

CASE STUDY

Mentoring a Family-Owned Business Back to Health

How Platinum guided improvements in lender relationships and business operations to get a company back on track

SITUATION

An \$8-million, family-owned service business with dominant market share veered from its core business as the owners pursued other businesses, becoming significantly unprofitable. As a result, lines of financing relationships with outside senior and subordinated lenders were damaged — and the company quickly found itself dealing with the senior lender's workout division. A frustrated subordinated lender suggested the need for new management to operate the business going forward and introduced Platinum Group to the family.

CHALLENGES

- Develop a trusting relationship with the family, which did not appreciate nor want Platinum's involvement, perceiving Platinum as working for the lender.
- Assess the capabilities of the current management team, consisting of several family members who were also majority owners, to operate this business and return to long-term profitability.
- Prevent foreclosure by encouraging patience and negotiating a standstill agreement with the current lenders while the company secured a new senior credit facility.
- Improve the relationship with the subordinated lender who held rights to become a significant minority owner of the company.

RESPONSE

Platinum Group developed a business plan to identify and memorialize the company's strategic, operational and financial plans. This plan was presented to the current senior lender's workout division to allow time to locate alternative outside lenders. The management team had already begun to improve the business and the right decision was to allow this progress to continue, albeit with some mentoring and ongoing guidance. No change in family management was deemed necessary by Platinum. (In fact, family managers had become stronger as a result of learning from their unprofitable pursuit of unrelated business opportunities.) This recommendation was met with surprise and no great enthusiasm by the current financial lenders. Glaydon Iverson, a Platinum Group partner, provided ongoing financial overview, mentoring and training to help the founder's son achieve necessary milestones to develop into an excellent CFO.

RESULTS — The company became profitable within the first year — improving almost \$500,000 in the bottom line. Steady and significant improvement in profitability has continued every year thereafter, with the company achieving \$1.5 million EBITDA in the most recent year, creating approximately \$8 million of value in the marketplace. The senior lender has been replaced and the subordinated lender extended its promissory note for several years. The family continues to call on Platinum for counsel as it looks for further growth opportunities.

