AlixPartners

CLIENT STORY

WHEN DEBT RELIEF QUICKLY RESTORES GROWTH

A large European operator of casual dining restaurants was in a pinch. Although the company's brands were popular and well-known, many of its restaurants were underperforming, setting off a slide in profits. Meanwhile, the company's debt was mounting, leaving it short of funds to finance a much-needed turnaround. A hedge fund, which owned a large chunk of the company's senior debt, approached AlixPartners to analyze the business and determine whether it made strategic sense to convert the debt to equity and take effective ownership of the company, whilst restructuring the business' restaurant portfolio to support sustainable future growth.

Inventive strategies keep plans on track

The situation required a creative and customized solution. After analyzing the restaurant operator's financial performance, we proposed that the best course for both the company and the hedge fund was to sell one of the company's non-core brands and restructure the two remaining brands to create a more stable and profitable core business. This was achieved via a company voluntary arrangement (CVA), a company-led restructuring in which a business agrees with its creditors, including its landlords, to repay some or all of its debt on a fixed schedule and restructure future commitments.

Our team constructed a detailed financial model for the company and a detailed business plan for the restructured business. Our team then marketed the non-core brand for sale to both corporate and private equity buyers, achieving optimum price for the company. As the sale was progressing, overwhelming creditor approval was achieved for the CVAs of the two remaining brands.

When it really matters

The solution we helped the company develop and implement, positioned the company and its new owner for a profitable future. We secured approval of the CVAs from an overwhelming majority of the creditors, giving the company much-needed breathing room. The hedge fund swapped its debt for a controlling equity stake, easing the company's debt burden by more than £250 million. The sale of the non-core brand raised approximately £40m in additional funds. Our work helped give the company the ability to invest heavily in its core business and the potential to seek further expansion opportunities in the European casual-dining sector.

Subsequent to the completion of the project, and with the company on a much more stable footing, AlixPartners was engaged to help the business acquire two high growth restaurant brands in quick succession. The targets had a combined value of approximately £110m, and the successful completion of these transactions in 2015 signified the complete turnaround in the company's fortunes.