

DECEMBER 2018



Swift

THE IFT AWARDS ISSUE

THE ONLINE TURNAROUND TIMES



- IFT Awards Winners
- IFT Announcements
- Corporate Partner News
- IFT Awards Ceremony 2018
- Award Nominee Articles

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Featuring a link to download the Gateley Plc report

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2019 MEMBERSHIP RENEWALS

With the new year approaching it is also time to renew your IFT Membership for 2019. Invoices were sent on Sunday 2nd December. If you did not receive this invoice please contact Ruby Fitzpatrick (rfitzpatrick@the-ift.com).

The deadline for payments is Friday 11th January.

This year the IFT is accepting payment by phone (0203 668 0422), BACs or through our website.

[RENEW YOUR MEMBERSHIP](#)

CHAIRMAN'S MESSAGE



I am pleased to report that the IFT is in great shape and I would like to thank Graham & Duncan, the executive team and the board for all their hard work throughout the year that has made this so. I think there are many things to be proud of within the IFT and I have highlighted a few key areas below.

Firstly, we are proud of our individual members. The rigorous process to become a member ensures that they continue to represent the very best in turnaround. As chair I take that very seriously and will ensure that this high standard is maintained.

We are also very proud of our corporate

partnerships, which represent the most important key players within the turnaround community. Our partners, along with our members, shape, and will continue to develop, both the turnaround profession and the IFT itself.

Finally, we are very proud of the role the IFT plays in education and professional development. We have worked hard to increase our offering, with over 30 regional events around the UK this year. We have also introduced regular webinars and improved our academy programme. Our academy goes from strength to strength, this year it has started to develop a further 26 younger members of our community. The development and sharing of information within our community is something that is key to the aims of the IFT.

As we look towards 2019, which will be pivotal and historic for UK businesses, and the sector we represent, the turnaround community faces an exciting future. Indeed there are signs pointing to a better market for next year and beyond.

Next year, we will aim to continue to strengthen the IFT's standing amongst the turnaround community and develop both our offering to corporate partners and our membership. As your institute we are committed to being the champion of turnaround excellence.

Steve Swayne

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AWARDS

IFT AWARDS WINNERS 2018

PRIVATE EQUITY TURNAROUND

THE WORKS, ENDLESS

PUBLIC SECTOR TURNAROUND

AGE UK LANCASHIRE

DEBT PROVIDER OF THE YEAR

BARCLAYS

SME TURNAROUND

PINNACLE CARE LTD

LEGAL ADVISER

DLA PIPER

TURNAROUND ADVISER

FTI CONSULTING

LARGE COMPANY TURNAROUND

DRIVER GROUP PLC

**LARGE COMPANY TURNAROUND
PROFESSIONAL**

LAWRENCE CHAPMAN

SME TURNAROUND PROFESSIONAL

DAVID BRANDS

RISING STAR

CLAIRE GAMBLES, DELOITTE

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AWARDS

PRIVATE EQUITY TURNAROUND OF THE YEAR ENDLESS LLP



The Works was rescued from administration in 2008 by Endless LLP saving over 2,200 jobs. During the decade of Endless' ownership with The Works has become a leading discount retailer in UK with over 450 stores across the UK employing over 3,000 people and plans to open over 50 stores per annum. The listing of the business on the London Stock Exchange in July 2018 marks the end of a remarkable turnaround for Endless.

CHARITY & THIRD SECTOR TURNAROUND OF THE YEAR



In late 2017, Cass School of Business contacted the IFT with a dilemma as to whether their client Age UK should shut or attempt a last-ditch turnaround at one of its largest Brand Partners. Sean Sullivan was suggested, joining as Turnaround CEO in October. After 6 months in April 2018, a complete financial turnaround, organisational restructuring and renewed contractual income streams had been achieved. In addition to returning to profit and creating an example turnaround model for wider AGE UK use. Sean created a new shared back office principle for the charity which is now being used as a basis to potentially sustain other at-risk Age UK Brand Partners.

