Callista Private Equity – Investment Process

Being a private equity investor, we acquire stakes in entities which are facing special situations and which do not (any longer) belong to the core business of the seller and which also is in distress. Our approach is to acquire a controlling or a significant minority stake of loss-making subsidiaries, affiliated companies or non-core operations. We focus on a restructuring process targeting sustainable profitability via a repositioning or increased focus on growth. By doing so, we integrate into the company and seek to be close to the employees in order to improve company´s operation in a joint effort.

Approach

We accompany the seller through the deconsolidation of the business unit. Already during the due diligence process, we determine a communication strategy as part of our business continuity concept. In this process our focus is on safeguarding the reputation of the seller and of existing brands trusting collaboration with the management, the workforce and potentially labor unions.

During the due diligence process we develop a sustainable and resilient business continuity concept for the regarding company. Based on the continuity concept we develop specific restructuring measures in close co-operation with both management and employees. Directly after the acquisition we are focused on safeguarding the top line and on aligning expenses paying close attention to immediate liquidity requirements.

Within the following 18 to 30 months we closely accompany the restructuring of the company by maintaining close co-ordination between management, employees and our industry experts, maintaining a focus on strengthening profitability and fostering profitable growth. Following a successful restructuring we accompany the company in its further growth. Given our mid- to long-term investment horizon, the divestment of the company will be aligned with the necessities, opportunities and results of the restructuring.

Carve-Out

We are specialized on spin-offs of Group or Holding operations. Our methodical expertise and longtime experience enables a systematic approach and a rapid and smooth takeover of services earlier provided by the previous owner. These carve-out measures are focused on directly following the closing of the transaction and the initiation of the restructuring process.

- IT Systems: The disentanglement of IT-systems contains the migration of data and applications from existing databases and application landscapes. Typically, solutions for ERP-systems, CRM-systems and productive applications like material management and production planning have to be found. They have to be migrated into target systems which are aligned to the new stand-alone situation of the company and which therefore needn't mirror the previous systems, necessarily. The mentioned measures also include the physical detachment of network-, client- and server-components.
- Accounting & Controlling: In the case that controlling and accounting services were provided by the Group, it is important to immediately create new service centers, potentially with certain adjustments or in a smaller scale.
- General Management: We are building on the experience of the existing management of the company. However, should individual upper rank managers choose to remain with the seller we fill the gap with own personnel or with external industry experts to facilitate an orderly transaction and management of the company.
- Re-branding: As far as brands remain with the seller, we are creating a new brand immediately following the transaction, meeting the requirements of the new environment and the required market access of the carved-out company.
- Legal Services: In the case that legal services were provided by the Group, it is important to immediately create a new service center.
- HR: If HR services were provided by the group, it is necessary to create respective services post transaction. This mainly includes wage accounting, labor development, recruiting and personal management infrastructure.
- Insurances: As insurance is typically provided by group contracts, it has to be analyzed if their conditions can be prolonged or have to be adjusted for the new situation, post transaction.

The complete bundle of measures described in a master plan of the restructuring is based on a self-developed and proven methodology guaranteeing a smooth, rapid and liquidity friendly application.

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Turnaround

Our strength is the operational implementation of restructuring measures, particularly directly after the exit of the company from the selling group.

- We negotiate credit lines with banks and payment deferrals with suppliers to ensure the liquidity of the company. Thereby we secure jobs and livelihoods
- We take over responsibility in Board positions and provide additional management capacity (e.g. Chief Restructuring Officer)
- We are accountable (in particular versus co-investors and tax authorities) for the publication of quarterly, semi-annual and annual financial statements according to local accounting standards

Callista Private Equity is positioned to provide additional financing or to bridge liquidity shortages during and beyond the restructuring phase. We have an extensive network of investors and have specialized on investor relations and company exits

Figures

Our target companies have a turnover of at least EUR 10 million to above EUR 200 million. The EBIT margin (as well as the operating profit) is negative and permanently remains in a range of between -20% to 0%. Typically the companies are cash-flow negative.

Benefits for You

The seller of a consolidated group unit or affiliated non-core operations benefits by not having to allocate any further management resources for that unit. Additionally he is released from the obligation to balance negative cash-flows and the often unpredictable refinancing needs. Via the agreed profit and dividend participation scheme, the sold unit to the seller becomes a “positive only” P&L contributor until the exit of Callista Private Equity. This also ends the risk of further impairments.

The portfolio adjustment creates room for further profitable growth of the parent company.

If wished, we provide the seller with a post restructuring pre-emption right as well as an earn-out scheme for the case of a sale or the payment of dividends.