

BlueWater Partners helps businesses identify and navigate a range of strategic alternatives. We specialize in senior-level advice on mergers, acquisitions, capital sourcing, performance improvement, turnarounds and merchant banking.

## Turnaround Consulting: Construction and Mining Machinery and Equipment Distributor

Family owned, fourth generation aftermarket Construction and Mining Machinery and Equipment Distributor in default with senior lender.

### Situation

- The recession eliminated the company's earnings and weakened its already overleveraged balance sheet.
- Global production capacity contracted and credit terms tightened, leaving the company with inadequate inventory to meet customer demand as the economy started to recover.
- Lack of earnings, a weak balance sheet and tougher underwriting standards made refinancing highly unlikely and liquidation the most obvious next step.
- For six months the company and critical unsecured creditor/supplier attempted to negotiate a payment plan, establish new credit terms or form a joint venture, but were unable to find agreement as the founding family demanded they remain in control.
- Senior lender initiated collection action to liquidate the assets.

### Solution

- Management engaged BlueWater to advise on strategic options.
- BlueWater negotiated a short-term Forbearance Agreement with senior lender.
- Analyzed the company's balance sheet for undervalued assets and liabilities restructuring opportunities, built a 13-week cash flow model, identified cost reduction opportunities and prepared a liquidation analysis illustrating a shortfall to senior lender and supplier.
- Implemented cost cutting budget and plan to improve profitability during current year.
- Presented breakeven analysis, 3-year projections, and turnaround plan to supplier.

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- Improved communication and visibility with the senior lender to provide the time.
- Facilitated three-way negotiations between client, critical unsecured supplier and senior lender.

**Results**

- Reduced breakeven by over 24% by cutting labor, manufacturing overhead, and SG&A.
- Successfully completed a “loan participation agreement” between senior lender, supplier, and client.
- Senior lender secured a clear path to exit in less than one year.
- Supplier eventually transitioned from an unsecured to a secured position while retaining a major customer.
- Improved on-time delivery performance by opening up credit lines with critical supplier during negotiations.
- Client retained ownership.

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