Sean says “the turnaround lesson in a charity is there is absolutely no funds at all for a Big 4 financial baseline or external assistance, you have to do it all yourself with who and what you inherit at the organisation. If you like one man and his dog turnarounds then charities are for you!”

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DEBT PROVIDER OF THE YEAR

BARCLAYS



Within Barclays, Business Support and Special Asset Management are long established, experienced teams with a reputation for excellence within the market. Their commitment to turnaround and supporting clients is not only evident through customer outcomes and customer feedback but also through their focus on internal learning and colleague improvement.

Barclays remain advocates of the rescue culture and collaborate regularly with external advisors in their effort to provide best outcomes for all stakeholders.

SME TURNAROUND OF THE YEAR PINNACLE CARE LTD



A well-established and highly regarded business with a good track record of profitable trading. However, in 2013 Pinnacle experienced declining operational performance, cash pressures and some CQC issues.

With the support of Barclays, BTG Financial Consulting and interim manager David Brands, management adopted and delivered a strategy of di-vesting of non-core assets and a programme of cost cutting and improving bed occupancy to effect a strong and sustained turnaround – EBITDA per bed has doubled.

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LEGAL ADVISER OF THE YEAR DLA PIPER



The DLA Piper team has had a phenomenal year winning an array of high profile mandates involving London and the Regions. Highlights include acting for the Official Receiver on Carillion, the administration of Conviviality which saved over 2,000 jobs, the administration of Poundworld, the restructuring of global automotive manufacturer, Amtek, company voluntary arrangements for The Original Factory Shop and Gourmet Burger Kitchen Ltd and significant global restructurings such as Abengoa and CGG Group. In May, the team concluded a 3 year operational turnaround alongside the executive team of Nisa Retail Limited culminating in the successful Co-op takeover. The team are currently acting on the administration of American Golf which has saved over 900 jobs.

TURNAROUND ADVISER OF THE YEAR FTI CONSULTING



For the second year in a row FTI Consulting were winners of turnaround adviser of the year. The FTI Consulting Corporate Finance & Restructuring team is an independent, cross-jurisdictional adviser. We are proud to offer a unique approach to turnaround and restructuring, and have a team culture which is focussed around delivering optimal outcomes and surpassing expectations of clients and other stakeholders by finding a way to protect and enhance value in the most complex restructurings and turnarounds. Over the past 12 months we have continued to work on some of the largest and most complex deals in the market, and continue to invest heavily in the turnaround & rescue community.

LARGE COMPANY TURNAROUND OF THE YEAR DRIVER GROUP



Driver Group PLC, a leading AIM-listed global consultancy business, provides claims, disputes resolution and expert witness services across 15 countries. Following serious mismanagement of the business, recently installed Chairman Steve Norris appointed Gordon Wilkinson as new CEO to turn Driver around. Wilkinson removed underperforming businesses; undertook a successful equity raise; and rebuilt the balance sheet and trust with shareholders. Advised by N+1 Singer and Riverhill Partners, Wilkinson dramatically transformed a 2015/16 £5.2m loss into a 2018 (first half) of £2.1m underlying profit. Debt dropped from £12m to net cash of £6.9m (September 2018) and the share price rose 115% in 16 months.

LARGE COMPANY TURNAROUND PROFESSIONAL OF THE YEAR LAWRENCE CHAPMAN



Lawrence co-founded Riverhill Partners 15 years ago to advise companies in financial difficulty on solvent, consensual funding solutions. Over 22 years he has advised more than 60 mid-market companies on the refinancing or restructuring of ca. £8bn debt (and several pro bono assignments) at Deutsche Bank and PwC before Riverhill. In 2017, Lawrence advised AIM-listed Driver Group PLC, delivering a textbook financial restructuring in under 2 months, involving emergency liquidity, covenant deferrals, new business plan, new bank facility and new equity via a placing. This provided the financial stability for an extremely successful operational turnaround: since the restructuring Driver's share price has risen by over 100% and the company is now debt free.

