

SHOOSMITHS

Simplification Advisory Group

Businesses looking to improve financial efficiencies want certainty and a fixed cost solution

Our large corporate and international clients regularly undertake group reorganisation and simplification exercises to:

- improve their financial efficiency;
- resolve historic issues (such as dividend blocks or poor capitalisation);
- simplify groups of companies;
- prepare businesses for listing, sale or re-financing;
- integrate a business following acquisition;
- implement strategic projects.

Shoosmiths' dedicated, specialist, Simplification Advisory Group has extensive experience working alongside clients and other professional advisers to seamlessly deliver simplification projects.

In the remaining sections of this guide we set out in more detail our thoughts on key drivers, types of projects, smooth implementation and examples of recent work that we have undertaken.

We would welcome the opportunity to meet (either in person or virtually via video call) to discuss how we can help.

Our approach is different

We work alongside clients and their external advisers from the outset to ensure that a proposed project is deliverable from a legal perspective, both from a UK legal perspective and, where required, working with our global legal partners for cross border projects. We ensure that clients are fully aware of the implementation costs, timelines and potential challenges before they make the strategic decision to go ahead with a project.

We understand complex strategies and objectives and collaborate with in-house tax and accounting teams and external advisers throughout a project to deliver key objectives smoothly, with minimal input or project management required from the client. This approach enables us to provide fixed costs from an early stage and peace of mind that a project will be delivered smoothly, on time and on budget.



Your key contacts



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Simon is a Partner in the Corporate division, having joined Shoosmiths in 2017. Simon has extensive experience delivering complex restructuring and simplification projects for clients having worked with listed global groups, private equity houses and family offices, both on a UK and multi-jurisdictional basis. Simon is commended by clients for his project management and technical skills.



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Rebecca is a Legal Director in the Corporate division with over 13 years' experience. Rebecca has a particular specialism in large-scale international corporate reorganisations having worked on projects involving some of the largest and most complex group structures in existence. Rebecca is well-known for her dedication to client service and is adept at project managing complex transactions with multiple stakeholders.



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Maria is an Associate in the Corporate division. Maria has extensive experience in advising on and managing complex tax-driven debt reorganisation and group simplification transactions as well as acting on a range of corporate law transactions, including post-merger integrations.



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Dan is an associate in the Corporate division and advises on all areas of corporate law, including mergers and acquisitions, shareholders' agreements, venture capital, private equity transactions, investments, and general corporate advisory matters. Dan also has a particular specialism in restructuring and simplification work, having acted on a number of simplification projects for a number of our large corporate clients.

Why bother?

Overhauling a company's internal structure to improve efficiencies and cut costs needn't be viewed as a chore. At Shoosmiths we have developed a tried and tested, cost-effective solution to simplifying large business structures whilst removing the associated hassle!

Reorganisations are often neglected as part of the mounting 'to do' list. This can result in the associated on-going costs of a dormant business nestled within the structure soon stacking up.

Recognising that you have the everyday needs of the business to tend to and through years of experience in dealing with work of this nature, Shoosmiths is able to offer a variety of pricing solutions (including fixed fee solutions where possible). Our ultimate aim is to enable you to get on with your day job in the knowledge that we are working to remove unnecessary costs and risks.

Key drivers and benefits associated with corporate restructuring include:

- cost savings, including in the context of accounting, tax, annual company compliance and management time;
- the removal of dividend blockers in complex group structures;
- having the benefit of a simple group structure, both in terms of entity management, officers, governance and operating/reporting lines;
- managing the contingent risk profile of the entity/corporate group in respect of potential legacy

issues;

- optimising business integration following an acquisition;
- simplification of balance sheets and intercompany loan arrangements;
- optimising the tax position of the entity/corporate group; and
- preparing for the "carve out" of a business or the disposal of a business division.

Reorganisations are technical in nature and are frequently governed by strict statutory procedures, where failure to comply can lead to:

- the transaction being legally void or unlawful;
- directors incurring personal liability; and
- damage being caused to the business and brand reputation.

During legal due diligence carried out by potential acquirors, issues arising as a result of reorganisations can cause delays and additional cost or, at worst, the termination of the deal.



Types of reorganisation

Shoosmiths regularly advises clients on technical legal issues relating to distributions, debt for equity swaps, share issues and share buy-backs.

Examples of simplification projects undertaken by Shoosmiths on behalf of clients include the following:

- intra-group business and asset transfers (including in the context of post deal integration);
- legal entity simplification, including company dissolution and voluntary strike off;
- share capital restructuring, including capital reductions and demergers;
- share buy-backs;
- balance sheet simplification and, in particular, the rationalisation of intercompany loan arrangements;
- capitalisation of debt and loan note restructuring; and
- unlocking dividend barriers.

Our dedicated Simplification Advisory Group has the experience and know how required to confidently guide clients through the legal detail to achieve the desired outcome.



Key considerations

Legal and operational consideration of the following areas will be essential to the implementation of a reorganisation project:

- tax (to maximise tax benefits and to avoid triggering or mitigating potential tax liabilities);
- personnel and pensions (such as whether TUPE will apply or whether the relevant company participates in a defined benefit pension scheme);
- commercial contracts (i.e. to identify change of control clauses or requirements for consents);
- licences and regulatory;
- third party consents (i.e. shareholder or investor consents or consents required under (external) finance arrangements);
- intellectual property;
- real estate;
- directors' duties, governance and corporate benefit issues;
- banking and security arrangements (i.e. the release of charges and the closure of bank accounts);
- valuation of the assets related to the reorganisation (i.e. will market or book value be the correct reference point?)

