communications is essential at every phase of insolvency. Reports, announcements and other documents need to be carefully prepared and released to the right parties at the right times to manage the concerns and expectations of stakeholders.

Ask the right questions

What are the key drivers of the distress?

KPMG services can help you gain a clear picture of what is driving the company's short-term financial issues and what can be done. Perhaps swift action can help mitigate or avert events. If not, we can assess how likely the business can continue as a going concern, and how stakeholders' actions might affect future viability.

What should I do next?

Once the nature of the distress is understood, it is time to focus on short-term wins and create a detailed plan. We can help identify the steps required and consensus needed to help maximise and protect value.

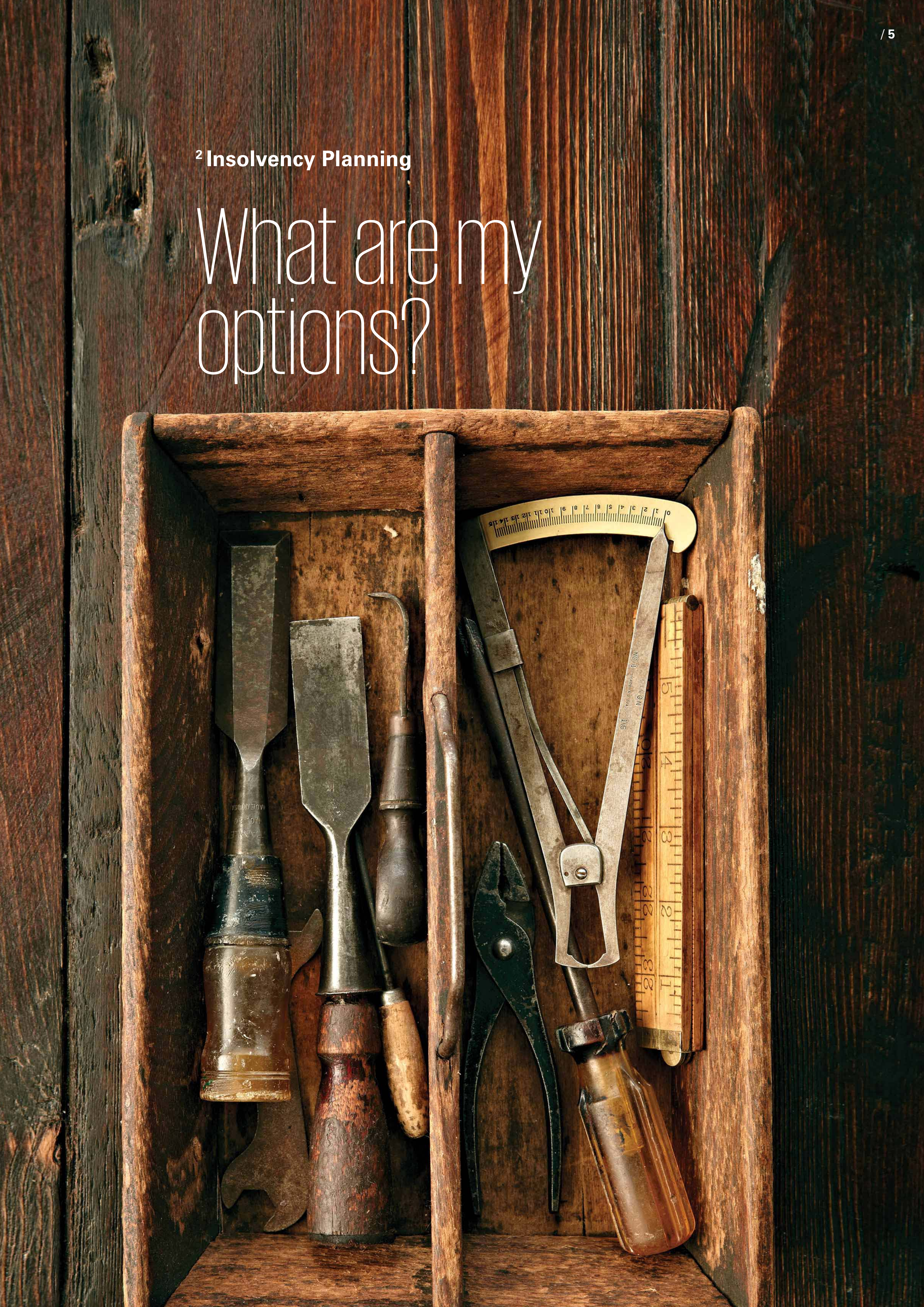
Who are the key players?

After identifying all key stakeholders, KPMG can help you present options to creditors and lenders and address their needs and concerns. The goal is to ensure the company has a credible voice and can present a thorough restructuring analysis that helps to secure stakeholder support.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates.

2 Insolvency Planning

What are my options?



Consider the relative merits of each option or combination of options.

Different stakeholders will have different objectives. Maximising recoveries is the most obvious objective for creditors, but the company might be focused on trying to contain negative publicity, securing protection from breaches of duties, ensuring continuation of critical services, and so forth.

This means that reconciling different stakeholder objectives can often be challenging, requiring painful concessions and compromises. However, doing nothing is not an option. If some stakeholders are passive or obstructive, entry into a formal process will sometimes be required to force action. Companies should also have a ‘Plan B’ in reserve. If creditors decline one or more options, offering an alternative might help move negotiations to the next stage.