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SME TURNAROUND PROFESSIONAL OF THE YEAR DAVID BRANDS



David Brands, an active IFT independent Member, is nominated for his success and versatility in two completely different SME turnarounds in the last twelve months. The first, as a turnaround consultant in the care home sector, and the second, as an interim MD in a distressed manufacturing business.

Both businesses were losing significant sums before his engagement and were quickly turned around when he identified the root causes, rectified these, while managing difficult cash positions and ensuring all stakeholders were informed and supportive. Both businesses returned to cash positive profit.

IFT RISING STAR CLAIRE GAMBLES



Director Claire Gambles has been instrumental in the development of Deloitte's Managed Exit client offering. She enhanced the service offering by developing a targeted marketing approach and creating a global network of cross service line professionals. Claire has the ability to build strong relationships with key internal and external stakeholders, to use innovative marketing techniques and to harness a range of skills from across the firm to deliver client solutions.

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LONG-TERM DEVELOPMENT AND TURNAROUND OF HOMES CARING FOR AUTISM

The recent transformation of Homes Caring for Autism (HCA) by the Intrinsic Equity team, was an impressive project, recently shortlisted for two IFT awards; Private Equity Turnaround of the Year and SME Turnaround of the year.

In February 2018, HCA was sold to Care Management Group (CMG) for £12 million as a result of successful turnaround by the Intrinsic Equity team.

Homes Caring for Autism is a group of care homes based in Somerset specialising in residential care for young adults with complex needs arising from autism which was established in 2003 by owner Richard Smith.

RBS funded the growth of HCA to four homes and 20 placements however, in 2009 the business underperformed at a time when the bank was changing its lending criteria following the recession in 2008. As the business couldn't afford the capital repayments they were placed into RBS's Global Restructuring Group (GRG), at which point Richard was introduced to the Intrinsic Equity team.

Intrinsic invested for a significant minority stake, and James Grenfell (Principal) and Toby Arrowsmith (Director) joined the board to provide strategic direction for the business.

Intrinsic was chosen from several potential investors because of their track record in delivering shareholder value for owner-managers in difficult situations, as well as their specialism in the health-care services sector and understanding that the quality of care could not be compromised.

There were a number of key issues that were identified by the team including; no real finance function with limited use of KPIs and planning, a star-shaped management structure tightly controlled by the owner, limited business or financial expertise and significant investment required in infrastructure to

allow controlled growth and scalability.

The investment rationale established that this specific care market was poorly served by both local and national competitors and the business was pioneering the care for individuals with autism and complex needs. The demand for services was far greater than the number of services available.

Over the past eight years, the Intrinsic team has provided hands-on leadership and support to help the business scale its operations and establish a robust platform for growth.

Since the investment, the business has grown from £2m to over £10m turnover and underlying EBITDA from losses to £1.5m.

In February 2018, HCA was sold to nationwide learning disability provider Care Management Group for £12 million, representing a 9x return on investment.

Richard Smith, the founder and main shareholder, commented: "We have been on a long journey with James and the Intrinsic team; their continual support and advice has helped to make our business stronger and more valuable. We had a range of serious offers from credible acquirers; CMG were carefully selected to continue the work we had started - delivering long-term support to the people HCA cares for."

Intrinsic Equity are a value investor in businesses with a competitive advantage in markets with stable or positive dynamics. Investing across most sectors, the Intrinsic team take board positions and provide 'hands on' assistance to the business, often introducing experienced operating partners, who can provide board and leadership support to our investee companies.

Intrinsic has made 36 investments during the last 16 years and has a current portfolio of 13 companies.

Helping Businesses Build Operational Resilience: Dan French

As turnaround professionals, we often find ourselves working with businesses at a point of extreme stress, be that financial, operational, cultural or, more often, all of these (and more). During this period of firefighting, the focus is necessarily on the short term and on the immediate needs of the business to ensure survival and protect stakeholder interests.

