



Asset Restructuring



Wintergerst Societät für Unternehmer-Beratung, our ICFG member based in Stuttgart, has focused mainly on advising family owned

businesses since the company's inception in 2011.

The "Mittelstand", a tier of small to medium sized businesses, today leads the German economy. During the years following 1945, the country went through a period of regeneration, enjoying a huge growth in family businesses who benefitted from export and tax incentives implemented by the German government.

Wintergerst today works with many of these family businesses who are now in their 3rd generation, lots of whom are looking to now sell to PE firms or strategic partners.

48% of Wintergerst's business comes from Asset Restructuring, the process of significantly modifying the debt, operations or structure of a company as a way of limiting financial harm and improving the business.

Volker Wintergerst, Managing Partner, explains that this activity has come to represent almost half of the projects worked on by Wintergerst, advising businesses who have reached crisis point with their business model, or their earning situation has changed, or they have simply run out of cash.

Volker and his colleagues help companies to re-focus their efforts to try to stop the financial crisis they are in, to save or re-position the business. This can result in the re-organisation of people and operations, of selling the business or assets, or in the most extreme and rarest cases, preparing them for insolvency.

Working with businesses in crisis is an emotive process, Volker explains. A lot of what Wintergerst does is people related, and coaching businesses through redundancies and changes of leadership is a sensitive, delicate area.

While Wintergerst looks to keep transparency in each business they are advising, focusing on numbers, figures and KPIs, key to finding the right solution lies with the management team and what is happening with the employees.

Volker likens this type of project work to being a Doctor, where the main aim is to diagnose the root cause and apply help in the right place(s). Giving the right help can often mean delivering difficult news, and delivering it in such a way that it can be taken on board, accepted and implemented.

Each project is different, with a unique set of problems and solutions.

This is the most challenging aspect of Restructuring in Volker's opinion, the fact that no two cases are the same.

Different skills are needed for these types of projects in comparison to an M&A deal. Listening is key, particularly at the beginning of the process says Volker. Really engaging in what both managers and employees have to say at the start of the process is vital to gaining effective knowledge of how the company works. This knowledge will facilitate the advisors in providing a simple, yet individual solution for the best possible outcome.

The human element is more critical than the industry or sector the Restructuring project is taking in place in, says Volker. However it is always an advantage to have industry know-how and previous experience of working in a particular sector.

Wintergerst's specific experience and sector expertise lies in Industrial Goods, (e.g. machinery, tools, automotive), IT and Food.

The second most challenging aspect to a running a Restructuring deal is the short-time frame facing the team of advisors. The cash situation within a business will dictate how much time the advisors have to implement a solution to alleviate the immediate financial distress their clients are in.

Wintergerst are able to take advantage of the holistic link they have identified between Restructuring and M&A projects. The high level of knowledge the team gain through working on a Restructuring project puts them in a strategic position to offer expert advice to potential buyers interested in buying a company in a crisis.

Buying a business which is in financial distress can be advantageous in terms of purchase price, but is also very high risk with regards to what happens after the acquisition.

Having worked on a Restructuring project where a business is looking to sell, Wintergerst are ideally placed to give first-class advice to the buyer in terms of what they will face after the deal has taken place.

Local knowledge of a business becomes more important when a potential buyer is coming from overseas.

The majority of Restructuring projects Volker advises on are in Germany, however from time to time there is an impact on foreign subsidiaries relating to a company they are working with. In these circumstances it would be a definite advantage to work with an overseas partner.