

## Capital transactions in times of recession

In the context of the world financial crisis, companies need to be able to effect rapid changes of strategy to combat risk and protect their business.

In the short term, the primary objective of owners and senior managers is to solve cash flow problems and ensure the continued viability of their business activities. One means of doing this is to restructure the business, the main objective being to improve the quality of management systems and optimize business processes and property holdings. These measures should increase the value of the business, making the company more attractive to strategic investors and capital markets.

From a long-term perspective, it is crucial to understand the environment, estimating the company's strengths and weaknesses to determine the appropriate business development strategy. Many companies with large borrowings are seeking funding to continue their business activities and ride out the current recession: they see a solution in the conversion of loan capital into shareholders' equity.

Crisis can open up new possibilities, and can be the right time to increase capitalization through mergers with competitors, suppliers or purchasers, or the acquisition of business in a new sector.

## BEFL specializes in managing capital transactions on behalf of all parties involved, as detailed below:

### For investors or major creditors

| Service area  | Our role  |
|---|---|
| Representing the interests of a business purchaser in M&A | <p>Acting as financial and legal consultants in transactions relating to business acquisition:</p> <ul style="list-style-type: none"><li>• Gauging the appropriateness of purchasing a particular business in accordance with the strategic objectives of the purchaser</li><li>• Drafting and approving an agreement on the principal terms of the transaction</li><li>• Executing complex financial, tax and legal due diligence</li><li>• Defining and estimating business risks; preparing and implementing risk-reduction strategies</li><li>• Designing a financial business model and cost forecast</li><li>• Drafting and supporting the process of reaching an M&amp;A agreement</li><li>• Monitoring the execution of a transaction and its buy-in</li><li>• Assisting in the integration of a new business in the corporate structure of the purchaser</li></ul> |
| Assistance in reimbursement / restructuring of debts      | <p>Assisting creditors (banks, investment companies, private investors) in:</p> <ul style="list-style-type: none"><li>• Choosing the optimal legal ways of protecting their interests</li><li>• Monitoring debtor activities</li><li>• Achieving agreement with shareholders and management on debt restructuring</li><li>• Executing debt conversion into shareholder's equity</li><li>• Repaying the debt as liquidity and valuable assets or attractive businesses</li></ul> <p>We can also assist in seeking a purchaser for debt or achieving agreement with a strategic investor on owning joint property and managing a debtor's business</p>  |

### For companies, shareholders and managers

| Service area   | Our role   |
|--|--|
| Representing the interests of a business seller in M&A | <p>Assisting in:</p> <ul style="list-style-type: none"><li>• Choosing a sales strategy and identifying potential purchasers</li><li>• Preparing the business for presentation to purchasers</li><li>• Preparing financial statements; devising a business cost model</li></ul> <p>We can execute all activities relating to structuring and supporting a transaction to sell part or all of a business, taking into account the interests of shareholders and creditors</p>  |
| Financial restructuring                                | <p>Assisting the company in:</p> <ul style="list-style-type: none"><li>• Understanding potential profit sources</li><li>• Preparing financial forecasts</li><li>• Drafting anti-crisis plans</li><li>• Choosing the appropriate capital structure given the nature of the business and its development strategy</li><li>• Reaching agreement with creditors on payment of debt by installments; refinancing; transfer of part of assets for repayment of debts</li><li>• Managing the settlement of liabilities to creditors and shareholders</li><li>• Legal implementation of creditor agreements.</li></ul> |
| Bankruptcy   | <p>Where clients are unable to repay debts and achieve agreement with creditors we will:</p> <ul style="list-style-type: none"><li>• Consult on protection under the law as defined in 'About bankruptcy'</li><li>• Manage the selection and implementation of your bankruptcy procedures</li><li>• Protect the interests of shareholders and management in court and at creditors' meetings</li><li>• Appraise the debtor's business and assets</li><li>• Draft settlement agreement with creditors</li><li>• Control the process of selling assets and settling with creditors</li></ul>                     |

| Service area                         | Our role  |
|--------------------------------------|---|
| Restructuring of property portfolios | <p>Execution of activities aimed at:</p> <ul style="list-style-type: none"> <li>• Revealing non-core assets of the company</li> <li>• Analyzing the possibilities of separating service and auxiliary production into a separate business</li> <li>• Transfer of non-core functions to outsourcing</li> </ul> <p>Based on plans to optimize the property portfolio, we will give advice on the legal choices relating to division of production sites, and will prepare and support transactions on selling extra assets, and establishing new businesses</p> |
| Optimization of working capital      | <p>We will analyze the existing system of managing working capital and will assist in increasing its efficiency and productivity</p> <p>We will define the optimal structure of the working capital, reveal reserves of cash flow and draft payment plans with creditors</p>  |

## Recent projects

- Following an approach from the owner of a **major agricultural holding**, BEFL specialists analyzed and implemented a system of benchmarks to manage the company's working capital, and optimized business processes relating to the supplementary cost of a business unit that included several plants manufacturing agricultural products and producing baked goods. Our efforts cut costs by more than 15% and increased cash flow.
- We acted for a **bank subsidiary** to execute legal and financial due diligence of a developer. This involved checking fulfillment of the terms of loan agreements, analyzing plans for receipt of profit and assessing the legal risks of the developer's activities. We represented the bank in converting the debt into shareholder equity in a new company to which the major assets were transferred.
- To optimize the property portfolio of a **machine factory** we helped the manager to divide up the production site and allocate assets for sale. We provided full legal support for transactions to sell the production premises and warehouses covering an area in excess of 150,000 square meters.
- BEFL specialists supported a credit transaction for a **factory manufacturing complex electrical products**. This involved opening a line of credit to finance current assets and establishing long-term credit for an investment project. On completion of the initial stage of the investment project, we structured and supported a transaction to sell the business to a foreign investor.
- We represented a **venture capital fund** in initiating negotiations with the shareholders of a factory producing confectionery and agreed forms of investment. Based on the results of financial, tax and legal due diligence, BEFL specialists prepared the financial business model, restructured liabilities and assisted in preparing the financial and legal business structure. The investors became shareholders and our company has been tasked with monitoring the implementation of the corporate financial strategy.
- A **group of private investors** employed BEFL to act as financial and legal consultants in the purchase of a non-core business from a major metallurgical holding. The purchase price reflected the assumption by the investors of the business's liabilities, which were spread over three years following agreement with the banks and other creditors.

## Contacts

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### Corporate finance

- Mergers and acquisitions
- Financial restructuring and bankruptcy
- Working capital analysis
- Due diligence
- Business appraisal
- Fundraising

### Audit and taxation

- Audit
- Financial statements in accordance with IFRS
- Financial statements, accounting and control
- Tax consultation
- Financial outsourcing

### Consultancy services

- Legal services
- Appraisal of property