HOLDSWAY | INTERIM CASE STUDY

How an Interim CFO Managed a Covenant Crisis in a Private Equity Investment

Interim Chief Financial Officer* | *Covenant Crisis & Restructuring *(Introduced by Holdsway)*

CLIENT AT A GLANCE
Sector: B2B energy consultancy (UK) | **Ownership:** Private equity backed | **Revenue:** c.£30m | **Energy procured:** £billions a year | **Leverage at outset:** 7.8x

The Situation

At first, the company looked strong. It ranked among the UK's top energy advisers for businesses. Each year, it bought billions of pounds of energy for clients. It had about £30m in revenue and a reported profit margin near 30%. It also had a strong name and a full service for clients. But its results were getting worse:

- Revenue had fallen by around 15% in recent years.
- EBITDA margins had shrunk by more than 10 percentage points.
- The company had lost focus, and costs had risen.
- Forecasts showed it might break the rules in its loan agreements.

The company had too much debt and little room for error. A loan breach could wipe out the investor's stake. It could also let the lender take control. Both sides stood to lose money, but they wanted different outcomes.

The Challenge

The private equity firm called Nick Diprose of Holdsway, an experienced provider of interim executives. Within days, Nick arranged meetings with the CEO and Chairman for an interim CFO. A week later, the CFO presented to the Board.

The task was clear but hard. The CFO had to judge the risk of a loan breach, manage talks with key groups and find a way to steady the company.

A company caught between its investors and lender

A loan breach could change who ran the company. The lender could take control, even if the company could not repay all its debt. The investor could lose most of its stake. Both sides faced losses, and they could not agree on what to do next.

The CFO had to balance two powerful groups with different goals. He had to act fast, stay fair and earn their trust.

The Intervention

Establishing financial truth

The groups first needed to trust the numbers. The CFO worked with a Big Four firm on an Independent Business Review, or IBR, for the lenders. At the same time, he helped the investor look at ways to change the debt or find new funding. The two teams worked in parallel:

- A review for the lenders to confirm the company's true financial position.
- A plan to change the debt or find new funding for the investor.

The CFO used clear analysis and honest updates to keep both sides' trust. He worked with the Chairman and CEO to explain what drove the company's results. He also estimated its future value. This gave both sides a clear view of current results and how much the company could recover.

Building trust with better financial control

The crisis also showed that finance had too little say in daily decisions. The CFO improved the finance team and gave it a stronger role. He made forecasts more reliable, tied targets to day-to-day work and tightened control of cash tied up in the business.

He tracked each order until the company received payment. He found delays and set up a better process, with clear ways to track progress. Within a year, the company had moved from negative cash to positive cash. Cash rose further the next year. Better forecasts also helped the lenders reset the loan terms. The finance team began to help shape decisions, not just report past results.

Agreeing on a way forward

The CFO helped the team prepare a pitch for new lenders. He also led a review of potential funders. He focused talks on practical ways to cut debt and protect the company's value.

The investor later sold its stake. The lender took control, but now understood how the company made money. It agreed to accept less than the full amount owed, based on the company's realistic value. The lender and company also agreed to cut debt from 7.8 times earnings to 4.7 times within three years and return to normal operations.

Key Outcomes

The CFO put lasting improvements in place:

Results Panel	
Cash	The company moved into positive cash within a year. It improved further the next year. The team also kept closer control of cash tied up in daily operations.
Debt	The company had a stable debt plan. It aimed to cut debt from 7.8 times earnings to 4.7 times within three years. The lender's expectations also matched what the company could afford.
Daily operations	The finance team helped guide decisions. The company improved its order-to-payment process and set clear ways to track results.
The future	The company had a clear plan to return to normal operations and protect its value.

The CFO turned a debt crisis into a planned recovery and protected the company's value.

Why Boards Deploy This Interim

He can help most when:

- The company may soon break its loan terms.
- Investors and lenders want different outcomes.
- Lenders need a clear, independent review of the company.
- The company needs new funding fast.
- The finance team needs to improve its work and rebuild trust.
- The company must manage its cash carefully to survive.

He understands private equity and debt deals. He can also earn the trust of lenders, investors and company leaders at the same time.

Legacy

The CFO guided the company through a debt crisis. He helped the investor and lender agree on a plan and restored the company's financial health.

Crisis managed.
Capital restructured.
Cash improved.
Leverage reduced.
Route to business as usual secured.

When a company faces a financial crisis, its board needs a fair, skilled leader who gets results. An experienced interim CFO can provide that help.

Find out more about interims in our Complete Guide to Interim Management.