



SPRING UPDATE

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Welcome to our first newsletter of the year! We are excited to share our latest news, updates, and insights to what has been a very busy start to 2023. In this edition, we have collated a range of articles and topics, including those that explore the legal and sustainability aspects of our work.

We are delighted to welcome Simon Crowe of Low Carbon Alliance, to contribute to our first ever "Sustainably Speaking" section, offering understanding of the golden opportunity that is brownfield sites! We believe this article will provide valuable and current insight for our readers.

Our team has provided updates on each asset class, recent trends and developments across several sectors. We hope that these updates will provide our readers with an understanding of the existing climate and approach Hilco has taken.

We are also pleased to showcase recent events we have attended and welcome several new team members across our UK offices with a new senior hire in our Real Estate team.

Enjoy reading!



MACHINERY
& BUSINESS
ASSETS



INVENTORY



ACCOUNTS
RECEIVABLE &
INVENTORY
FIELD EXAM



REAL
ESTATE



INTELLECTUAL
PROPERTY



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MACHINERY & BUSINESS ASSETS

INVENTORY

It's Not Just Auctions....

The Machinery and Business Assets team have had another busy few months not just conducting multiple Online Auctions but also negotiating multiple Private Treaty Asset Sales. In the past three months we have raised Private Treaty invoices in excess of £40M with sales being concluded to buyers on every continent.

Asset sales have ranged from a 1200 tonne crane to specialist laboratory equipment and from Porsche GT track cars to forklift trucks. The range of assets sold across our six UK offices is truly astonishing and keeping the entire MBA team constantly busy.

If you have equipment for sale or are looking for asset disposal advice please contact one of your regional Machinery and Business Asset contacts.



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Following on from a busy 2022, I am pleased to welcome a further 2 new members of staff to the Hilco inventory team; Joe Dawson who joins us as an Appraiser and Ed Phillip who joins as a Trainee Appraiser, following the appointments of 2 new analysts, Ben Ashdown and Ashley Gillespie Horne.

2023 has started off as 2022 ended with an increasing number of enquiries and instructions, with the Team carrying out assignments in the UK and throughout the European Mainland.

In 2022, we looked at an excess of £10 billion of inventory which was largely comprised of retail (circa 45%) and manufacturing (circa 40%), with the remainder being in the wholesale and whiskey sectors.

In addition, enquiries continue to be multifaceted with many differing exit scenarios needed to be considered; our ability to consider bespoke scenarios on a case by case basis has been tested/proven, in addition to liaising with clients to find mutually beneficial/acceptable appraisal methodologies for lenders, debt advisors and companies alike.

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MACHINERY & BUSINESS ASSETS

Broadway Stampings Ltd. and Dyson Diecastings Ltd. (Both in Administration)

Broadway and Dyson are part of the same group of companies, located side by side on a single site in Milton Keynes. Although, as the names suggest, they did different things (pressed parts and die-cast parts), the group had an overall exposure to the automotive parts supply market, which is experiencing difficulties due to the current low levels of production volume. Ultimately, the reduced cashflow resulted in insolvency, Interpath were appointed as Administrators and Hilco were appointed as the valuation and disposal agents.

Principally, the primary assets within Broadway were a large power press shop – including an almost new 1000-tonne capacity machine and within Dyson, an extensive aluminium die-casting shop including an almost new 800-tonne capacity machine. Sadly, despite considerable efforts by the administrators, a buyer for the companies as a going concern was not found probably a reflection of the current automotive supply market and Hilco were appointed to dispose of the assets. Utilising Hilco's extensive Worldwide database of buyers, bidders for equipment came from many locations including Europe, India and the US. In some cases, higher than anticipated realisations were achieved, reflecting both the assets quality and their utility value in the market sector. Most of the purchased equipment has stayed in the UK, especially equipment that was designed and set up to manufacture a specific part or range of parts for a defined end customer.

By their very nature, large power presses are not an easy item to remove, removal of larger presses taking up to four weeks to remove. The removal process of over 20 power presses and a further tranche of die casting machines, led to a project that has been successfully completed over a period of twelve weeks, coinciding with the sale of the property.

Part of Hilco's overall role was to co-ordinate the purchasers of these items of equipment with the removal contractors and to successfully clear the property by a set deadline, resulting in a highly successful sale.



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ACCOUNTS RECEIVABLE & INVENTORY FIELD EXAM



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The Field Exam team has seen an increasing numbers of instructions from lenders and advisors in what has been a very busy start to the year.

