

PR Strategic Finance
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Solution: Alternative 5.
Liquidate

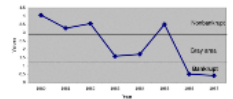
THANK YOU FOR YOUR ATTENTION!

Multivariate model of Altman: $Z_i = 0,717X_{1i} + 0,847X_{2i} + 3,107X_{3i} + 0,420X_{4i} + 0,998X_{5i}$

- nonbankrupt: $Z > 2,90$
- bankrupt: $Z < 1,20$
- gray area: $1,20 < Z < 2,90$

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997
EBITDA	4400000	4200000	3200000	1500000	1700000	2700000	3000000	3000000	1700000

$Z_i = 0,717X_{1i} + 0,847X_{2i} + 3,107X_{3i} + 0,420X_{4i} + 0,998X_{5i}$



Liquidation forms:
1. informal (reorganization, assignment)
2. formal



SWOT Analysis

Strengths: experienced management, strong financial position, established customer base, high production capacity.

Weaknesses: high debt, outdated technology, limited R&D, high energy costs.

Opportunities: new markets, expansion into emerging markets, strategic alliances.

Threats: intense competition, changing consumer preferences, economic downturn.

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Alternatives 3 & 4

Alternative 3: Single asset liquidation. The company has been in the loss zone since April 15, 2005, and another 6 months later the company has failed to comply with a request of creditor agreement.

Alternative 4: Complete liquidation. The company has not succeeded the agreement to restructure the business in the time set in the financial resolution of the company in period of validity of the 11.1.2005 decision.

Conclusion: NO

Agreement 1: Fixed and variable rates

	Fixed	Variable
1. Interest rate	5.00%	3.00% + 0.50% (prime)
2. Maturity	5 years	3 years
3. Collateral	Real estate	Inventory
4. Covenants	None	None

Valuation Analysis

Business value: 100 million USD. The company has a strong market position and a solid financial base. The valuation is based on the company's performance and market conditions.

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Financial Analysis

The company's financial position is weak. The company has a high debt level and a low equity ratio. The company's financial performance is poor, and the company is facing a high risk of bankruptcy.

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Financing and Restructuring Options

The company has several financing and restructuring options available. The company can consider a debt restructuring, a capital injection, or a merger with another company.

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Alternatives 1 & 2

Alternative 1: Complete liquidation. The company has been in the loss zone since April 15, 2005, and another 6 months later the company has failed to comply with a request of creditor agreement.

Alternative 2: Single asset liquidation. The company has been in the loss zone since April 15, 2005, and another 6 months later the company has failed to comply with a request of creditor agreement.

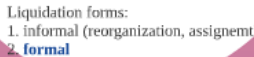
Conclusion: NO

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Kulicke and Soffa Industries, Inc.: Designing a Supply Chain Network

THANK YOU FOR YOUR ATTENTION!



Kulicke and Soffa Industries, Inc.: Designing a Supply Chain Network

Financial Analysis

- annual sales were 2/3 of what they had been only 2 years earlier
- negative equity position of \$84 million
- 1980s: preference for toy industry, low unemployment and interest rate: interest rate ↓ => debt becomes cheaper

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Industry Analysis

- factors of success: economy, demography, seasonality, successful product introduction on a regular basis

