

Client / Matter

The client, an offshore bank with operations in Australia, was the lender to a 130 bed 3½ star CBD hotel.

Appointment

We were appointed as Receivers & Managers.

Issue

Reduced profitability in the hospitality sector had resulted in a downgrade of the property's value to a level in breach of a loan covenant.

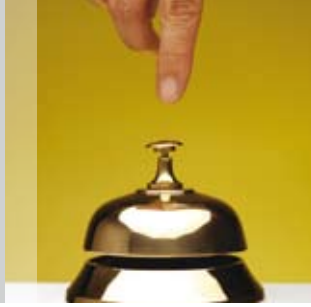
The bank was owed \$13m. The customer had been unable to correct the loan covenant breach in the timeframe required by the bank.

Solution/Outcome

Taylor Woodings:

- reviewed the hotel's systems and procedures, implemented additional controls and provided regular reporting to the bank
- worked closely with the hotel's management on marketing and other strategic operational issues, including capital expenditure projects
- attended to all necessary liquor licensing and occupational health and safety requirements
- traded the hotel in receivership for four months on a cash positive basis
- appointed a national real estate firm to conduct a sales process
- negotiated with the customer and the guarantors to arrange the repayment of the bank

The guarantors obtained re-financing and the bank was repaid in full including interest and charges.



Client / Matter

The client, a property financier, operated a number of property related managed funds. The client had a significant secured exposure to a 100 room budget hotel located in Sydney's Kings Cross that had arisen when the client financed the hotel out of receivership initiated by a major Australian bank.

Appointment

We were appointed Receivers and Managers of the hotel by the secured creditor.

Issue

The hotel had successfully operated for a number of years but in recent years found itself squeezed from the traditional three star hotel market into the more budget/ backpacker hotel market. This had an adverse affect on profitability. Further, it appeared that the owner had not been properly recording much of the revenue, making it difficult for the secured creditor to monitor trading performance. The relationship between the owner of the hotel and the secured creditor had broken down and the loan was no longer being serviced.

Solution/Outcome

Upon our appointment we engaged the services of a specialist budget hotel/ backpacker consultant. In conjunction with the consultant we achieved the following:

- re-structured several operational areas of the hotel in order to reduce costs. This involved contracting out the cleaning function and re-staffing the front office
- implemented several marketing initiatives aimed at increasing occupancy levels which were operating at only 40% of capacity on our appointment
- committed funds to capital expenditure allowing increased tariffs to be charged and occupancy to be increased
- appointed agents to run a comprehensive sale campaign culminating in an auction where the property was sold significantly above valuation and sufficient to payout the secured creditor in full
- during the receivership, the director commenced action against the Receivers and secured creditor for invalidly appointing receivers. We prepared a brief of evidence that resulted in the case being dismissed with costs awarded against the director

A sale significantly above valuation was achieved and the secured creditor was paid out in full.



Client / Matter

The client, a national retail bank, held security over the assets of a group of entities including a significant marquee hire business and a portfolio of property.

Appointment

We were initially engaged to prepare an investigating accountant's report, and subsequently appointed as Receivers and Managers over two of the asset owning trading entities in the group.

Issue

The group had purchased an existing business which had been established for approximately 75 years. The managing director had no previous experience in the industry, quickly instigated change and embarked on an ambitious growth strategy. This included moving, at significant cost, from a long standing, single centralised leased premises, and expanding to four sites. The strategy included owning, not leasing, premises. The director had an ultimate aim of franchising the operation.

The effect of the changes made to the business was to burden the group with significant debt and servicing requirements, create additional higher overheads, and therefore higher monthly cash requirements. This led to severe cashflow problems, exacerbated by the seasonal nature of the industry.

It quickly became apparent that the group was not going to be able to trade out of its difficulties, and had committed to a further \$2 million property acquisition, which was shortly due for settlement and incapable of being funded.

Solution/Outcome

Taylor Woodings:

- took control of the operations of the group
- secured sufficient work from customers to enable the business to continue trading in the short term
- consolidated trading to one site
- implemented a two stage strategic sale process, initially seeking a trade sale whilst at the same time preparing for a piecemeal sale
- as a result of the sale process, determined that the return for creditors would be maximised by a piecemeal sale
- ultimately arranged for the realisation of all the assets via an auction process
- assisted in facilitating the sale of properties

The return for the secured creditor was greater than estimated should the group have immediately ceased to trade and an auction of all assets occur.