



CASE STUDY PORTFOLIO FROM THE BDO
RETAIL & CONSUMER PRODUCTS PRACTICE

STRATEGIES USED TO BUILD RESILIENCE

How BDO Helps Retailers and Lenders in Distress

Inflation, high interest rates, supply chain disruption and evolving consumer preferences have caused ongoing distress for many retail companies. To build resiliency amid economic headwinds and hard-to-predict consumer spending patterns, retailers must consider all of their options. For underperforming retailers or those showing signs of distress, [**BDO's Business Restructuring & Turnaround Services**](#) practice helps with both financial and operational restructuring, reorganization, bankruptcy and value creation initiatives, offering clients strategic assistance to improve performance.

Our team of professionals can help clients overcome a variety of issues from deteriorating profitability to an overleveraged capital structure. We work with retailers, law firms, secured lenders, debt & equity investors, unsecured creditors and others to reduce vulnerability and build resilience.

When working with BDO, clients gain access to professionals with deep industry experience who support them through every step from case inception to conclusion. We approach each engagement with a focus on creating value and delivering custom-tailored plans that drive results.



Our practice offers a range of services, including:

- ▶ Restructuring & Turnaround
- ▶ Interim Management
- ▶ Creditor Advisory
- ▶ Trustee, Examiner & Receiver Services
- ▶ Operational Value Creation
- ▶ Forensic Accounting & Expert Testimony
- ▶ Bankruptcy Litigation
- ▶ Transaction Advisory & Due Diligence
- ▶ Investment Banking & Business Valuation
- ▶ Bankruptcy Taxation
- ▶ Real Estate Advisory

We have vast experience helping retail companies and unsecured creditor committees with successful bankruptcy and reorganization engagements. Read a sampling of our client case studies to learn how we can potentially help your business get back on its feet:

Navigating Bankruptcy Filing for an Apparel Retailer

CLIENT SITUATION AND CHALLENGE

A 70-year-old specialty apparel manufacturer and retailer was planning to file for bankruptcy to facilitate a refinancing process and increase working capital liquidity ahead of its busy sales season. To meet the objective, the retailer needed assistance developing a strategic plan prior to filing for bankruptcy that included warehouse consolidation, inventory rationalization, contract renegotiations, financial and borrowing base projections, and website and direct-to-consumer ROI evaluation.

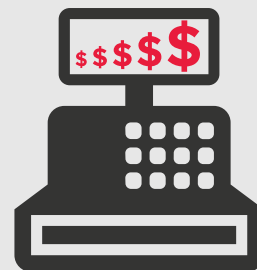


BDO Solution

BDO worked with the retailer on a strategic plan that included the identified tactics and uncovered EBITDA and working capital savings opportunities. BDO also led discussions with the pre-petition lender to negotiate forbearance agreements ahead of the bankruptcy filing. Further, BDO was engaged as the financial advisor in bankruptcy, providing key services such as filing statements of financial affairs and schedules of assets and liabilities, producing monthly operating reports, and developing cash flow forecasts. BDO also took part in critical negotiations for debtor-in-possession financing, exit financing and equity capital.

Project Outcome

The client emerged from bankruptcy with a \$140 million asset-based lending facility and **recapitalized \$25 million of new equity**. The funds were used to pay pre-petition lenders, cover administrative expenses — including key inventory ahead of its busy season — and codify a distribution model to pay pre-petition unsecured creditors.



Reworking a Cash-Recovery Reorganization for Success

CLIENT SITUATION AND CHALLENGE

The committee of unsecured creditors for an off-price home goods retailer needed assistance recovering cash from the retailer, which had plans to reorganize. The home goods retailer was hit especially hard during the COVID-19 pandemic and was unable to maintain steady sales during COVID-related shutdowns.

The retailer filed for Chapter 11 and closed nearly 30% of its stores, which included successful going-out-of-business sales and subsequent lease rejections at the closing locations. The retailer also received rent abatements at the majority of its go-forward locations.

After filing for Chapter 11, the retailer sought a plan of reorganization that initially included a partial cash recovery to the unsecured creditors at bankruptcy exit, with the remainder to be issued as five-year bonds. The unsecured creditors committee, however, sought greater cash recovery and looked to BDO for assistance.



BDO Solution

BDO was engaged to monitor the retailer's weekly cash flows, ongoing going-out-of-business sales for closing stores, sale process to sell the business as a going concern and financial projections supporting the plan of reorganization. The team also analyzed the company's ongoing exit financing negotiations. After an extensive marketing process to multiple financing parties, BDO helped consider the various proposals and evaluated the post-effective date capital structure of the reorganized entity, primarily as it related to the recoveries for the unsecured creditors committee.

Project Outcome

With support from BDO, the unsecured creditors committee was able to rework the recovery plan and **negotiate a 100% cash recovery of all unsecured claims**, plus applicable interest at bankruptcy exit. The retailer's bankruptcy was an exceptionally successful case for all parties involved, including the equity holders who had their equity reinstated, subject to dilution from the exit financing.

As a result of the tireless work and commitment to achieve the best outcome for the client and other parties involved, BDO was named a winner of the 2021 Turnaround Management Association's "Large Company Turnaround/Transaction Award" for this engagement.





People who know Retail and Consumer Products, know BDO.

www.bdo.com/retail

CONTACT:

NATALIE KOTLYAR

Assurance Partner
Retail & Consumer Products National Industry Leader
917-922-1771 / nkotlyar@bdo.com

DAVID BERLINER

Partner & National Leader
Business Restructuring and Turnaround Services
212-885-8001 / dberliner@bdo.com

At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes — for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. www.bdo.com

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2023 BDO USA, LLP. All rights reserved.