

SMARTER PERSPECTIVE: AUDIOVISUAL INDUSTRY

Expertise, Innovation and Strong Relationships Key to Unlocking Asset Value in Mexico

By Samuel Suchowiecky

The nuances and intricacies of conducting business in Mexico are significant. This is true not only for multinational companies doing business within the country but often times for Mexico-based companies, themselves, with customers positioned both within and beyond its borders. Perhaps nowhere are these complexities more evident than in situations pertaining to distressed businesses, bankruptcy proceedings and the associated liquidation of assets and repayment of debt to creditors.

As CEO of Hilco Global Mexico, which specializes in the strategic monetization of assets spanning virtually every industry, and an attorney who practiced corporate law for many years in this country, I have witnessed first-hand the struggles of companies and their lenders in maneuvering through the bankruptcy process. Within Mexico, efforts in this regard can often take not just months, but years, to complete and become very costly from both a financial and other resource perspective. Furthermore, and perhaps most importantly, a high percentage of these efforts do not result in what company principals or investors would consider to be a positive outcome.

Why is this the case? First and foremost, many businesses typically wait too long to engage the type of expertise needed to help them realize maximum asset value. Simply put, the earlier in the process that

a company or its lender is able to bring in the right team to evaluate the business need, the better. Secondly, businesses, their lenders and the firms they engage often focus-in so closely on a single tactic, such as liquidation associated with a bankruptcy event, that it prevents them from seeing the bigger picture. We view this as a critical error.

In our experience, the liquidation of assets is almost always best considered as part of an overall, integrated strategy. By customizing an approach suited to the distinct circumstances and needs of a distressed business, the potential for a successful monetization outcome is greatly enhanced. As a result, from a best practices perspective we recommend that businesses facing these circumstances in Mexico seek out a monetization partner with proven expertise that extends well beyond liquidation services. Potential candidates should possess the knowledge, resources, and – importantly – the relationships that enable them to go beyond usual and obvious practices to deliver a tailored, timely and data-driven solution. As I often say to both current and prospective clients, “You want a firm that possesses not only the ‘know-how’, but the ‘know-who’ required get the job done right!” To illustrate these points, I would like to share some details regarding a recent engagement of ours which was conducted and concluded during the ongoing pandemic.

In the spring of 2019, about nine months before the outbreak of the pandemic here, Hilco Global Mexico was approached by a well-known manufacturer of movie/auditorium seating for the Latin America marketplace. This 70-year old, family owned business had successfully operated over the course of three generations. Based on the evolution of the theater marketplace overall and increasing competition from competitive manufacturers in China, the company ultimately fell into financial distress. As a result, its principals approached us to look at the possibility of selling their machinery, equipment and inventory.

The company’s complicated bankruptcy proceeding, which included numerous shareholder complexities, was already underway by the time we were approached. Because of Hilco’s extensive work and outstanding reputation involving bankruptcies across Mexico, we were fortunate to be extremely well acquainted with and well respected by the two principal banks involved. And because we have extensive access to capital to fund the innovative solutions we develop for our clients, we were able to propose an “out of the box” approach that the company had not previously considered but very willingly embraced. This involved a prepackaged insolvency agreement with the lenders, allowing for Hilco to purchase the company’s debt and place it in a Chapter 11 procedure.

Hilco Global Mexico

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That, in turn, enabled us to efficiently liquidate the assets of the company. This step included a highly successful auction component. Notably, this was the first time in history that a company in Mexico had engaged in an auction process to sell assets while within a Chapter 11 procedure. To further illustrate the scope of services that are often required to get the job done in Mexico, our firm also played an important role in directly negotiating with labor unions to end a months-long strike at the company's plants. This paved the way for the ensuing liquidation efforts. Including our efforts to market and sell two prime industrial real estate sites totaling over 400,000 square feet, Hilco's work for the client spanned the course of only 18 months, an usually short timeframe for completion of such an effort in the Mexico market under normal conditions, let alone during the course of a global pandemic and its many associated logistical challenges. In the end, the company was able to exit bankruptcy and pay its remaining creditors, while still achieving a very positive return for its principals. Additionally, our efforts enabled the banks involved to avoid a very complex and resource intensive process that otherwise would likely have taken many years to resolve.

From our perspective at Hilco, distressed businesses and their lenders are best served by solutions such as this which provide a tailored, innovative and practical approach to unlocking the maximum value of their assets. Based upon the ongoing impacts of COVID-19, we expect to see an increasing number of companies face challenging markets

with tight liquidity in the months ahead. If your business is in a position that may require monetization of assets, we encourage you to reach out to us as soon as possible to explore your options. Similarly, If you're a lender or operate a hedge fund or private equity fund with portfolio exposure including companies based in, or doing business in Mexico, we encourage you to contact us as well. We have been actively engaged in numerous assignments involving the monetization of assets, complex and time sensitive bankruptcies, liquidations and related projects throughout the course of the pandemic. Additionally, the dialogues that we maintain with our many industry partners, contacts and our own colleagues at Hilco Global locations around the world bring us new insights every day that we welcome the opportunity to share with you. We are here to help!

Hilco Global Mexico is part of Hilco Global, a privately held diversified financial services company and the world's preeminent authority on maximizing the value of assets for both healthy and distressed companies. Hilco Global operates as a holding company comprised of over twenty specialized business units that work to help companies understand the value of their assets and then monetize that value. Hilco Global has a 30-year track record of acting as an advisor, agent, investor and/or principal in any transaction. Hilco Global works to deliver the best possible result by aligning interests with clients and providing them strategic insight, advice, and, in many instances, the capital required to complete the deal. Hilco Global is based in Northbrook, Illinois and has 600 professionals operating on five continents.



SAMUEL SUCHOWIECKY IS CEO OF HILCO GLOBAL MEXICO

Samuel oversees all aspects of the company's efforts with corporate, banking and investment clients across the delivery of Valuation, Monetization, Advisory and Liquidation services for both tangible and intangible assets. Samuel also heads any investment decisions when Hilco Global Mexico invests in asset backed opportunities of a diverse nature. He is a recognized authority in assisting both healthy and distressed companies along with their constituencies to derive maximum value from their assets.

Following several years as an accomplished associate of the Kuri Breña, Sánchez Ugarte y Aznar law firm, Samuel was invited to co-lead a major real estate group. He later founded Hipotecaria Vértice, a specialized non-bank bank that originated and serviced mainly mortgage and construction loans in Mexico. Samuel is a founding partner of Cole Group, which currently operates more than 50 boutiques and more than 120 stores in Mexico. He has been an investor, board member and director of numerous projects and has developed and sold more than 4,500 homes in all market segments. He also has extensive experience in both administrative and budgetary management of various projects.

Samuel graduated from University of Boston Law School and has been a member of the California State Bar since 1992. He earned his Bachelor of Arts in Economics and Sociology from the University of Texas at Austin. Contact Samuel at sams@hilcoglobalmx or +52 (55) 5980-8220.