Australia

TMA Bootcamp: Case Study 2025

A Brief Intro | Our Moderator and Panellists

Deloitte.

Moderator

Richard Hughes

Partner

Financial Advisor

Richard is a Partner in Deloitte's Turnaround and Restructuring team, bringing over 30 years of experience advising boards, lenders, and shareholders through complex corporate turnarounds. He's a Chartered Accountant and qualified insolvency practitioner, and an active member of FINSIA, ARITA, TMA and AICD.

Deloitte.

Panellist

Jacinta Nielsen

Partner

Financial Advisor

Jacinta is a Partner in Deloitte's Turnaround and Restructuring team with over 20 years' experience across Australia and the UK, specialising in financial restructuring and guiding boards and lenders through complex turnaround processes.

Ashurst

Panellist

Alinta Kemeny

Partner

Legal Advisor

Alinta is a Partner in Ashurst's Restructuring and Special Situations team, with deep expertise in complex cross-border restructurings, refinancings and insolvencies. Alinta advises debtors, lenders and investors on multi-jurisdictional financial restructuring matters and is a TMA board member, having served as VIC chair in 2022.

Ashurst

Panellist

Jacqueline Chan

Partner

Legal Advisor

Jacqueline is a Partner in Ashurst's Restructuring and Special Situations practice with extensive experience in front-end restructuring and formal insolvency. Jacqueline has advised liquidators, administrators, receivers and creditors on complex cross-border matters.

GRANT SAMUEL

Panellist

Alex Stanford

Managing Director

Capital Provider

Alex is a Managing Director at Grant Samuel with over 18 years' experience in debt and corporate advisory. Alex has led a wide range of financings across Australia and New Zealand, including corporate refinancings, acquisitions, IPOs, project financings and complex debt restructurings.

Hilco

Panellist

Johanna Ng

Investment Analyst

Capital Provider

Johanna is part of the Investments team at Hilco Capital, with experience across restructuring and special situations in both advisory and investment contexts. She partners with businesses through transitionary periods, providing tailored capital solutions and operational support.

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Agenda

Item	Time	Area	Case Study Timeline	Information
1	9:00 – 9:10am	Welcome to TMA Bootcamp and Case Study – Overview	-	-
2	9:10 – 10:00am	Activity 1 | Initial meeting with the Smash CEO and CFO	June 2022	Background information *(pre-read)*
3	10:00 – 10:45am	Activity 2 | Turnaround approach	June 2022	Notes from the CEO / CFO meeting
4	10:45 – 11:15am	Break		
5	11:15 – 12:00pm	Activity 3 | Addressing a forecast cash shortfall	Mid 2023	High-level forecast and cash flow
6	12:00 – 12:20pm	Panel Discussion | Reflecting on the turnaround	Present	Share price history, earnings and leverage
7	12:20 – 12:30pm	Close	-	-

Pre-release Brief

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Introduction

Situation

Smash Group Limited ("**Smash**") is an ASX-listed automotive services group that provides vehicle repairs and servicing.

You have been monitoring recent announcements and press regarding Smash and have recently reached out to one of the Non-Executive Directors ("**NED**") with a view to providing support for Smash.

After not hearing back initially, you receive a call from the NED that the CEO and CFO would be open to a meeting with you. The meeting is in two days.

Timeline

June 2022

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Summary of recent events

1 Management Changes

- **Key executive changes:** There have been new management changes across key roles:
  - CEO Feb-21
  - COO Jul-21
  - CFO Feb-22
- **Board of director changes:** The board also underwent multiple director and committee chair changes between 2021 and 2022.

2 Performance Drivers

- **Volume**: Significantly affected by reduced mobility and therefore accidents during COVID-19 lockdowns.
- **Contract pricing**: Revenue is highly dependent on contract terms with major insurance customers.
- **Cost pressures**: Smash has faced sustained cost inflation across wages, parts and materials.
- **Labour / skill shortages**: Shortages have placed additional pressure on operational performance and service capacity.

3 Capital Structure

- **Capital raise**: Smash Management completed a ~$95m equity capital raise in Sep-21 to provide short-term liquidity relief.
- **Financial covenant breach**: In late 2021, Smash breached financial covenants under its existing debt facilities.

  In response, the lending group granted a temporary waiver on covenant testing, providing Smash with relief from default and time to pursue operational turnaround initiatives.