TO HELP REALISE VALUE

Key assets may be subject to a contract with insolvency clauses that could result in the asset being lost upon insolvency. If that is the case, now is the time to factor this potential loss into your options assessment.

Ask the right questions

What procedures should I consider?

KPMG can help you assess the procedures available to the company along with their merits and risks, including impacts on the company's ability to maximise value for the stakeholders, the stakeholder involvement and consents required, the degree of control provided, timeframes, and how the various options align with the protection the company requires.

Your company's Center of Main Interest (COMI) is another important area where KPMG can provide guidance. COMI determines which jurisdiction (and therefore which insolvency rules) manages your company's insolvency.

Once an insolvency procedure and filing jurisdiction have been selected, we can prepare a detailed insolvency plan that includes a communications strategy, legal notification, disclosures to tax authorities, employee bonus schemes, a means of assessing and refining the plan, and guidelines for sharing it with stakeholders.

What are the execution risks?

Key considerations include: identifying key stakeholders who will be involved in entering, managing, funding or exiting a procedure, and securing their involvement; identifying what documents need to be prepared by whom; creating and overseeing a timeline; defining how the procedure will be initiated; developing the related media and stakeholder communications plans; and determining how to secure needed funding. KPMG has experience and resources in all of these areas.

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[3] **Commencement & Implementation**

What needs to happen if/when my company is in a formal protection process?

Insolvency often requires a number of plans and communication executed concurrently in order to maximise value.

Effective communications is essential in securing stakeholder support for the company, and needs to address the key concerns of each of these groups:

Employees

Timely and detailed briefings for employees explaining what an insolvency means for them, the importance of their ongoing support, and what they can say to third parties such as suppliers and customers.

Customers

Explanations for the customers and suppliers about how the company would like them to engage with it during the insolvency.

Media

Briefings to help ensure confidence is built within the business.

A good communications platform should also encourage interest by parties who might buy the company or business assets. This includes an accurate assessment of its current value, as well as its potential value as a standalone entity or as part of another company.

Keep all your options open. A well-developed fallback plan can be a powerful negotiating tool.

TO HELP REALISE VALUE

Make sure that company operations are not neglected during the insolvency process. Dealing with insolvency can be a full-time job for employees who are already tasked with their regular duties, but any further declines in performance can make supporting value all the more difficult.

Insolvency can also be used to enable restructuring. A distressed company can be separated from its historic debt and sold as a separate entity. The debt remains with the original company, and the new owners can restructure the business without the burden of historic liabilities.

Ask the right questions

How can I prepare for 'Day One'?

Preparing for 'Day One' involves the proper filing of extensive appointment/initiation documents and the strategic disclosure of information. KPMG can design a process that will help the company ensure that all legal papers and tax notices and filings have been properly filed, appointment documents have been secured, parties with the right to pre-notification have been notified and communications with stakeholders are being effectively managed.

How can I evaluate initial progress?

Once the procedure is underway, it is important to evaluate the plan and strategy against all objectives and in light of stakeholder satisfaction. KPMG can undertake careful monitoring and ascertain whether risks have materialised, if proposed mitigants are effective, and if plan results are enough to garner continued stakeholder support.

How can I launch plans effectively and keep them on track?

From setting up workstreams to establishing a real-time review process, KPMG can help initiate the plan and help identify when to amend it. We can help provide a clear view of the options at hand for selling, closing or keeping assets, and the impacts on stakeholders and on the future value of the restructured company.

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Stabilising a distressed company requires a special skill set for short-term planning and tactical decision making. In contrast, the implementation phase requires the ability to carefully monitor progress and manage multiple workstreams in support of the strategic goals of the insolvency.

In many cases, insolvency for a large company may involve more than one option.

1

A number of the company's assets may be immediately sold through an M&A.

2

Parts of the company may undergo restructuring with new lenders.

3

Some of the company's assets may be closed.

Options can also change depending on new developments. For example, the company might be preparing an asset for sale, but if the market cools or a potential buyer backs away, the company might proceed with the asset's insolvency. Value can be increased by both planned and unplanned developments, so maintain an organised but flexible approach for the implementation process.


5
20
1

4 Exiting a Formal Process

How do I get back to normal?

For an insolvent company with limited funds, settlements are often preferable to expensive litigation.

The most suitable process is the one that results in the least amount of damage to the asset and the best return for creditors. Ideally, these two goals work in concert with each other, though satisfaction for all parties can be elusive.

Your exit plan should allow for any unexpected or lingering issues. If an asset is sold, for example, both the seller and the buyer might encounter additional financial, legal, tax and operational issues that impact deal value. IT integration, for instance, can often present issues that can only be identified during the actual integration process between two infrastructures or enterprise software platforms. In all cases, hope for the best, but plan for the worst.

Ask the right questions

When and how does this process end?
To prepare for the end of the formal process, the company needs to evaluate exit routes, determine their impact on value and support the preparation of papers for creditor approval meetings. We can identify these and other issues, and help you take steps to manage them effectively and navigate the formalities of the exit process. By the end of the process, the company should be well positioned for a return to health.

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Deal Advisory

How can I continue to create, realise 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.

KPMG's Deal Advisory services are designed to help you know what questions to ask and how to find the answers.

For more information on Solvency Strategies and other Deal Advisory services, please visit:

kpmg.ie/dealadvisory

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