BUSINESS RESILIENCE IN AN EVER-COMPLEX WORLD

At our 2018 Restructuring Conferences we explored the theme of business resilience in an ever-complex world. We heard from business leaders, economists and professional advisors on some of the challenges that businesses face and how we might assist businesses in preparing for those challenges.

“Resilience” is something of an elastic concept but one of our keynote speakers defined it as:

“A company and its board’s ability to continue to deliver value by quickly, efficiently and effectively adapting to relevant change in order to safeguard and develop its people, its assets, its customers and its brand equity.”

THE RISK OF NO RESILIENCE

Too often, at the point at which we become involved it appears too late to develop such resilience. Yet it is often in the crucible of extreme pressure that great businesses are forged. We work with boards who are having to make vital decisions in a time-critical environment, in circumstances where the wrong decision may not only bring about the demise of the business, but may also incur personal liability for the directors, exposing their homes and their families to direct personal risk. It is hard to overstate the stress that this can cause and the risk of poor decision making in this environment is all too high.

PSYCHOLOGY OF RESILIENCE

Dr Mike Owtram of Kiddy & Partners (part of the Gateley Group) talked to us about the psychology of resilience and the impact of stress on decision-making ability. In such high-pressured situations, it is vital for us, as advisors, to recognise and understand the impact that stress will have on a director when being asked to make tough choices. That stress will trigger the “fight or flight” mechanisms within the decision maker, which can (and will) distort the decision-making process. It is common for directors to suffer from “tunnel vision” in such circumstances, losing their strategic or medium-term view.

As advisors, we need to recognise this fact and prepare for it; our role is to make sure that all of the relevant factors are being taken into account, not just those closest to hand. A key factor in building a resilient business is helping its management build personal psychological resilience, so that they are equipped to cope with the complex and rapidly changing environment in which they operate.

KEY POINTS TO CONSIDER WHEN BUILDING OPERATIONAL RESILIENCE

It is important to work with our clients to help them establish the right systems and processes as their businesses grow, so that when inevitably the business does suffer a set-back, it is operationally resilient and well-placed to recognise and quickly adapt to whatever challenges it is facing. Practical examples of this might include:

- Ensuring that strong corporate governance processes are in place. Whilst these do not necessarily drive growth, ensuring that a business is fully compliant drives a culture of rigour and accountability.
- Strong management and leadership- our recent survey of IfT members reinforced how important this is, with 60% of respondents rating this as the most significant aspect of a resilient business.

Factors to look for include:

Forward looking – setting agendas that focus on the future, not looking backwards;

Robust boards, where management decisions are constantly challenged – self-congratulatory and complacent boards seldom fare well in the long term;

Boards that are regularly refreshed. Teams that sit in place for more than 3 years can become stuck in their ways, which can lead to stagnation

Diversity – a resilient business will benefit from a board that contains a diverse range of experiences and backgrounds, bringing different perspectives to the decision making process

A strong, independent chairperson

“Headlight” teams – boards investing in and, more importantly, listening to research and development teams that are specifically tasked with identifying the trends and factors that will materially affect their business. Think Blockbuster vs Netflix.

In terms of the underlying business, key factors that indicate resilience are:

- Clear strategy, clearly communicated and understood by all in the business;
- Clear goals and a clear path identified to achieve those goals;
- Geographically and economically diverse business model;

- An agile culture of continuous self-improvement;
- A focus on the future; and
- A well-developed “risk radar”
- Exceptional focus on the customer experience.

Where you engage with a management team, bearing these positive factors in mind can help you add real value in shaping the structure and agenda of the companies you work with. All too often, our first job is simply to challenge the perceived wisdom!

Get a copy of our ‘helping business build resilience’ report:

The professional advisory community has a key role to play in helping businesses to prepare for, and cope with, shocks and disruption. Understanding this, we set out to find out more about what it means for a business to be resilient and what it takes to build resilience and why it’s so important in today’s environment

We have produced a report that will provide a useful guide to advisors and businesses alike in starting the conversation around resilience, identifying the key areas to consider and providing a few practical ideas on what advisors and businesses can do together to find solutions to those issues.



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