



INSOLVENCY & RESTRUCTURING

MARKET INSIGHTS Q4 2018

ambition

2018 is shaping up to be the year of the CVA. Homebase, Byron Burger, Mothercare, New Look, House of Fraser. All of these major retailers and restaurants have had something in common this quarter, which has been their approach to dealing with high levels of debt via the means of a CVA.

Whilst it provides a way for companies in financial difficulty to pay off debt over an agreed fixed timeframe while remaining in control of the operations to the business. Many CVAs can often lead into an administration process if certain aspects of the business are not successfully restructured or renegotiated. That's what happened with House of Fraser as they entered administration in August only to then be acquired by Mike Ashley, the owner of Sports Direct, for £90m.

We've seen CVAs used over the years by various different corporates but the retail and restaurant sectors have been using this as a lifeline to survive throughout the year and Q3 was no different. Within these sectors, the main creditor of the business is likely to be the landlord of the real estate that the retailer is occupying, as opposed to a financial institution such as a bank. This means that they are likely to be unsecured creditors of the company.

In proposing a CVA, the retailer is effectively providing an ultimatum to the landlord. Suggesting continual occupation of the premises with reduced rent (to ease their cashflow) or run the risk of the company vacating the site leaving the landlord with an unoccupied unit (and possibly no rent at all).

The cost of renting out real estate in our high streets is certainly not cheap. When you consider that there are more and more consumers buying their goods online, higher business rates facing these corporates and the general increase in competition, (especially in the casual dining market), you have many retailers and restaurants left on the brink with no option but to buy themselves time via the CVA.

SKILLS IN DEMAND

With more CVAs and businesses generally finding it difficult in the current economic climate, skills in cash flow management, working capital & operational improvement, forecasting and turnaround are certainly in demand. If you look at the top tier restructuring consultancies and accountancy practices, the need to hire in this space is across the board, from newly qualified Executives right through to Senior Manager and Associate Director.

Beyond restructuring and turnaround, there has been more corporate and personal insolvencies this year than in previous years. Insolvency Practitioners have been running very tight ships during this time in order to avoid having staff members working on only a handful of cases in the portfolio. With more work around, the need to recruit good Administrators and Senior Administrators has been evident.

Hiring technical strong Insolvency Administrators with 2-5 years' experience managing CVLs, Administrations, Compulsory Liquidations and MVLs cradle to grave is certainly where the demand is at. So much so, that we are seeing these types of candidates receiving multiple offers at salaries up to £5k higher than 12-18 months ago, regardless of holding any professional qualifications such as the CPI or ICAEW Certificate in Insolvency.

MARKET NEWS

Jamie MacKenzie joins EY as their national Head of Pensions Covenant Advisory. He joins from Grant Thornton where he worked as their Pensions Covenant Lead in London.

Beacon Licensed Insolvency Practitioners have hired CVR Global's Matthew Fox to be based out in their Eastleigh office. Matthew had been with CVR for the past four years.

BDO have bolstered up their Birmingham office by bringing in Ryan Grant from AlixPartners. Ryan had been with Zolfo Cooper for over ten years prior to AlixPartners acquiring Zolfo back in 2015.

PREDICTIONS FOR THE COMING QUARTER

It is difficult to defer from what we predicted in Q2 and Q3. Expect to see more CVAs cropping up with large retailers, sustained demand for those with core hands-on advisory and restructuring experience and a continual need to hire good Administrators and Senior Administrators to help process insolvency casework.

INSOLVENCY SALARIES (LONDON) Q4 2018 MID-TIER/SME FIRMS

Job title	Annual salary range (£)
Director*	85K - 115K
Senior Manager**	65K - 85K
Manager (JIEB qualified)***	55K - 65K
Manager (No JIEB)****	50K - 58K
Assistant Manager	40K - 50K
Senior Administrator (ACA/ACCA)	40K - 46K
Senior Administrator (CPI or QBE)	34K - 40K
Administrator (CPI)	28K - 34K
Administrator (No qualifications)	24K - 30K
Junior Administrator	20K - 24K
Senior Cashier	30K - 36K
Cashier	24K - 30K

Notes on salary table:

* Advisable to be able to pay an additional 5-10% on top of this band for an exceptional Director who has the capabilities to generate fees.

** JIEB & ACA/ACCA with at least 2-4 years as a Manager should be earning a salary from £70,000. The lower end of the pay grade will be for those newly promoted to the grade or those with vast levels of experience but no professional qualifications.

*** ACA/ACCA in addition to the JIEB with at least 2-3 years in Management will be £60K-£65K.

**** Top end would be for very good operators with strong management skills. Titles and levels vary from organisation to organisation.

1. The salary ranges given are only approximate guides. For tailored salary advice, please contact us directly.
2. Roles outside of London are likely to be £5K - £10K lower than the salaries indicated above.
3. 12-month base salaries are assumed.
4. All other benefits and bonuses are in addition to these figures.
5. Bonus ranges can vary significantly from company to company and will be influenced by market conditions, business and individual performances.