

Turnaround and Restructuring in Emerging Markets

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Tenzor Ltd.

- In operation from 2009
- Focuses on corporate restructurings and working capital management
- We work end-to-end- from problem to solution
- Emerging market projects included Ukraine, India, Russia, Turkey, Argentina, Hungary, Mexico, etc.
- Non-Emerging markets projects in US, Western Europe, UK
- Prior experience in both banking and well run blue chip company- great mix for turnarounds

Why Companies fall in distress?

- Regional Issues- economic, political, regulatory
- Industry issues – industry as a whole or particular layer
- Non-managerial company issues
- Management incompetence
- Fraud and crime- inside and outside

Five “C” of Turnaround

- **Control**
 - Creditors seek to control assets and decision making
- **Capability**
 - The team (existent, new or interim) need to be capable for the task
- **Credibility**
 - Turnaround plan and the team need to have credibility with all stakeholders
- **Clarity**
 - What is the company’s core business, how it fits with the industry structure and does the business model match it
- **Co-operation**
 - Lending group are not the only stakeholders. Ongoing support from suppliers, customers, distributors and others are vital for survival

Emerging Markets- legal system (or its absence)?

- Each market is unique, but some common themes
- Legal system – both design and execution.
 - “Familiar laws” trap – do not expect the similar laws to generate similar practice
 - Corruption – random vs vertical
 - Outside influences
- Boxing with “one hand behind your back”
 - Building multi-layered defence
 - PR
 - Investment treaties

Emerging Markets- Dealing with Extreme Economic Uncertainty

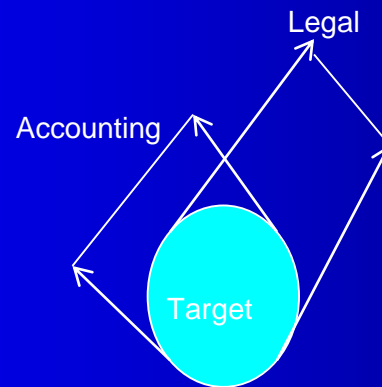
- Building agility
- Dealing with currency volatility and restrictions
- Demand and supply uncertainty
- Working Capital Management
- Dealing with banks
- Role and use of overseas operations
- Challenge leads to consolidation- if everybody is under pressure fittest survive!

Steps for Distressed Turnaround

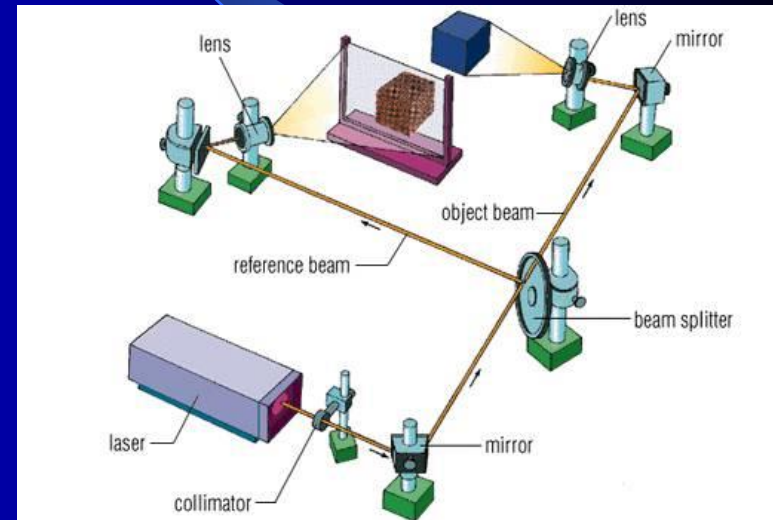
- Diagnostic – “post deal” due diligence
- Fixing the team
 - Loyalty
 - Competence
 - Communication
- Re-defining the business
- Process optimisation

Operational Due Diligence-key part of M&A deal

Just one side?



ODD-Multi Dimensional Picture



We need not only answer “what” but “why” and “what does this mean?”

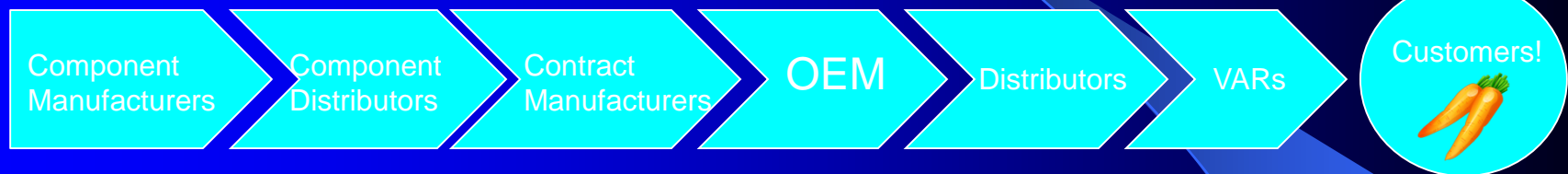
Operational Due Diligence- core questions to answer

- Re-construct the link between the numbers and physical process
 - Get the access outside of “professional seller”!
 - Do not limit your conversation to finance people- they talk about numbers, not the business
 - Speak to sales, procurement, manufacturing- and reconcile what you hear to what you see in the numbers
 - Understand external environment- suppliers, customers, distributors- they may tell you a lot of things you would not hear from the company
 - Visit the warehouse and manufacturing and ask few simple questions

Fixing the Team

- Building loyalties
- Motivation- not just money
- Understanding informal networks
- Identifying kick backs, leaks and frauds
- Approaches to bringing new people
- Making the culture shift

Supply Chain- Distribution of Risk and Reward



- Understanding the supply chain is core to determining the future of the company.
- How is wealth and risk distributed?
- What is outsourced to whom? Who does financing- is the company a bank? Should it be?
- Is the issue overall health of the chain, distribution of rewards and risks at particular layer or just company specific issues?
- Who can “shortcut” the chain and what would be consequences?
- Who is going to lose the most if company disappear and what can they contribute to rescue?

Key Lessons

- Understand the market
- Do a proper due diligence- do not rely on glossy write ups
- Understand the industry structure and play it right
- Build loyal and competent team
- Ensure stakeholders support
- Redefine and optimise the business
- You do not need to be perfect- just be better than competition

Thank You and Good Luck!

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