A pragmatic approach is required and early identification of potential pitfalls will enable these issues to be addressed and managed in a way that does not impact the overall business objective.

The due diligence phase of a reorganisation is often the most time-intensive step of the process, with the bulk of the diligence work being “front loaded”.

We understand the need to work seamlessly with both your in-house teams and other professional service providers (such as tax and accounting) and have a track record of doing so successfully for clients.

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Implementation

Planning and management of the reorganisation is critical to its successful implementation

Restructuring a business or entity portfolio can be a significant drain on the time of management and in-house lawyers. With this in mind, Shoosmiths has developed a number of bespoke project management tools to manage the process more efficiently from a time and legal cost perspective. These tools include:

key issues checklist – setting out areas of recommended pre-completion due diligence and a tool that we often utilise as a live document to monitor the status of outstanding actions and allocation of responsibility as the project progresses. The feedback we receive from clients is that this document is particularly useful in terms of facilitating input from different teams across organisations and in identifying potential legacy issues for an entity that may otherwise have been missed (whether, due to passage of time or changes to personnel)

legal step plans – breaking down each legal step into a digestible format, to which tax, accounting and operational aspects can be added

documents list – giving clients transparency as regards the current status of the legal documents as they evolve

execution trackers – explaining how documents need to be signed (including, for example, if there are notarial requirements) and detailing the status of documents that need to be executed. This tool is invaluable when dealing with a large volume of documentation across different jurisdictions

briefing guides – we have developed a number of briefing guides for directors and in-house counsel, which provide a summary guide to the, often complex, legal steps required to implement a reorganisation. For example, we have guides covering areas such as directors' duties, capital reductions and distributions, in each case, designed to highlight the key issues for directors and in-house counsel. Our briefing guides are particularly useful in the context of global businesses where non-UK directors sit on the boards of UK registered companies

Our project management approach is structured to alleviate the pressure on our clients and facilitate a time efficient/cost transparent process ensuring that work is carried out at the right levels of seniority and experience.

Examples of recent work



A selection of recent work undertaken by Shoosmiths' Simplification Advisory Group includes advising:

A New York Stock Exchange listed, global, multi-billion dollar, chemicals business in relation to:

- the tidying up of the balance sheets of 15 UK registered subsidiary companies in preparation for voluntary strike off
- documenting intercompany loan repayments, waivers and set offs
- reductions of share capital and premium in order to create distributable reserves to facilitate dividend repatriation
- transferring shares in the capital of group subsidiaries and restructuring joint venture arrangements in the UK and in the Middle East (utilising our World Service Group network) carrying an investment value of approximately £130 million
- dealing with the voluntary strike off of the companies involved/strike off objections and strategy in respect of those objections
- the identification, categorisation and treatment of historic inter-company balances

Interactive Investor Group (the flat-fee investment platform with £30 billion of assets under administration) in relation to:

- capital contributions and equity injections to facilitate the payment of cash and non-cash dividends
- reductions of share capital
- dividend repatriation in the sum of approximately £115 million
- repayment and capitalisation of inter-company balances
- the transfer and consolidation of three trading businesses and related assets
- dealing with the voluntary strike off of the companies involved/strike off objections and strategy in respect of those objections

August Private Equity LLP in relation to:

- the capitalisation and waiver of certain inter-company balances
- the assignment of loan receivables as part of a pre-sale reorganisation of assets
- the capitalisation of, and amendment to, listed loan notes

An international green metals recycling group in relation to:

- the post-acquisition share transfer of a subsidiary holding certain know-how assets
- the hive-up of such know-how assets into the main UK trade co (including a separate IP assignment)
- rationalisation of intra-group debt
- preparation for voluntary strike-off including reduction of capital in order to create distributable reserves to facilitate the payment of a final dividend
- dealing with the voluntary strike-off of the subsidiary

An international book retailer in relation to:

- the post-acquisition business and asset transfer from target entity into the main UK trade co (including lease and IP assignments)
- rationalisation of intra-group debt
- preparation for voluntary strike-off including reduction of capital to facilitate the payment of a final dividend
- dealing with the voluntary strike-off of the target

More about Shoosmiths

Our Simplification Advisory Group is a dedicated team of corporate lawyers within Shoosmiths who are supported by our specialist employment, pensions, tax, property, intellectual property and commercial contracts teams, ensuring that your project is supported by the right experts.

Recognising that tax is often the key driver in any reorganisation, our team of skilled tax lawyers are well equipped to support you through each stage of the project from this perspective.

Shoosmiths is part of the World Services Group, an international network of law firms spanning 115 countries meaning that if a reorganisation has an international element, clients have access to this network to obtain the right legal advice in any jurisdiction required.

We are able to provide clients with a single, focused, point of contact within Shoosmiths who is responsible for all aspects of your project.

Shoosmiths is renowned in the legal sector for delivering great value and our pricing is designed to provide you with certainty over legal costs. We strive to ensure total transparency and would always agree an initial estimate and basis for charging before beginning any work. In the context of corporate simplification projects, using the cost and scoping tools that we have developed by virtue of frequently undertaking this type of work, we are able to carry out an upfront analysis of the legal work required and provide tailored fee proposals (including, where possible, fixed fee pricing) so as to ensure that you have that costs transparency and certainty.

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