MBBI 2014 Collaboration Award

The Engagement

A Wisconsin based precision parts manufacturer and its Tennessee subsidiary, an engine manufacturer, ("the Company") experienced declining sales and profit margins causing the Company to become over leveraged. The Company's Lender declared a default and the parties entered into a forbearance agreement. The Company retained Concord to refinance the Lender's debt obligations and help negotiate the extension of the forbearance agreement. After thoroughly exploring the debt markets, Concord concluded that a debt refinancing was not viable and the only solution to satisfy the Lender would be a sale of the Company.

The Concord Close

Concord suggested the Company's Lender retain a national appraisal firm to perform a liquidation analysis of the Company. The appraiser concluded that the book value of the inventory was significantly overstated by approximately $10 million, much of which was obsolete and antiquated parts inventory. Concord, along with the Company's legal counsel, concluded that the sale of the Company as a going concern was a much better option than winding down the Company and convinced the Lender to remain in an over-advanced situation and fund working capital during the process.

Concord ran a very efficient process to identify a list of potential buyers for the distressed Company. The most favorable proposal was issued by a Milwaukee based Private Equity firm that proposed to purchase the notes from the Lender. The PE firm proposed a structure whereby they would own the precision parts manufacturer while the existing owners would retaining the Tennessee engine manufacturer and be released from their personal guarantees to the Lender. Working together with the incumbent Lender, the team closed the transaction. The PE firm then introduced a new lender, who moved quickly and aggressively to put together a working capital line and term loan facility to augment the proposed note purchase post closing.

As a result of the team's efforts, a fundamentally sound but distressed company was restructured in a short period of time with over 100 jobs retained. The owners, who faced losing their entire business, retained ownership of the engine manufacturer, their interest in the Tennessee real estate and avoided substantial exposure from their personal guarantees. The Lender recovered substantially more than it would have realized in a liquidation scenario.