  Debt facilities are due to mature in Oct 2024.

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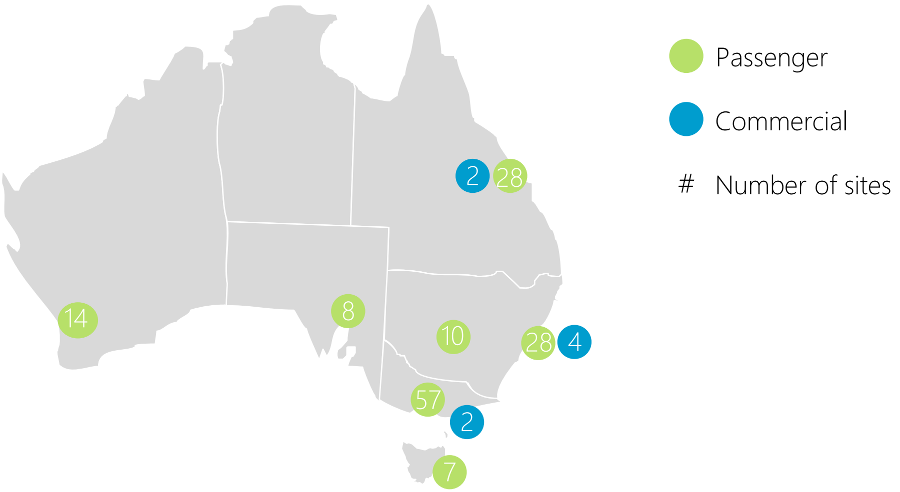
Research findings | Ahead of the CEO and CFO meeting

Smash operates one of the largest vehicle aftercare networks in Australia and New Zealand. The business primarily services insurance providers through contractual arrangements, making it highly sensitive to pricing and volume changes.

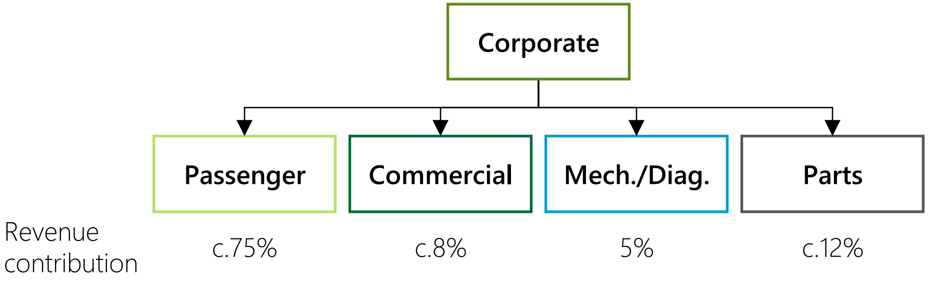
Operational complexity, labour availability and contractual pricing dynamics significantly influence its financial performance. There are four core operating divisions:

1. **Passenger vehicle repairs:** The largest business unit, generating approximately c.75% of total group revenue, provides end-to-end repair services for drivable and non-drivable vehicles, ranging from rapid repairs to complex structural work.
2. **Commercial vehicle repairs**: Contributing c.8% of total group revenue, this division specialises in repairs for heavy and industrial vehicles such as buses, trucks and commercial fleets.
3. **Mechanical & diagnostic services**: Provides vehicle servicing, mechanical repairs and calibration of advanced driver-assistance systems ("ADAS").
4. **Parts distribution**: Supplies recycled and aftermarket vehicle parts through a dedicated distribution arm, this segment accounts for the remaining c.12% of group revenue, with a strategic focus on capturing internal sales beyond the external repair network.

