

CASE STUDY:

£13.5m debt reduction for national residential caravan park company



Overview

The company ran 8 residential caravan parks and a scrap metal business operating all over the UK. Highly geared, it had a number of assets not earning revenue, including 15 residential properties taken in exchange for park home sales and a disused pub.

Challenges

- £18m of assets and £16m of debt.
- No budgetary control of park development costs.
- A practice of over-inflating valuations of part exchange residential properties to achieve park home sales.
- An overriding belief of the directors that profits were more important than cash.
- No acknowledgement of the seriousness of the financial position or that behavioural change was required.
- A reluctance to take advice on realistic asset valuations from professionals.
- Poor communication with company's lenders.
- No realistic forward-looking information.

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Only when the directors realised it was perfectly acceptable, and indeed necessary, to sell assets at a loss, could we make any progress with cash generation and debt reduction.

Headstar Portfolio Finance Director

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Our Approach

Our Headstar Portfolio Finance Director (FD)) quickly established a strong working relationship with the company directors to achieve the following solutions:

- Forecast preparation on different scenarios, including one showing the business running out of cash and possible insolvency.
- Categorised each asset into develop, keep for income, or sell.
- Demonstrated the true profitability of each site (often lower than was believed) to help decision making.
- Persuaded the directors to sell some assets at a loss for cash generation.
- Linked remuneration to asset sales not profits.
- Managed the asset sales processes with new or existing professionals.
- Agreed split of sale proceeds with lender for debt repayment and investment (now possible with improved relationship and visibility).

Results

£13.5m debt reduction

In 6 years lender debt was reduced from £16m to £2.5m.

Expert advice retained

Headstar Portfolio Finance Director retained to provide challenge process to ambitious directors.

Return to frontline banking

Business returned to frontline banking with an appetite for lender to provide development capital for new sites.

Improved decision making

Greater clarity of reporting and assessment of potential investments made evidence based decision making possible.

Get in touch to find out how a Headstar Portfolio Finance Director can help to transform your customer's business