Rodgers Reidy

Insolvency • Forensic • Reconstruction

SBR Case Study

Franchised Fast Food

SBR
SMALL BUSINESS RESTRUCTURE
Powered by Rodgers Reidy

Our client is a franchised fast-food outlet operating inside a major university and was impacted by lockdowns and closures of the campus during the COVID Pandemic. In FY19 the business traded profitably and generated 85% of its revenues from students, 7% direct from the university as a catering supplier and 8% from delivery platforms. Around 70% of its annual sales were during teaching semesters, accounting for a little more than half a financial year timewise.

Our client continued to trade during lockdowns with extended operating hours and discounts to keep online and delivery sales. During this time, its rent was increased by 50%, and it was not given any rental concessions. In addition, each time a lockdown was called, our client lost significant amounts of perishable stock.

Debt

As of our appointment, there was an outstanding debt of $442,563 to the ATO and there were no other debts.

Background

Our client took several actions to improve its position before the restructuring. A new financial advisor was employed to provide more certainty to the business, including overseeing its bookkeeping, providing monthly management reports to assist with budgeting, monitoring the business's KPI and providing general guidance as required.

Our client consolidated its menu options with the financial advisor's assistance, removing costly and slow-moving items. It also changed its methods for purchasing stock by going directly to wholesalers to reduce the bottom line, increased its prices to reflect increases in the price of the required stock and moved to concentrate on over-the-counter rather than online sales.

Proposal

A restructuring plan providing for a total payment of $75,000 was proposed and accepted by the creditor, representing a 15.52c/$ return.

Outcome

By implementing the SBR Process, the employees kept their jobs and the client has been able to continue operating the business, free from the burden of significant historical debts. Moreover, this has been accomplished without incurring substantial expenses and the stigma associated with placing the business into Voluntary Administration and proposing a Deed of Company Arrangement.

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