Operational Footprint



Core Divisions



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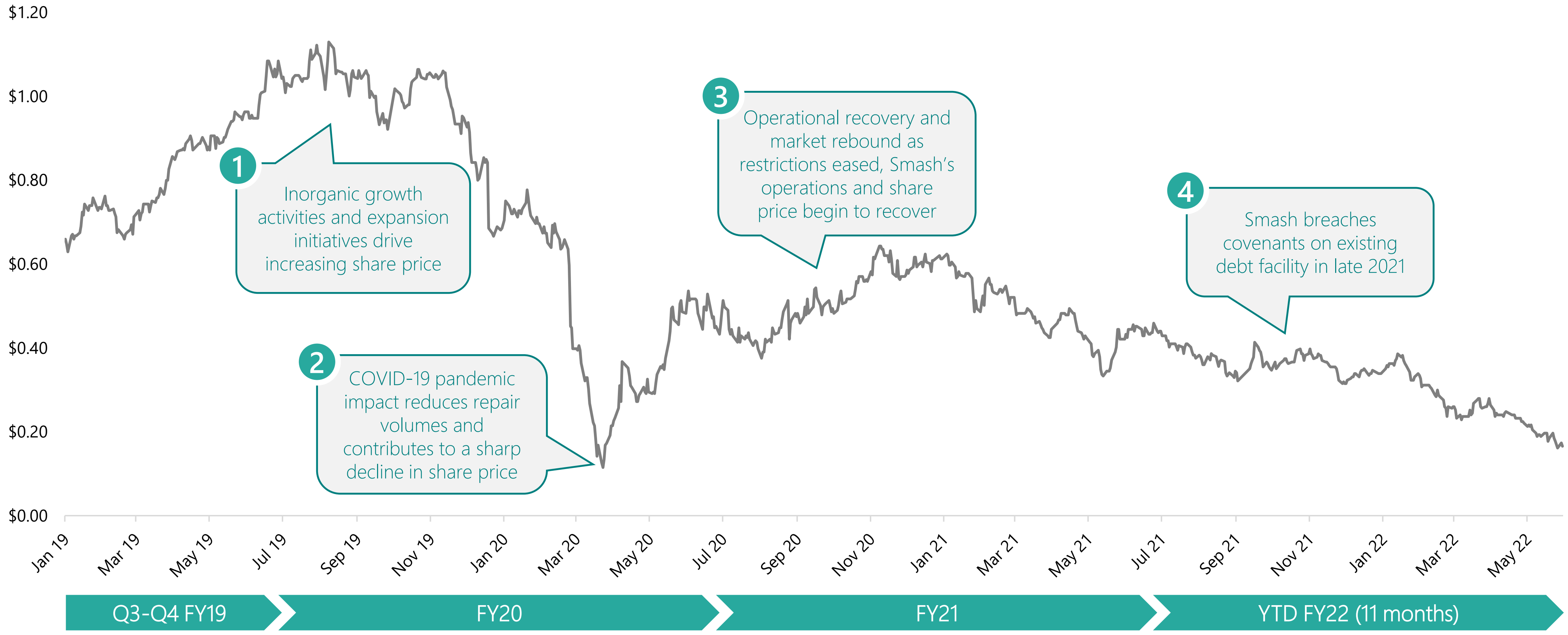
Recent Financial Performance | Share Price



