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TMA webinar Q&A: CRO and interim turnaround roles – act early to improve the odds

#	Question	Response
1	What do you think it will take for the CRO role to be more widely accepted in Australia? Is the resistance more at a Board level or from the secured creditor?	■ As we discussed earlier in the session, there's a big role here for marketing the success stories, i.e. where CRO has been effective in saving and assisting the solvent restructure of Australian businesses. ■ Mike McCreadie referenced international studies which have shown c.70% of non-US CRO engagements have resulted in better outcomes for companies and awareness of these sorts of statistics would certainly help the cause. ■ It's interesting also, that previous international surveys have rated the degree of influence that various parties have in the appointment of a CRO, with "Lenders" topping the table at 47%. Followed by "The Company" (28%), "Sponsors" (18%) and "Advisors" (7%). ■ This illustrates that we need to focus on the message to the debt and equity capital supporters of businesses in Australia - of how in practical terms, and in the right circumstances, earlier intervention through engagement of a CRO or similar interim corporate support role can make a difference (and doesn't of itself remove the backstop of a formal appointment).
2	Why CRO rather than VA?	■ Firstly, it is important to note that a CRO is not right for all circumstances and we ran through in the presentation six key factors which lend themselves to a successful CRO or similar style interim corporate support engagement. ■ That said, a voluntary administration (VA) is a very important restructuring tool, for example where there are significant accumulated historic liabilities, which prevent businesses from continuing without a formal process. ■ The statutory freezing of creditors via VA enables an influx of working capital, which may enable change, and make a VA very compelling. We expect a number of VAs later this year as government COVID-19 support is reduced. ■ However, VA is a significant process impacting on all stakeholders. It can involve substantial business interruption, and if not carefully planned, may have a negative impact on value. ■ In situations where key stakeholders and capital providers are likely to support the company in favour of keeping the business intact as a going concern through the restructuring, a CRO may be favoured.

3	For listed companies, should the appointment of a CRO be publicly disclosed?	■ We know the ASX has provided explicit guidance in relation to Safe Harbour that the appointment is not announceable. ■ So, there is probably a good read across to these advisory roles, i.e. the appointment of itself is not an announceable event, just as the appointment of an Interim CFO or Strategic Corporate Advisor might not be announced. ■ That said, the ASX guidance also makes it clear that the underlying circumstances of the business will require continuous disclosure, to the extent they are price sensitive. So generally, our advice to boards if they are in doubt as to whether to announce on the company's underlying circumstances is to take relevant advice on the matter and "if in doubt, put it out".
4	As a CRO, if the board and management aren't listening to your advice, what do you do?	■ As CRO we are commonly engaged directly by the Company with our first duty to the Company, albeit that there are generally key stakeholders involved for whom it is in the vital interests of the Company to maintain a strong and trusted relationship. ■ At times, there can be tension where the board and management don't take on advice, provided based on experience, which might impact the strategic choices made in the restructuring approach, or the ongoing trust and support of the secured creditor. ■ Where this happens, we seek to educate and influence by reference to past experience, case studies, and external reasons for our advice, also to reference the key data to try to be more persuasive! ■ Often, it can involve a process of bringing the board, management and even secured creditors and other stakeholders together to tackle the issue. ■ If still no traction, you have to think carefully about your ability to continue to serve in the role, given the tension between your duty to the Company and the feasibility of delivering the restructuring outcome in the absence of external stakeholder support, or with the prospect of other material issues arising from the failure to head key advice. ■ Hopefully, it never comes to that – getting across the detail, good communication and keeping everyone focused on the underlying value within the business should underpin the logic of your advice and drive everyone to the key outcomes.
5	CRO and turnaround consultants are stigmatised in Australia as "cowboys" and unqualified by licensed insolvency practitioner and ASIC. How do we change this?	■ Success stories are the best way to demonstrate how CROs can drive a successful restructuring. We've referenced statistics that show how the involvement of a CRO is seen to drive a better outcome to stakeholders than restructurings done without CROs. ■ Suitable training, such as the TMA Certified Turnaround Professional training courses, are a great way to ensure advisors have the right professional development to deliver these roles in a comprehensive and thoughtful way. ■ As the market embraces CRO appointments through the engagement of professionally qualified and well-trained experts, the delivery of outcomes should hopefully see the "cowboys" tag less relevant and potentially redundant.