Instructions cover a wide range of engagements from full scope AR and inventory field exams, to limited scope borrowing base audits or specific collateral review requests such as inventory test counts. In particular, there has been an increase in demand for inventory field exams to complement our inventory appraisal offering. We continue to work across a wide range of facility sizes in the UK and worldwide. We have worked on a variety of engagements but recently with a particular concentration in retail, recruitment and manufacturing.

We are grateful to our clients for the increasing requests to perform recurring field exams on a regular basis, either in the form of full scope field exams or limited scope quarterly reviews. Lenders are seeing the value in more up to date information to provide early warning signs of any adverse movements in collateral balances or potential covenant breaches. As always, we recommend that clients engage with us early in the transaction lifecycle to leverage our team's extensive experience to highlight potential issues or concerns, as well as tailor the scope to each engagement's specific needs. Our team continues to expand in order to provide a first class service for our clients and we look forward to working with you over the remainder of the year.

INTELLECTUAL PROPERTY

An Intellectual Property Market Correction?

The intellectual property team has enjoyed an incredibly busy start to 2023, and a continuation in the uptick in valuation and disposal engagements that we have been experiencing since June last year. The biggest talking point by far is the extraordinary growth in asset-based lending engagements where intellectual property forms a key part of the lenders' security packages. In 2022, we experienced over 170% growth in this area from the previous year. Even more impressively, we have seen more activity in Q1 of 2023 than the entirety of 2021. The trend in the intellectual property-backed finance market is clear as more and more lenders begin to consider this unique form of asset security as part of their offering.

The team have also been busy identifying buyers interested in pre-pack sales of businesses, albeit we are finding that many sales are now transitioning to asset disposals as opposed to resulting in going concern transactions. One potential driver for this could be the global slowdown in hiring and commencement of redundancies across a variety of industries, with buyers interested in acquiring company assets and having the security to relaunch the business themselves while building up their own cost base. In the case of intellectual property in particular, the prospect of acquiring a notable retail brand or technology offering and consolidating it into an existing business model appears to have become an attractive alternative for buyers. This reduces the cost of transacting and bolsters the offering of an existing business which itself may have surplus employees.



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ABAS

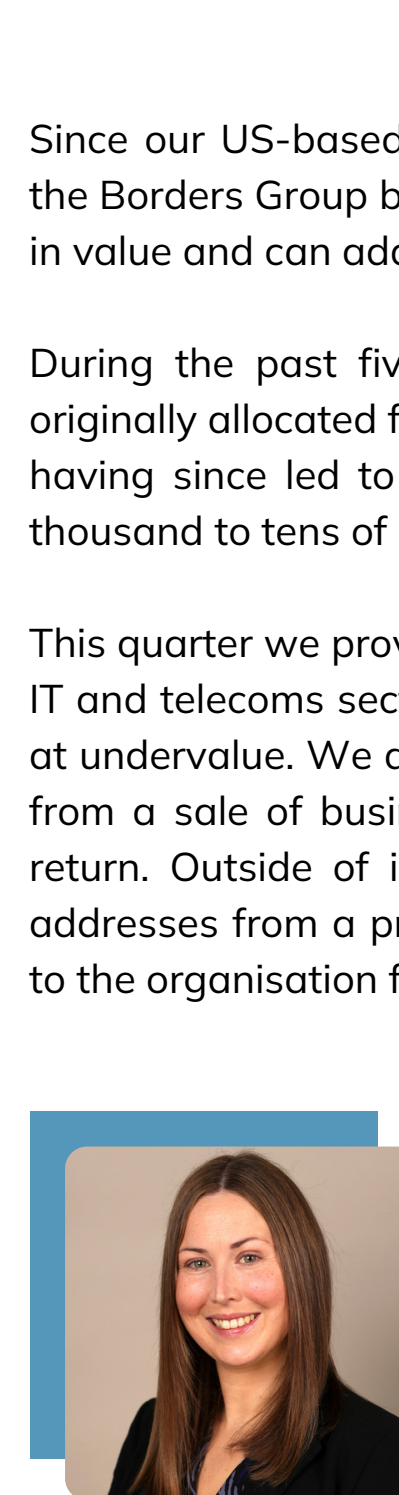
IPV4



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We have continued to be busy into 2023 receiving instructions on a diverse range of businesses covering sectors from financial services to telecoms to construction. With the increasingly challenging economic environment the importance of a well researched targeted marketing exercise is ever more important in securing successful sales. This involves not only identifying the target companies but also locating the appropriate contacts within the organisation and finding relevant contact details. Once interest has been gained, and to maximise the prospect of a successful sale, prospective purchasers need to have confidence in the information being presented to them. Accordingly, a properly structured data room with a complete set of documentation to enable a proper assessment is key. Whilst the telecoms and financial services businesses referred to above were not without their own challenges a high level of interest was generated from the marketing exercises carried out leading to multiple bids for both culminating in successful sales of the businesses with all employees transferring to the purchasers.