Pre-release

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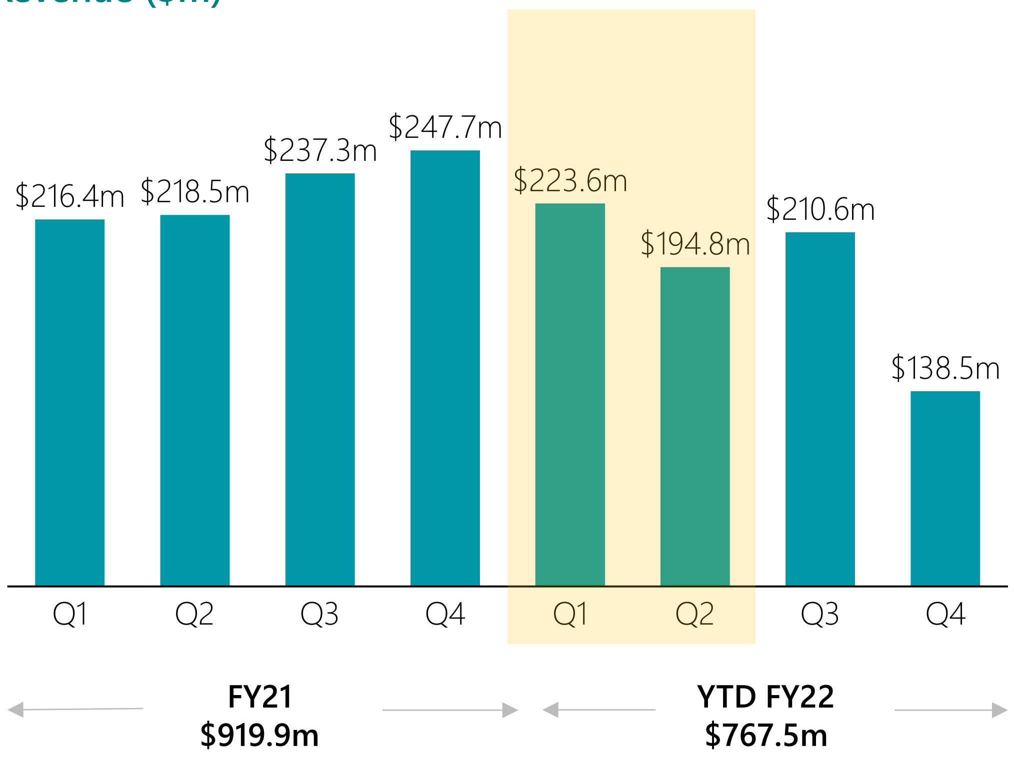
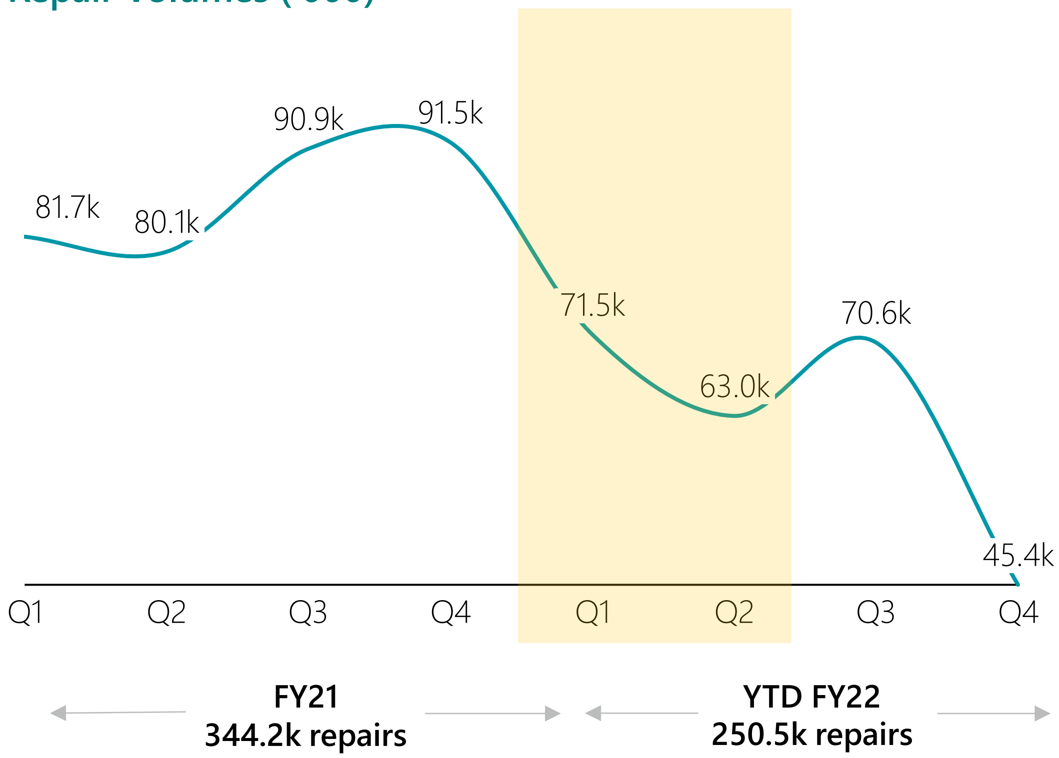
Recent Financial Performance | Revenue and Repair Volumes

Note: Period of significant COVID-19 disruption

Revenue ($m)



Repair Volumes ('000)



