VAs run M&A-like sale transaction to maximise stakeholder returns

Client:

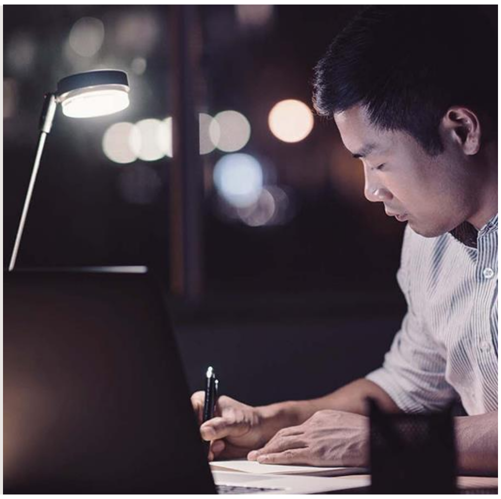
Bounce Foods

Client challenge:

Despite strong sales revenues in Australia, the Company lacked proper financial control following closure of its overseas operations, resulting in the Company suffering a cashflow crisis in late June/July 2023 resulting in Voluntary Administration.

Grant Thornton services:

One of the many benefits of a Voluntary Administration (VA) is that it gives a business breathing room to assess its options and maximise the outcome to all stakeholders, which for a director is often saving the family home. In the matter of Bounce Foods, the team at Grant Thornton was able to do just that.



Client Challenge:

The Bounce Foods business was established in 2004 by founders Andy and Paula Hannagan in their home garage which rapidly grew into a multi-channel brand with a portfolio across grocery, convenience, pharmacy, health and online.

Between 2012 and 2016, the Company experienced a rise in popularity and began expansion into overseas markets, namely US, UK and Canada. In c.2017, the Company raised additional capital to fund further expansion into the US and moved manufacturing to Betty Lous Inc. ("Betty Lous") in US, who owned the recipes for the Company's best-selling protein balls. Because of the Company's expansion into overseas markets, particularly the US market, the Company experienced a significant strain on its cash resources and in 2019, ceased its US operations and returned to only manufacturing and selling in the Australian market.

Despite strong sales revenues in Australia, the Company lacked proper financial control which resulted in a cashflow crisis in late June/July 2023 (and possibly earlier). Growth crippled cashflow as payment terms with employees and suppliers was 14 to 30 days compared to customer payment terms of 45-60 days. To manage the gap in cashflow, the company secured a debtor finance facility with a major bank. As there were no substantial assets in the business, the bank facility was secured by a mortgage capped to the value of the directors' family home.

The Solution:

In July 2023, the directors appointed Grant Thornton as voluntary administrators to attempt to save the business and their family home. Shortly after appointment, the Administrators commenced an urgent expressions of interest campaign for the sale of the business and assets of the Company, including brand, recipes, know-how, finished products, packaging and POS promotional material.

Due to the strength of the brand and interest in the business, the Grant Thornton restructuring team engaged the assistance of their inhouse M&A team to initiate an urgent EOI sale campaign. The EOI sale campaign generated 130 enquiries; 25 non-binding offers, 6 parties shortlisted, and 2 final binding offers.

Within 3 weeks of commencing the sale campaign the administrators had sold the Company's IP and remaining stock to a well-established Australian company with a global footprint. During this time Grant Thornton was able to:

1. Negotiate with parties claiming a lien over stock in their warehouse to have stock released and sold to the company's supermarket customers;
2. Acquire the recipes for the 3 highest selling protein balls, which underpinned the bulk of the revenues to be able to include them into the sale campaign;

3. Work closely with management to collate relevant financial and non-financial information for inclusion into the data room for sale; and

4. Secure the remaining recipes, know-how and other intellectual property.

The Outcome:

Bounce had strong market presence, and the public nature of the voluntary administration process provided a platform for prospective trade purchasers to consider the opportunity of purchasing the business and its assets.

Complemented by Grant Thornton's M&A team, the sale was conducted similar to a traditional merger & acquisition sale campaign, albeit with a compressed timeline. This resulted in the Administrators' achieving an outstanding result on the sale of the company's intellectual property (essentially its goodwill), which is a rare outcome in the sale of a business in administration. It is this in-house relationship that sets Grant Thornton apart from its boutique insolvency competitors.

The sale was also complemented by Grant Thornton's approach, working closely with the founders who were actively involved in the business, which also added value to the administration.

The sale transaction allowed for the repayment of significant funds to the major bank and saved the forced sale of the directors' family home.

Post sale, the founders have been retained by the purchaser as the "face of brand" which has provided them with continued steady income.

The goodwill on this transaction resulted in Grant Thornton being appointed as external administrator to sell the business and assets of Nourish Foods within one month after settling the sale of the Bounce transaction.

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