Having the input of a multi-disciplinary team covering all asset classes can also assist in maximising the outcome. This was clearly demonstrated in the sale of the telecoms business where our intellectual property team were quickly able to advise upon the potential value of the IPv4 licences owned by the Company. The initial offers received did not reflect the market value of the licences and these have therefore been excluded from the sale which will potentially double the realisations that would otherwise have been achieved.



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Since our US-based counterparts completed one of the first ever IPv4 transactions globally from the Borders Group bankruptcy in 2011, these often-hidden IP address assets have continued to rise in value and can add significant sums to recoveries.

During the past five calendar years prices have risen 300%. Internet number resources were originally allocated free-of-charge in large allocations in the early days of the Internet. With scarcity having since led to a secondary market, our clients are now recovering anywhere from several thousand to tens of millions for their IPv4 address assets.

This quarter we provided valuation advice in relation to IPv4 addresses on a number of cases in the IT and telecoms sectors, including in the context of a potential challenge to a historical transaction at undervalue. We also successfully devised a dual sales strategy and carve-out of IPv4 addresses from a sale of business and assets, resulting in a significant increase in the level of the overall return. Outside of insolvency contexts, a highlight has included our acquisition of 65,536 IPv4 addresses from a prominent UK consumers' association, bringing in immediate funds of over \$3m to the organisation for its unused digital assets.

REAL ESTATE

Whilst we have by all accounts avoided recession so far, according to the Bank of England, recession will begin at some point in 2023 and continue until Spring 2024 with predictions of a further interest rate rise (at least).

In the Real Estate Industry 'the good times' can mask poor or misjudged decision making in the heat of a buoyant market. Purchasing land for development purposes at too high a price against competition and with rising construction costs can be offset by increased demand for the end product at values that are substantially higher than were anticipated at the outset of the development cycle as much as 2/3 years previous.

But what happens when the wheel stops turning?

The current Real Estate development and investment market has several dichotomies, interest rates are at a level that some in the market have never experienced before adding substantially to the cost of borrowing, construction costs having risen by 30 plus %, yields having moved north but demand in some sectors holding up (distribution to name but one sector).

In these times the role of the Real Estate Advisor, particularly those with restructuring experience from previous downturns, is key. Realistic, commercial - and in some instances harsh advice - is required, albeit still trying to be sensitive to the circumstances. Whilst there is no point chasing rainbows which may only delay necessary decisions, costing time and money, lateral thinking is required as to how added value can be obtained. Which brings me neatly on to our contributor article by Simon Crowe at Low Carbon Alliance – Turning Brownfields Green, p 8.



Some of you may know from previous articles that in September 2022 Hilco Real Estate Advisory completed on the sale of a 200 acre plus brownfield site in Anglesey on behalf of Administrators, at a price that reflected its potential for energy generation due to its grid connection and in no way reflective of what we were told by many potential purchasers, was its brownfield value!

continued

REAL ESTATE

It is one of the top 5 questions we now ask when either being asked to value or advise on industrial / brownfield sites throughout the UK – what is the energy import capacity and is there an export capacity or potential to gain one? Sites which have little value for continuation of existing use either through obsolescence or contamination can have substantial values. There are eyewatering amounts of money set aside for green energy schemes.

Interestingly, Hilco Global Real Estate are currently advising a lender of a business in Administration (which has ceased trading and will not reopen). It has multi locational large brownfield sites with big grid connections and where the value is for potential alternate uses, though neither site is without its issues. In asking a number of 'national agents' to pitch for the disposal mandate not one of them mentioned energy production or energy storage possibilities. Currently and whilst high level interest has already been received for battery storage, pyrolysis, hydro to name but a few, ultimately and for whatever reason, grid capacity, infrastructure costs or similar such uses may not be viable. But if they are

Which brings me neatly back to the start of this article; the market is tough, and advisors need to have the experience and ability to look for the angles that will either preserve and/or lead to the least amount of diminution in value in the individual circumstances. Holding on and expecting the market to 'get you out of trouble' is not an option.