Note: YTD FY22 Q4 represents 2 months

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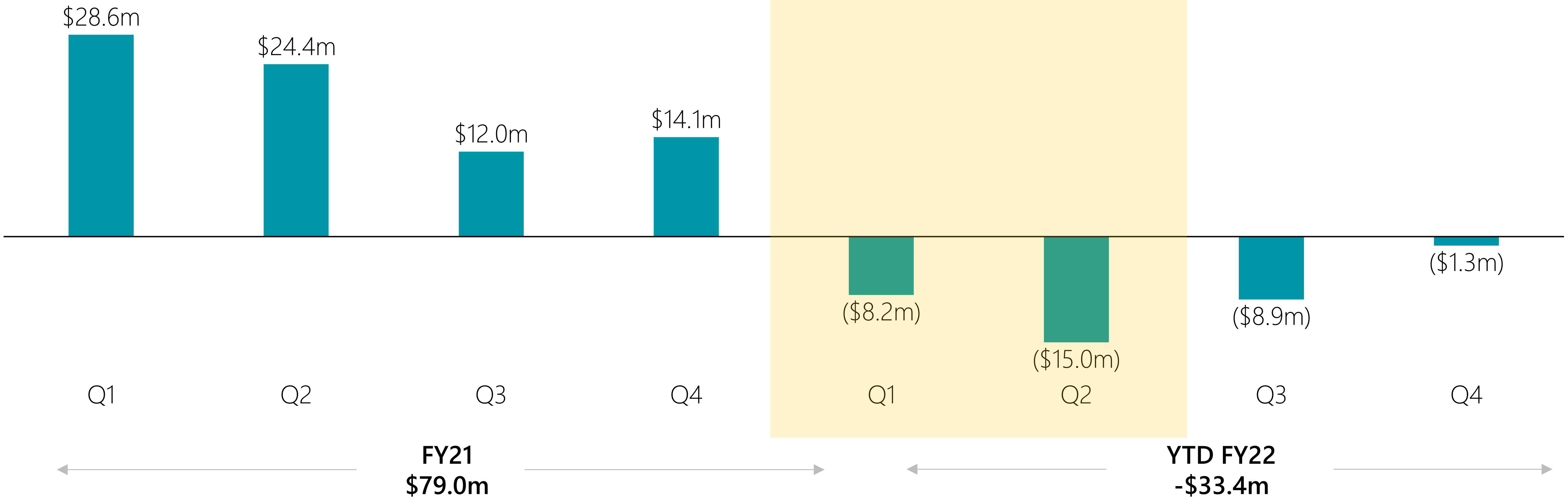
Recent Financial Performance | EBITDA

Note: Period of significant COVID-19 disruption

EBITDA (pre-AASB 16)



Note: YTD FY22 Q4 represents 2 months

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Recent Financial Performance

Profit and loss

AUD'm	FY21	YTD FY22
Revenue	919.9	767.5
Cost of goods sold	(650.5)	(561.6)
Gross Profit	269.4	205.9
Employee expenses	(97.1)	(136.7)
Occupancy expenses	(26.0)	(24.1)
Services (professional, IT, insurance)	(1.9)	(22.5)
Other expenses	(23.7)	(9.9)
Total Operating Expenses	(148.7)	(193.2)
Post-AASB 16 EBITDA	120.7	12.7
AASB 16 normalisations	(41.7)	(46.2)
Pre-AASB 16 EBITDA	79.0	(33.4)

Note: YTD FY22 represents the 11-month period from 1 July 2021 to 31 May 2022

Cash Flow Statement

AUD'm	FY21	YTD FY22
Receipts from customers	1,042.3	867.4
Payments to suppliers and employees	(1,000.2)	(928.4)
Other operating cash flows	9.9	(8.4)
Net cash movement from operating activities	52.1	(69.5)
Net proceeds / (outflows) from sale / purchases of PPE	(11.8)	(6.1)
Net proceeds / (outflows) from disposal / acquisition of business	45.3	(7.3)
Other investing cash flows	(0.2)	(0.4)
Net cash movement from investing activities	33.3	(13.8)
Net proceeds / (repayments) of borrowings	(102.5)	(22.5)
Equity raised	0.0	95.3
Other financing cash flows	(31.6)	(5.8)
Net cash movement from financing activities	(134.1)	67.0
Net increase / (decrease) in cash	(48.7)	(16.2)
FX movements	(0.0)	(0.1)
Opening cash balance	112.9	64.2
Closing cash balance	64.2	47.9

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Recent Financial Performance

Balance Sheet

AUD'm	FY21	May-22
Cash and cash equivalents	64.2	47.9
Trade and other receivables	72.8	62.7
Inventories	32.4	39.1
Other current assets	9.5	15.7
Current assets	178.9	165.4
Property, plant and equipment	72.7	55.1
Intangible assets	551.9	536.3
Other non-current assets	428.7	413.8
Non-current assets	1,053.3	1,005.1
Total assets	1,232.2	1,170.5

