

Snapshots

February 2018



ON THE ROAD: SHOTS FROM CURRENT ASSIGNMENTS

New York/Italy



KIKO, an Italian cosmetics brand, is advertised, marketed, and sold in the United States as affordable European-designed and produced products for every consumer, using a distinctive color-focused merchandising model.



This large, multi-specialty physician practice group had more than 900 physicians in nearly 30 locations covering more than 50 specialties. The group was experiencing declining operating performance which triggered a long-term covenant default.

West Coast



Pursuing new customers by adding new channels of delivery made it difficult to forecast requirements for additional working capital for this manufacturer of nutritional supplements

Southeast



This 20 year-old construction company serves major utilities and large capital cable companies nationwide, burying cable underground rather than stringing it above.

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Kiko USA

KIKO has a distinctive color-focused merchandising model in which key products are available in an extraordinarily wide array of colors. Store merchandise is organized on a product/collection category basis, and is sold primarily in "Class A" mall locations. Its products are competitively priced in the "sweet spot" between expensive and economically-priced mass-cosmetic brands. Unanticipated industry-wide market challenges in brick-and-mortar retail locations (notably, declining traffic in traditional shopping malls and certain street locations, and the inability/lack of willingness by landlords to adjust rents to these operating realities) have led to extremely high operating costs and continually depressed profits in recent years, precipitating a difficult situation.

Multi-discipline Physician Practice Group

Getzler Henrich was retained by a large physician practice group with annual revenues exceeding \$1.7 billion; the group provides healthcare services to more than 20% of the population in its market. When declining operating performance placed the practice in a long-term covenant default, the senior lenders introduced Getzler Henrich to the company to evaluate the current business strategy. External factors required that the evaluation be completed on an extremely tight schedule. Our findings were compiled in a comprehensive report to management and lenders, providing a review of the business plan, an assessment of turnaround feasibility, and strategic and operational recommendations for management, as well as a roadmap to a global restructuring and refinancing for creditors. Following the report presentation, the company was able to achieve its goal of securing the required agreements from lenders.

Heavy Construction Company

The business of heavy construction in the continuing expansion of cable, power and wireless is often fraught with significant up-front investments that can easily go awry. Getzler Henrich is acting as financial advisor for a management buyout of a company that buries cable underground. The company has a concentration of Master Service Agreements that direct their work, and which require significant investments in heavy equipment with specialized needs. The loss of a major contract due to competitive underpricing and an illiquid investment into a failed joint venture with a major design and engineering company resulted in the over-leveraging of the company and forced the sale of a profitable service division to repay the lender. We were retained to advise management on a path forward to acquire the assets remaining after the sale, and dispose of the accumulated liabilities without filing for bankruptcy.

Supplement Manufacturer

Companies that expand by increasing channels of delivery for new customers often lack the insight necessary to forecast the working capital necessary to fund such expansion. Getzler Henrich is once again working in the nutritional supplement e-commerce space, helping lenders evaluate requirements of a bio- ceutical manufacturer. A start-up contract business, which required significantly more space, disrupted the traditional operations of a 25 year-old manufacturer, forcing the company to expand to a second building and eventually to a month-to-month lease for office space. The sheer magnitude of the increased volume squeezed out the legacy business of small retail and wholesale activity creating significant back orders and lost revenues; demand exceeded the capacity of the equipment to fill packaged finished bottles, and to meet purchase orders, bottles were filled by hand which was inefficient and expensive. Due to a lack of working capital and the increased fixed costs of bringing in second shift management, the management did not expand the labor shifts, and incurred overtime costs to complete orders. GH acted as financial advisor to the company proving an objective analysis of the working capital needs.

Kudos

[David R. Campbell](#), who leads the midwest practice for Getzler Henrich, was a featured speaker at McGuire Woods' 15th Annual Healthcare and Life Sciences Private Equity and Finance Conference, held in Chicago on February 21-22, 2018. This premier two-day healthcare-focused private equity, lending and finance conference is designed to explore new ways to successfully close transactions and achieve growth.

[Margie Kaufman](#), northeast practice leader for Getzler Henrich, will be a featured speaker at the annual American Bankruptcy Institute Spring Meeting in Washington, DC on April 12-22. Margie will explore exit plans and strategies for companies in failing industries (print newspapers, for instance). Conference details can be found [here](#).

[Bert Weil](#), managing director in the New York office, presented a case study on operational efficiency at a recent meeting of XPX, the Exit Planning Exchange, in Westport Connecticut.

[Mark Podgajny](#), managing director in the New York office, has received the Certified Turnaround Professional (CTP) designation, conferred by the Turnaround Management Association.

[Bill Henrich](#), co-chairman, addressed "Bankruptcy Considerations in Retail" at a February webinar of the American Bankruptcy Association.

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