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Plenty of rescuers for foundering firms

Mark Fenton-Jones

Specialists with the skills to save businesses from becoming part of corporate history are in big demand. Practices are looking to recruit them in growing numbers, although some experts prefer to establish their own boutique operations.

In the past year businesses in difficulty have underpinned the boom in restructuring work that has big firms looking to recruit specialists as boutique firms pop up to cater to the skyrocketing demand.

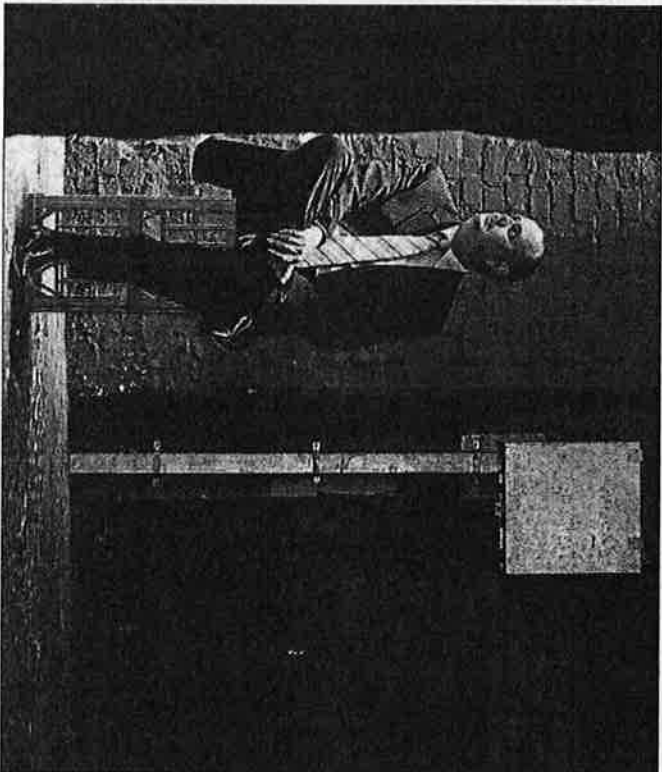
A "business stress report" by new firm Restructuring Works showed that the number of companies entering some form of insolvency administration in the year ended December 2008 increased by 27 per cent to 9113, compared with the 7163 average of the previous five years.

The number of appointments by secured creditors was up 122 per cent to 957 over the average of the previous five years (431).

The report also noted the value of all bank new asset impairment charges more than tripled to \$13.3 billion in the year to September 2008, compared with an average \$3.7 billion for the previous five years (\$3.7 billion).

"The value of the bad debts is the real reason for the increase in corporate restructuring services," Restructuring Works managing partner Cliff Sanderson said.

Restructuring practices typically work with businesses that are either



Grant Thornton's Paul Billingham is one of many on the lookout for talent. Photo: NIC WALKER

underperforming, in financial difficulty or insolvent, with the general aim being to help them continue in business, rather than bury them.

Outside specialists are often brought in to help diagnose exactly where a business is underperforming, while financial difficulty can require skills in turnaround management or debt refinancing.

Restructuring experts can help insolvent businesses, for example,

and reorganisation division. In the past 12 months the firm's national recovery and reorganisation practice has more than doubled in size, from 41 to 84 staff (including 13 directors) and national director Paul Billingham is still looking for talented individuals.

"It's not the numbers. There are a lot of people moving out of either banking or other areas of accounting who want to come into recovery. There are two areas we are keen to look for: the four-to-six-year experience guys who've got a pure insolvency background; and director-level people with the right background in banking relationships and expertise," Mr Billingham said.

Businesses with whom Grant Thornton are involved tend to be companies referred by major lenders that are highly leveraged because of aggressive transactions completed two to three years ago.

"They can't carry the weight of debt," Mr Billingham said.

Another mid-tier player, Ferrier Hodgson, focuses on forensic accounting, corporate advisory and corporate recovery, with the latter offering insolvency management and restructuring. A partner in the practice, Steve Sherman, said staff numbers in the Sydney office increased by 20 in the past year, and ranged from director level to school leavers.

He indicated that the firm's corporate recovery had been steady in the past year and, while the client base was traditionally financial

institutions, the banks, for instance, had increased their own capacity for dealing with troubled clients rather than farming out the work. Brisbane-headquartered Vantage Performance will increase its ranks to eight when Phil Jefferson joins this week as a director.

Mr Jefferson was a founding partner of Jefferson Stevenson & Co, which merged with PKF, a former senior partner at Horwath and is a member of the Australian Securities and Investments Commission's Companies Auditors and Liquidators Disciplinary Board.

Vantage's managing director, Michael Fingland, said staff numbers grew by 40 per cent in 2008 and he expected to recruit three to five more in the next six months.

As turnaround specialists, the firm works to prevent businesses failing and tends to see troubled organisations six to nine months before they would have gone to insolvency practitioners.

Meanwhile Mr Sanderson, a former Ernst & Young partner who launched Restructuring Works in January this year, said that, in the past six months or so, the big firms had been "scrambling for staff" to beef up their restructuring practices, while smaller firms had only just started doing so.

"All the smaller firms are expecting this and next year to be quite busy," Mr Sanderson said. "That's why I got back into the game and there'll be others like me."