AUD'm		FY21	May-22
Trade and other payables		125.9	107.8
Lease liabilities		33.8	31.1
Provisions		32.8	35.5
Other current liabilities	1	46.5	53.7
Current liabilities		238.9	228.1
Other financial liabilities	1	237.7	204.7
Provisions		12.9	26.2
Other non-current liabilities		495.1	435.6
Non-current liabilities		745.7	666.4
Net assets		247.6	276.0

1 Note | Total Debt

- FY21 total debt: $269.9m
  $32.2m in Other Current Liabilities | $237.7m Other Financial Liabilities (non-current)
- May-22 total debt: $232.1m
  $27.4m in Other Current Liabilities | $204.7m Other Financial Liabilities (non-current)
- Debt maturity: October 2024

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Activity 1

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Activity 1 – Preparing for an initial meeting with the Smash CEO and CFO

(Note: Participants to consider perspectives based on whether they are acting as an advisor and/or capital provider)

- Consider your intention(s) for the meeting – e.g. what / who to bring, introduction (role and purpose), outcome etc
- Consider what additional research (if any) is required prior to the meeting?
- What questions could you ask in your meeting to understand the situation better?
- What messages would you want to convey to the CEO and CFO?
- How might you support Smash?

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Activity 2

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Smash CEO/CFO Meeting Notes

Ref	Areas of Concern	CEO / CFO Comments
1	Contractual Losses	• Material customer contracts are loss-making due to fixed pricing and rising costs
2	Network Profitability	• Sites within the repair network are underperforming and/or loss-making which require review
3	Strategic Uncertainty	• Feasibility and cost-benefit of key initiatives remain unclear, including vertical integration of the internal parts-sourcing division
4	Labour Challenges	• Increased absenteeism and labour shortages are impacting operations and driving costs
5	Supply Chain Disruptions	• Parts/material sourcing disruptions (timing / cost) slow repair turnaround times and impact margins
6	Covenant Pressure	• Need for further covenant relief and managing lender stakeholders is a drain on management time
7	Lender Syndicate	• Management indicated the lender group are open to a partial or full refinance

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Activity 2: Approaching the turnaround from different perspectives

Financial Advisor

You are preparing a proposal for turnaround support, including an options assessment and implementation planning.

- What do you think are the key issues to explore?
- What would a program of work look like? Consider phasing, possible workstreams and likely initiatives.
- What are the critical success factors during the (a) diagnostic phase, and (b) implementation phase?
- How would you approach management's current initiatives?
- How would you manage stakeholders?
- What additional information might you need?

Legal Advisor

You are assessing the legal, restructuring and governance implications and outlining how you would support the turnaround from a legal perspective.

- What do you think are the key legal or structural issues to explore?
- How would you frame a legal work program to support the turnaround (e.g. phasing, workstreams and priority actions)?
- What are the critical legal success factors during the (a) diagnostic and (b) implementation phases?
- How would you assess and respond to management's current initiatives from a legal and governance standpoint?
- What additional information or documentation might you require?

Capital Provider

You are evaluating a potential investment opportunity in Smash to support and participate in the turnaround.

- What factors would you consider before progressing further with Smash?
- What additional information do you need?

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Activity 3

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Activity 3 | Liquidity crunch

Fast forward to mid-2023, the CEO / CFO has contacted you and advised strategic initiatives have not (yet) delivered the expected upside. The business is now facing increasing cash flow pressures and a need to request further covenant waivers. The lender group is nervous in the lead up to a planned refinancing / recapitalisation.

- How does the liquidity position impact your approach?
- What are the potential considerations for Smash in respect of:
  - The liquidity shortfall
  - Lender stakeholders
  - The planned refinance / recapitalisation
  - Other?
- How might the situation impact debt and equity investor appetite?