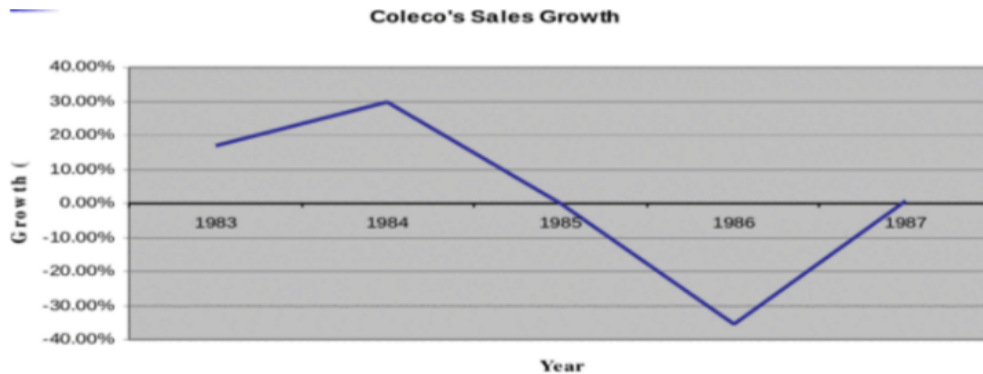
Sales growth of selected toy companies					
	1983	1984	1985	1986	1987
Coleco	16,87 %	29,91 %	0,14 %	35,48 %	0,76 %
Hasbro	63,45	218,99	71,54	9,02	0,03
Kenner Parker	NA	20,17	1,51	21,23	NA
Mattel	52,80	39,07	19,30	0,74	3,65
Tonka	8,26	58,31	75,83	20,05	30,40

Company analysis

- "high-wire act of the toy industry
- 2 notable recoveries
- skeptical for 3rd recovery

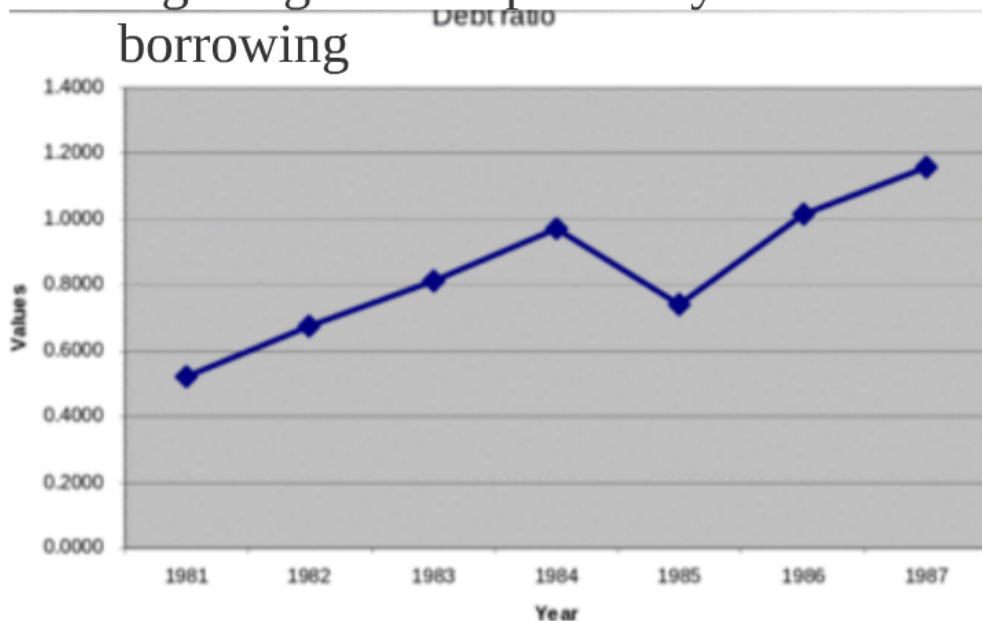
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- decreasing sales since 1984
- started increasing again in 1986 but could not make profit



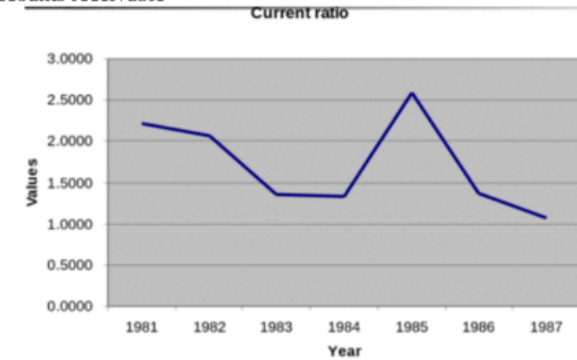
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- high degree of dependency on borrowing

