

Industry:

Tier 1 Automotive Supplier

Situation:

- A privately held \$50MM manufacturer of automotive entertainment systems held multiple patents and created highly sought after products.
- A combination of market forces and poor management threatened the company's long-term viability.
- The automotive crisis of 2008/09 changed the customer's expected demand creating complexities in managing the business that senior leadership was ill equipped to handle.
- Poor cash, supply chain and manufacturing planning was creating finished goods shortages and causing customers to cancel orders.
- Quickly the company found itself in an over-advanced situation with its lender and no discernable plan to pay it back, virtually shutting down its supply chain and production facility.

Assessment:

- The company wasted valuable time and money with an initial outside advisor who was unable to get control of cash or management and new leadership was necessary.
- The products were in high demand because of their high quality and technological advancement and a solid customer base was willing to pay attractive prices.
- The secured lender was no longer interested in working as a willing partner given the existing circumstances.
- Automotive customers were being forced to pull vehicles off the line due to lack of product.

Actions:

- A Cratos advisor was named Chief Restructuring Officer (CRO) and immediately took control of day-to-day operations.
- Creating a concise restructuring plan the CRO was immediately able to regain the confidence of the lender and obtain additional working capital.
- Additional working capital was secured by convincing a key customer to contribute to the plan and thus secure ongoing supply.
- This additional working capital then allowed the company to improve relationships and flow of product with formerly disgruntled suppliers and restart the production facility.
- With the business on the road to recovery but still in need of permanent leadership and new capital, ownership was convinced to sell the company to minimize potential liabilities.

Results:

- Customer demand reached an all-time high and all orders were being shipped on time.
- After conducting a comprehensive sale process outside of court, the company closed a transaction with a strategic buyer that fully paid back the secured lender and the customer loan and assumed the unsecured debt.
- Additional funds flowed to the prior owner who also secured a multi-year consulting agreement.