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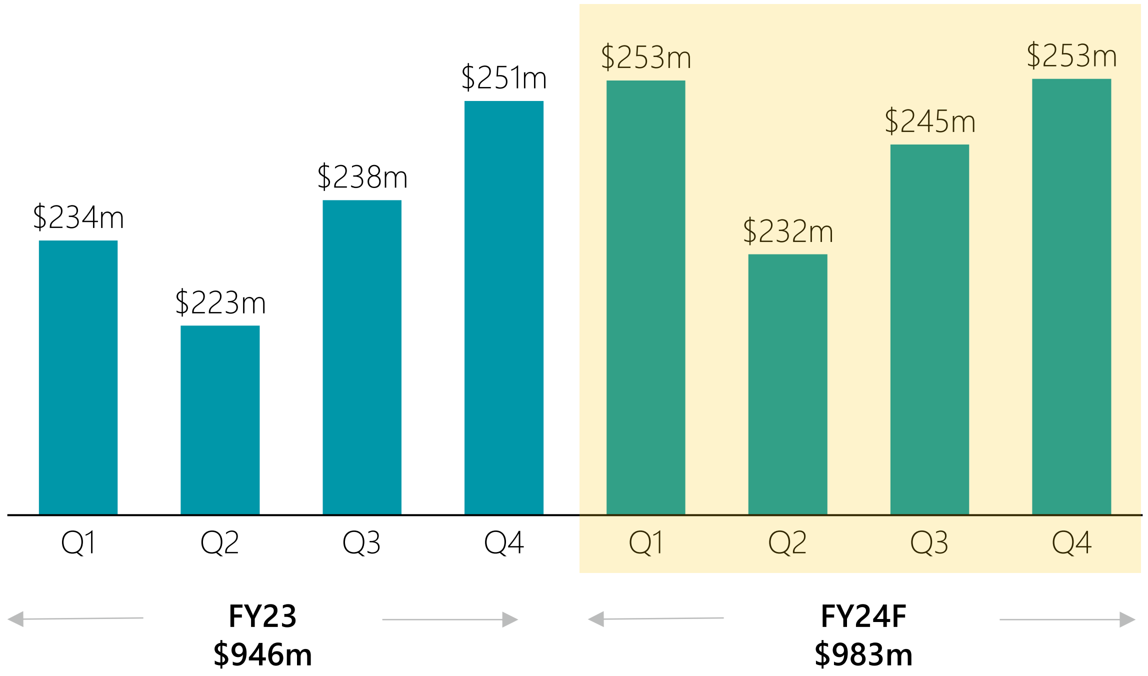
Activity 3 | Liquidity crunch

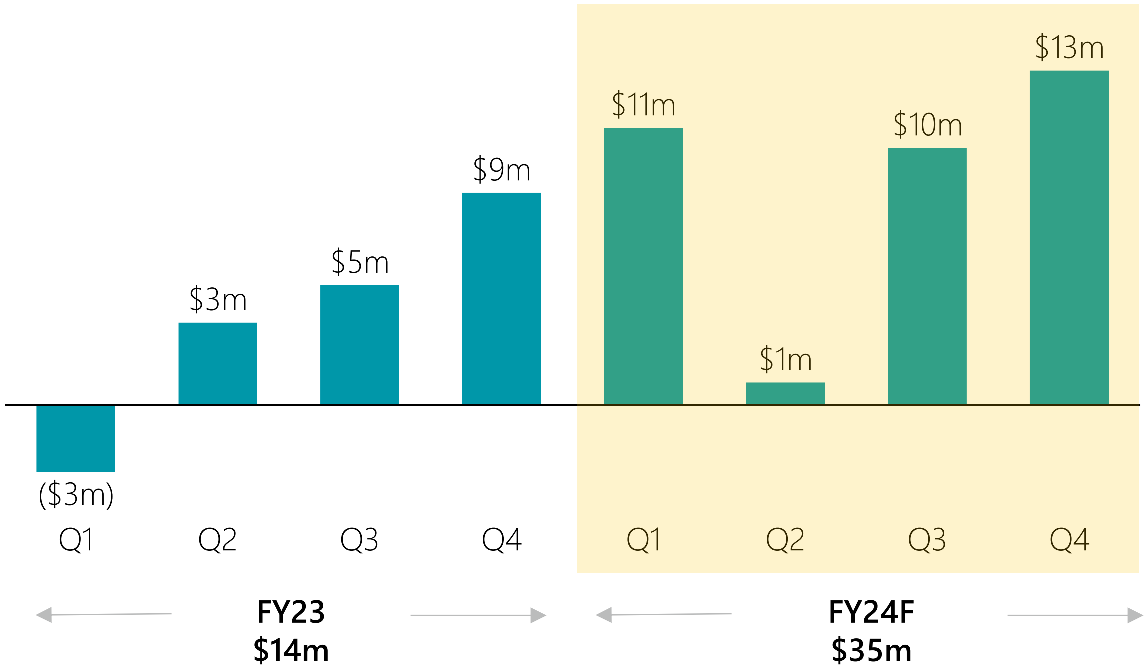
You have been provided with high level forecast information…