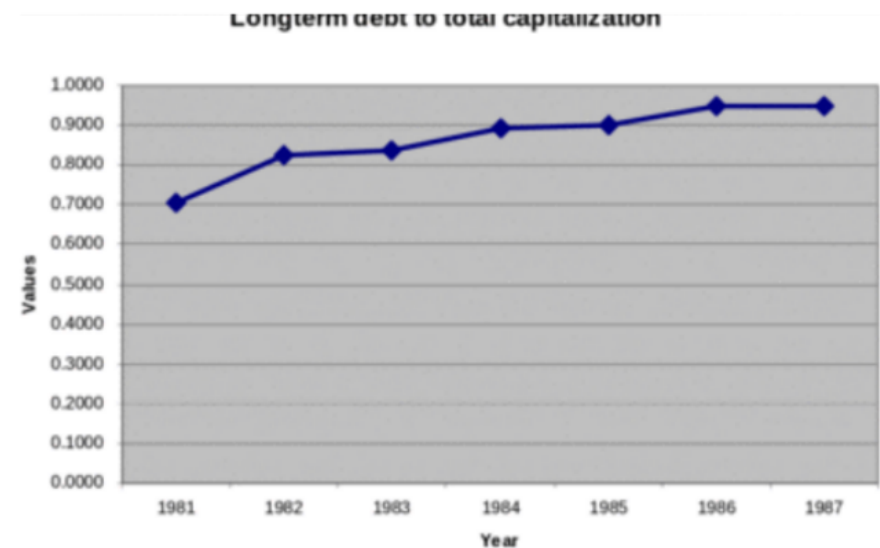


	1981	1982	1983	1984	1985	1986	1987
Current ratio	2.2124	2.0684	1.3601	1.3331	2.5835	1.3676	1.0752
Debt ratio	0.5224	0.6759	0.8127	0.9730	0.7425	1.0130	1.1574
Long term debt to total Capitalization	0.7049	0.8256	0.8373	0.8933	0.9007	0.9489	0.9464
Time interest earned ratio	4.0121	9.8026	(0.2681)	(1.2756)	4.5110	(1.7516)	(0.7689)
Net profit margin	0.0433	0.0880	(0.0125)	(0.1030)	0.1068	(0.2222)	(0.2088)
Return on equity	0.1780	0.6408	(0.0816)	(1.5976)	1.4694	(2.3498)	2.2919
Return on asset	0.0863	0.2331	(0.0195)	(0.1842)	0.2108	(0.2250)	(0.1870)

- satisfactory current ratio, but it is fluctuating and the major portion of current assets are accounts receivable



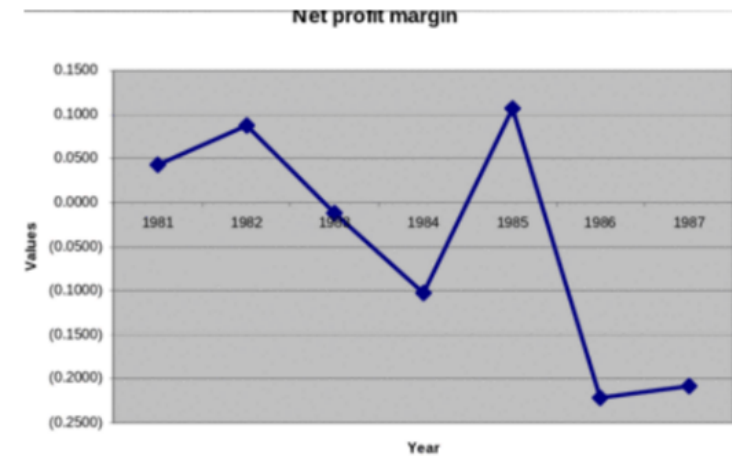
- on the firm's capital: relative importance of long term debt is increasing



