Cratos Advisors

Leading Distressed to Success

Industry:
Seafood Processing

Situation:
- A privately held seafood processor with a highly regarded brand and plants in five countries across South America and Southeast Asia had exhausted liquidity through continued investment in unprofitable operating units and unsuccessful new ventures.
- The prior four years had seen revenues decline from $140MM to $95MM and EBITDA drop from $3.5MM to a loss of ($13.2MM).
- The company had defaulted on its $23MM asset based loan only a few months after refinancing with a "lender of last resort."
- A truly entrepreneurial spirit had led the sole shareholder to invest in unrelated business ventures and significant new product R&D moving working capital and management focus away from the core business.
- Lack of cash and consistent buying practices were pushing a fragile Asian supply chain towards an unwillingness to sell.
- This inconsistent supply chain resulted in significant order shortages and poor quality resulting in lost sales and brand erosion.
- A diverse international customer base and lack of a disciplined pricing strategy created an overwhelming inability to meet demand at adequate gross margins.

Assessment:
- The company had lost focus on its core business and needed to return to its roots.
- Inconsistent communication between the Asian and domestic U.S. management teams created inefficiencies and distrust.
- The financing relationship had to be quickly repaired via a concise restructuring plan.
- Unprofitable operating units, products and customers needed to be eliminated.
- Disciplined management of cash and other working capital elements were required.

Actions:
- Calmed the lender by presenting an initial assessment and work plan with a road to recovery and ultimately negotiating an acceptable forbearance agreement.
- Executed the orderly wind down and divestiture of several business units and suspended investment in new product development.
- Eliminated almost all international sales refocusing product towards the company's core customers.
- Instituted regular product and pricing meetings to eliminate non-core offerings and ensure more consistent gross margins.
- Reduced overhead costs by moving headquarters, outsourcing warehousing and reducing staff.
- Conducted a site visit to all remaining international operations to review and refine processes and procedures and develop more global teamwork.

Results:
- Intentionally shrunk revenues to $86MM while returning to a positive EBITDA of $4.1MM.
- Reduced both domestic, international and intercompany debt by $7.2MM.
- Reduced operating expenses by $5MM.
- Reduced AP by $2.4MM and 200 vendors, improved inventory turns by .5 times, and reduced receivables days on hand by 20.
- Prepared the company for a refinancing into a more traditional lender.

7047 E. Greenway Pkwy. / Suite 250 / Scottsdale, AZ 85254 / 480-659-2936
www.cratosadvisors.com