**Forecast Period*

Revenue ($M)



EBITDA Pre-AASB 16 ($M)



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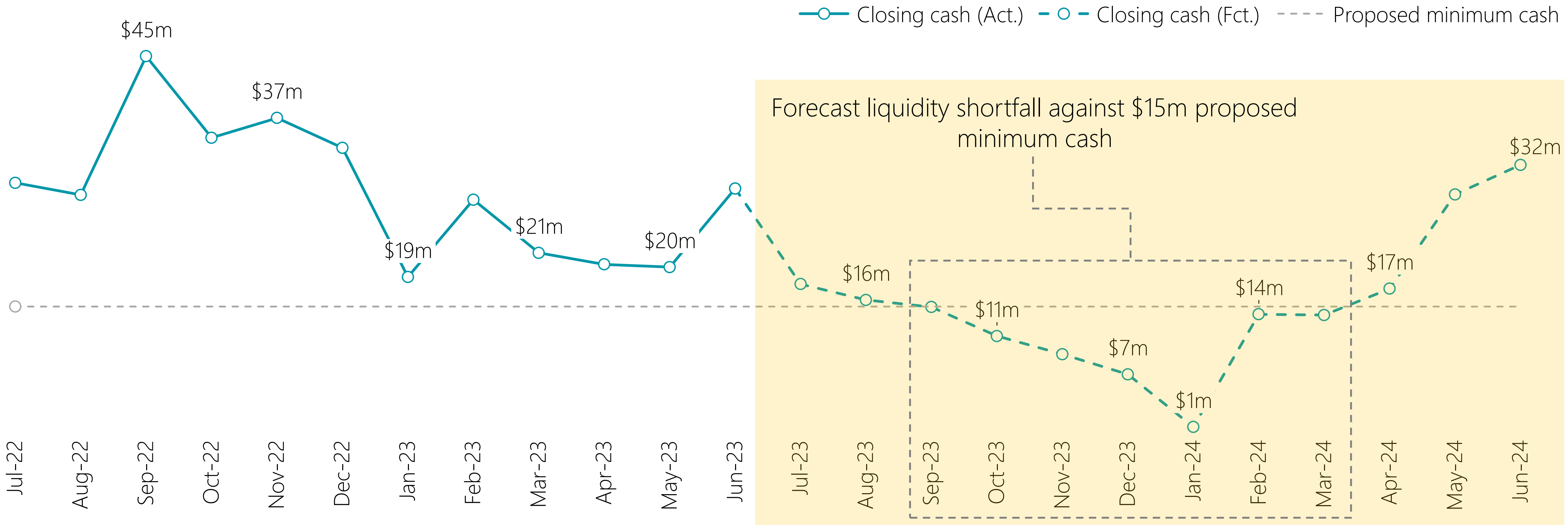
Activity 3 | Liquidity crunch

…and a cash flow forecast.

**Forecast Period*



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Activity 4 – Panel Discussion

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Reflections on the turnaround

Smash was able to manage through the liquidity crunch and resolve its capital structure through highly dilutive equity raises of $55m and $125m across FY24-25, alongside a $110m debt refinance. The Board and management team have been refreshed.

There has been a small recovery in earnings and share price.

Panel discussion

- Do you think there has been a successful turnaround?
- In general …
  - What defines a successful turnaround?
  - What factors are key to a successful turnaround?

Share price history

Key Financial Metrics

$m	FY22	FY23	FY24	FY25
EBITDA (pre AASB-16)	-31.9	13.9	46.0	59.1
Interest Expense	31.1	37.4	38.6	41.1
Net Debt	208.0	209.0	178.6	74.5
Cash and cash equivalents	52.2	28.9	36.9	57.3
Leverage (Net Debt-to-EBITDA)	-6.5x	15.0x	3.9x	1.3x
Leverage (Total Debt-to-EBITDA)	-8.1x	17.1x	4.7x	2.2x

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Thank you !