- frustrating interest earned interest ratio (over the last years)

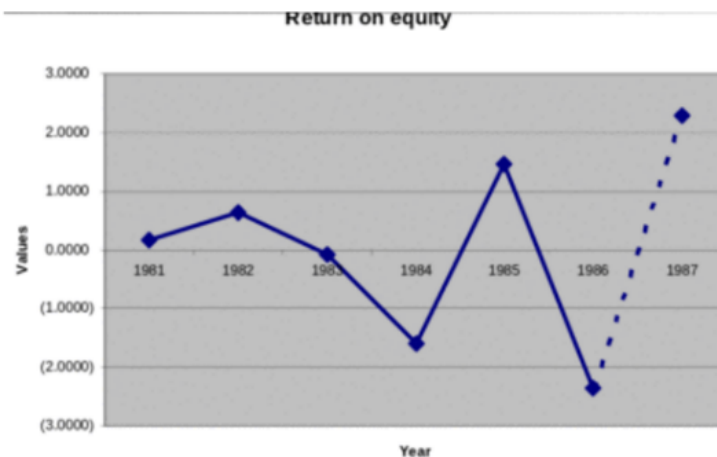


- the ratio infers the company's overall net loss over the last years

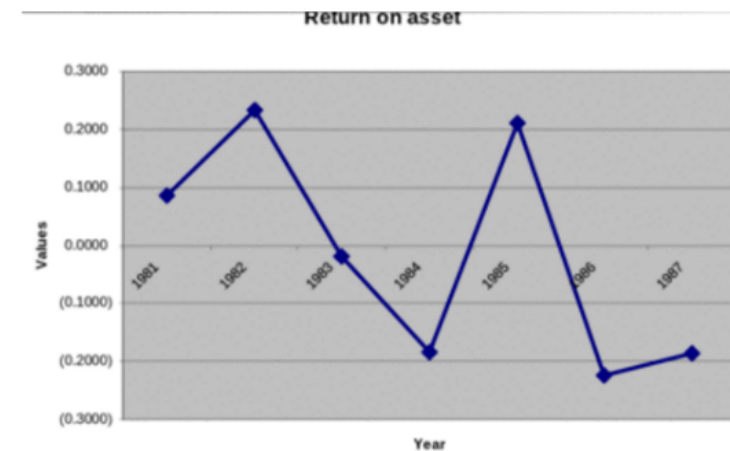


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- decreasing ROE (except 1985)



- ROA shows volatility over the years



SWOT Analysis

Strenghts

- 2 notable recoveries
- current ratio

Weaknesses

- sales reduction => negative equity position
- negative sales growth
- dependency on debt
- precarious capital position
- reduction in stock price

Opportunities

- 6th year of overall strength for the economy
- lowest unemployment and interest rates
- increasing birth rates (demography)
- consolidation of toy industry
- consolidation of basic and technology-enhanced toys

Threats

- only largest companies were able to minimize sales and profit volatility through diversification
- fortune depends on strength of new products
- lack of exciting new toy introductions

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Financing and Restructuring Options

- precarious capital position
- creditors were wary of lending any more
- new equity from outsiders was virtually not possible

Alternatives

1. hopes that products will do well
2. merge
3. issuance of more equity at right market price
4. restructure/ renegotiate debts (debt/ equity swap or issuance of common stock/ warrants)
5. liquidation

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Alternatives 1 & 2

1. Alternative

- weak sales
- skeptical recovery
- limited prospects of increasing sales
- negative net income
- negative net worth
- default for loans
- no new equity

=> NO

2. Alternative

- merger beneficial only if a synergy happens
- value of total assets < total value of liabilities
- firm's sale cannot cover costs

=> NO

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