Fellow TMA Members,

In my May message, I spoke about a vision that in the same way a company engages advisors in a takeovers defence corporate boards will engage our members to assist turnaround fortunes, transform businesses and replenish the working capital and reputation of non-distressed but repairing enterprises.

As with all visions, the curlicue of the idea is still emerging. I think it will be around 2023 - the period of the present TMAA Strategic Plan published on the website - before we really see a market appreciation that special situations capital, turnaround advisors and restructuring managers are doing something unique to save value.

If I was to put it in a sentence, it would be to say that we offer collaboration across a small set of people who really trust each other to work across stakeholders for a common good.

This report
With collaboration in mind, your Board continues to focus on:

- **connectivity** - social, sponsorship and community interactions designed to give members the chance to meet peers, identify business opportunities and also to deliver back to those needing help in the turnaround of their own circumstances.

- **inclusion** - diversity of background, culture, generation, gender, persuasions, intellect and thinking drive the innovations that so often underpin strong restructuring teams.

- **market profile** - we are global in history and design and offer members internationally recognised credentials, contact with a range of capital managers and advisors with both domestic and global experience and recognition within business and government of the TMA offer.

We are very fortunate to have strong member, community, educator and corporate support and the interest of Government, Unions and capital providers in understanding our message. This has led to better engagements with business and regulators as Guidelines, a common ethics, stories and alignments binds us together as a cadre of professionalism.

Year In Review
An interesting year, bookended by Paladin returning to the ASX after a successful capital restructure early in the year, RCR Tomlinson starting a formal process at the end. The first was very much a controlled restructure, the salient parts of the restructure having been developed pre-appointment of administrators.

Meanwhile, Quintis, also with elements of planning undertaken during the pre-appointment of administrators, completed a formal capital restructure with a concurrent Chapter 15 filing in the USA. It is back in business, assets essentially intact. So too did Ausgroup, Lynas Corp and Ten Network, each of which engaged with capital sponsors ahead of debt maturities.

Why did they succeed when other companies did not?

Well, in the cases mentioned above, incumbent boards appreciated that changed market conditions called for changes in the capital structure (non-core assets were sold, instruments were restructured, alternate securities offered) and, more importantly, in the business focus.

As a result, jobs were saved, tax revenue protected, sub-contractors and dependent businesses paid and communities in which these businesses operate made stronger.

Of course, agency costs - administrators, advisors, valuers, court costs etc - and equity destruction outcomes were high for Arrium, Paladin and Quintis, something of an inevitability when the turnaround takes place in a formal setting. Perhaps it could be said that in those cases, administrators took cost out of the enterprise, focused back on the core and delivered back to the market a business with better operating margins than competitors.

In many of these cases, the turnaround administrators bridged the trust gap between incumbent boards/management teams who had failed to follow through on promises. Turnaround advisors know they only get

one go at keeping their word to capital - fail to follow through with one promise and the turnaround advisor will never be believed on the next restructuring role.

And, that, is what a distressed or transforming company is renting when they engage a turnaround manager - credibility, and a history of transactions delivering clever outcomes. Still, there is not getting around the fact that no matter the benefit of these services to broader stakeholders, almost always, it is the equity that ends up paying for those benefits.

Compare the high agency costs of a formal process with the cost structure of situations further up the survival curve. Three key examples come to mind in Myer and WICET.

All were different forms of turnaround using a combination of balance sheet restructure such as instrument resets (new and old lenders), improvements in the P+L, strategy, brand awareness, labour force engagement, customer experience and counterparty participation. Both signalled well ahead of distress events the market or other problems identified by the boards, embraced these with strong communication to active counterparties and then executed on well planned and considered turnaround plans.

Each of these turnarounds were run by the boards, using advisors, with significantly lower agency costs and limited equity damage, than the formal examples mentioned above.

The regulatory setting is stronger for turnaround. Most pertinently, Safe Harbour reforms allow each board to focus on the turnaround rather than on personal risk. However, more importantly, boards that embrace the special situation have each found the space to lead the turnaround rather than being forced into a strategy.

Of course, these are simply a small sub-set of the non-formal turnarounds undertaken by you as members in businesses as diverse as the corner retail, suburban engineering or waste management, regional hospitality, rural agribusiness, educational facility, services etc. These come across our desks every month of the year. Brisbane Broncos, Houston's Farm, Paladin Energy, Ten Network are the public examples of a far greater number of situations saved by TMA members over the year.

I raise these as illustrations of a truth many turnaround practitioners have known for many years - that the earlier boards in special situations call for different solutions and different advisors, the more chance a company has for survival. Boards that respond with a cheery 'we are under control' or 'we do not need specialists' or try to run a business as usual response to these special situations are kidding themselves and will probably end up sacrificing equity value when later forced to engage with turnaround planning rather than initiating turnaround planning. Some of the higher profile insolvencies we have seen this year have come about because the boards failed to engage in this way and tried to workout a special situation themselves and with little more to offer the situation than self confidence in their abilities.

Put in simple terms, early intervention is key for boards and relationships within our industry are key to survival.

Concluding remarks
The vision of the TMA remains to bring business into an early engagement with TMA members and participants in special situations. As our message comes to be understood, the focus of our work will change from workout of debt, to turnaround of enterprise, to transformation of the business and delivery of a higher value to the community in which the business operates.

While your board, in addition to doing their day jobs, are active in working for the creation of relationship opportunities, your own role in the TMA to pass on messages of early intervention, to maintain the highest form of ethical compass, to innovate and share your experiences and, above all, to maintain yourselves as the torch bearers of a special situations engagement, cannot be overestimated. We are young in the turnaround story. May there be many series of successes to come.

On behalf of your hard working board, the inestimable Allison and the efforts of our NextGen and State Committees, may I wish you a very happy Christmas and a fortuitous new year ahead.

Warmest regards

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