

# WINNING IN THE TURNAROUND WORLD

Webinar

Early Warning  
Signs and  
Strategies to  
Recover Value



**John Collard**

Chairman  
Strategic Management  
Partners, Inc.



**Anna Prata JD**

CEO  
ReEngineering  
Capitalism

# JOHN COLLARD, CHAIRMAN, CEO

## *STRATEGIC MANAGEMENT PARTNERS, INC.*



### Operating Manager

### 35+ Years in P/L Management/Turnarounds

Public & Private -- High & Low Tech -- Fed'l, Com'l, Int'l

### Turnaround & Crisis Manager

### Asset & Investment Recovery over \$85M, 25+ yrs TA

Trans Union, Lockheed Martin, CSC, CyberDyne, SMP,  
Turnaround, Restructuring & Distressed Investing Hall of  
Fame,

Top 12 Outstanding Turnaround Firms [*twice — t&w*],  
Maryland Small Business of Year, Governor's Citation,  
Certified Turnaround Professional (CTP), Past Chairman TMA,  
Global Turnaround Atlas Award – TA Firm of the Year,  
Advisor= Bush<sup>2</sup>, Clinton, World Bank, EBRD, Russian Gov't.  
T/A Technique, Investing, B/R Law Reform, Privatization

### Money Manager

### \$80M Private Equity Restructuring Fund

### Business Developer *Revenue Generator*

Over **\$670M+ Systems Integration & \$280M+ Com'l growth**  
Manufacturing, Computer, Electronics, High Tech Industries

### M&A, Divestitures *Deal Flow*

**42+ Transactions, \$780M+** revenue or leased asset value,  
bought or sold for \$500M, eight major industry segments

# ANNA PRATA JD, CEO

## *ReEngineering Capitalism*



**Operating Manager**

**22 Years in P/L Management/Turnarounds**

Public & Private -- High & Low Tech -- Fed'l, Com'l, Int'l

**Global Turnaround Crisis & Change Management**

**Global Turnaround & Restructuring**

**Public Fortune 500** : Software, Hardware Business services, Oil and Gas

**Public Fortune 1000**: Business Services, software,

**Public**: Retail,

**Private 120MM-300MM**: International Real Estate construction, software

**Private 10MM-120MM**: Manufacturing, Printing Education, Software, security software, Professional Services

**Private 300K-10MM**: Food, real estate, Oil and Gas, Automotive, Education Food, CPG, Professional Services, Online Advertising, Retail Bankruptcy Professional July 2010, Talk show discussing the topic of "**How to Protect Your Intellectual Property in an age of Social Media**". Top 10 Interims 2009, Finance Talk radio: Prata discusses issues for Canadians and Americans investing in real estate in Mexico post NAFTA. USA Olympic Bobsled and Skeleton Federation

**Private Equity/  
M & A/Transactional  
Deal flow**

BeartoBullCapital – fund-raising, acquisition –strategic focus to exit all acquisitions-

**Holistic View of  
Restructure – top line  
and bottom line**

ReEngineering Capitalism distinguishes itself in “how” we do what we do. Cash flow and risk mitigation is paramount but having an awareness of the other issues that are impacting the numbers is critical. At the end of the day- nothing is manufactured on a spreadsheet. Creating value is about both creating efficiencies and growth

## DISCUSSION QUESTION

- What are the three most important warning signs – a company is heading for trouble?



# WARNING SIGNS A COMPANY IS HEADED FOR TROUBLE

1. Excessive/high turnover rate
2. Lack of generating new business or new business deteriorating
3. Mismanagement or management overextension in the company
4. Ineffective communication and unclear goals



**John Collard**

Chairman  
Strategic Management  
Partners, Inc.

# WARNING SIGNS A COMPANY IS HEADED FOR TROUBLE

1. Profit warning – missing forecast and declining margins
2. Inefficient compensation and incentive programs
3. Deteriorating business and no new customers
4. Capital availability declining



**Anna Prata JD**  
CEO, COO, EVP  
ReEngineering Capitalism

## DISCUSSION QUESTION

- Can you talk about deteriorating business? When do the red flags go up?



## DISCUSSION QUESTION

- What is an interim exec & what is a turnaround pro?
  - What is the market for interim execs and turnaround professionals – who employs them, and why?



# WHAT IS AN INTERIM EXEC & WHAT IS A TURNAROUND PRO?

- All turnaround pros are interim, but not all interims are turnaround execs or specialists
- Distinguishing factor:
  - A strong turnaround exec must have broad and deep skills across all parts of the business
  - An interim may have a specialty skill alone that is required.



**Anna Prata JD**  
CEO, COO, EVP  
ReEngineering Capitalism

# WHAT IS AN INTERIM EXEC & WHAT IS AN TURNAROUND PRO?

- Two categories of turnaround specialists:
  - Consultants
  - Interim executives
- Very important in *both* interim or turnaround environments to have multiple disciplines in background
- You need:
  - Leadership
  - Market
  - Capital to finance transaction



**John Collard**

Chairman  
Strategic Management  
Partners, Inc.

## DISCUSSION QUESTION

- Why does there appear to be a more robust market in Europe and in the UK for interim executives?



## DISCUSSION QUESTION

- Interims and turnaround professionals can be hired by the board of directors, the owner of the company, a private equity fund owner, investors, lawyers, bank personnel. Is there a difference in reporting to those different kinds of masters?

# IS THERE A DIFFERENCE IN REPORTING TO DIFFERENT KINDS OF MASTERS?

- 3 issues to look at in the essence of every deal, no matter who you are answering to:
  - Who are the rules?
  - What are the stakes?
  - When is the exit?



**Anna Prata JD**  
CEO, COO, EVP  
ReEngineering Capitalism

## DISCUSSION QUESTION

- You have just been engaged to pull a \$500 million manufacturing company out of a tailspin. Are there stages in the process, or is it all made up on the fly?
  - And if stages to all engagements, no matter what, what are they? What are standard operating procedures when you parachute in?

# WHAT ARE STANDARD OPERATING PROCEDURES WHEN YOU PARACHUTE IN?

- Stages in the Turnaround Process
  - Management change stage
  - Situation analysis stage
  - Emergency action stage
  - Business restructuring stage
  - Return-to-Normal stage

*\* Risk Management Association Journal:  
Managing Turnarounds Requires Clear  
Thinking, Quick Action, and a Plan. Phases  
and Actions to Accelerate the Recovery  
Process. By John M. Collard*



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## DISCUSSION QUESTION

- Consider that the US government is a turnaround situation. What would you do?

# INSIGHTS, QUESTIONS, COMMENTS?

- Knowing how to recompute the balance sheet is no swap for the kind of market savvy and intuition that comes from time on the front line. Anyone can swoop in, push out the payables and reign in the receivables to create the illusion that real forward progress has been made. The true pros can immerse and understand the assets beyond what gets been reported on the balance sheets. They then use this information to make systemic change and sustainable success. Comments?

-Jeff Snoden



# INSIGHTS, QUESTIONS, COMMENTS?

- I work with small, middle-market companies. How do you co-opt the involvement of management when management is opposed to third party involvement? How do you avoid “I am here because you are a failure”, especially when dealing with an owner/manager?

-Sumner Sachs



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