At Hilco Global Real Estate Advisory our team knows this and has been there many times before (some more than others – Roland and the author!). Call us.



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SUSTAINABLY SPEAKING

ABOUT THE AUTHOR



Simon Crowe

Simon Crowe is a highly skilled, innovative chartered surveyor who has gained extensive experience working for the UK's leading real estate consultancies. Simon established Low Carbon Alliance (LCA) to provide a professional consultancy focused on the development of projects that generate renewable energy or provide reserve power and balancing services to support a decarbonised UK energy system. LCA also advises investors in property on how to reduce carbon emissions whilst generating significant returns on investment through energy efficiency, onsite renewable energy generation and storage.

Turning Brownfields Green - A Golden Opportunity

The UK has nearly 30,000 hectares of brownfield sites (land on which a permanent structure has previously been built), according to CPRE, The Countryside Charity, which advocates for building new homes on these locations. While this is an excellent way to regenerate urban blight and limit sprawl, it is not the only beneficial use we can make of these spaces. With the exception of the data centre sector, the property market has failed to account for a valuable asset brownfields may possess: grid connection and power capacity. A good connection on poor brownfield land can increase the value of the property tenfold.

Historically, our power has come from large scale, centralised power stations - originally coal, then gas and first generation nuclear sites. But legislation to tackle climate change - starting in the 1990s with the Kyoto Protocol, followed by the Paris Agreement in 2015 and then to the UK's legally binding commitment to net zero by 2050 - has led to the need to decarbonise the grid power supply. We are transitioning to a decentralised system to accommodate low and zero emission forms of power generation, i.e. renewables.

Today, anyone can become a power generator using the roof of their home or business, or by leasing land to someone who can build a solar farm or a wind turbine. To do so requires a building or land, planning permission, money (of course)... and, vitally, a grid connection. The challenge is that over the last 20 years of this decentralisation process, with the development of onshore wind, solar and batteries, the grid has come under enormous strain.

Gridlock

The grid is comprised of two networks: transmission and distribution. The transmission network consists of the very large pylons running at 400 kVA that pushes power out of massive centralised power stations to a lower voltage network - the distribution network, which was designed to deliver power to homes and businesses.

However, as these decentralised energy plants (solar and wind) have connected into the distribution network, substations and cables originally designed only to supply power are now also receiving it.

continued 

SUSTAINABLY SPEAKING

The substations and circuits are bidirectional, so in theory, this isn't a problem. However, cables and circuit breakers all have a voltage limit before they trip. As time has gone on, we've seen more and more constraints in the system, initially at the 11kV level, then the 33kV level, and now on the 132kV and transmission network. The network requires massive investment in reinforcement to accommodate additional power generation from renewables, but also to distribute more power as we electrify our vehicles and swap gas heating for electric heat pumps.

As a developer, you may want to build a new renewable energy generation project, but the system operators, who ensure the grid functions at optimum capacity, and the network operators, who manage energy infrastructure, will present you with an eye watering connection cost and a connection date beyond 2028 because the system is at maximum capacity. It simply can't accommodate anymore until the reinforcement is built. As the developer, you have to pay for reinforcement of the network - building a new substation or substations and reconductoring overhead lines. More often than not, this makes projects financially unviable.

But... if you own a brownfield that already has a large connection or multiple connections from previous use - perhaps it was the site of a decommissioned data centre or manufacturing plant that consumed a huge amount of power - then you could potentially develop that land (or land adjacent to it) for an energy project utilising the existing grid connection, and thereby saving you the cost and headache of creating a new one.

While the process to make use of these connections can be intense and require strong technical expertise, the resulting ROI can be well worth the effort. The monetary value of existing grid connections has yet to be appreciated and priced into real estate. It is an untapped resource with great potential.

For more information and expert advice, please contact Low Carbon Alliance: <https://lowcarbonalliance.co.uk>



HILCO SPOTLIGHT - WELCOMING SCOTT MARRIOTT



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We are delighted to announce the appointment of Scott Marriott as Senior Director in the Real Estate Advisory team.

Scott has over 25 years' experience in the real estate sector advising a wide and diverse range of clients including insolvency practitioners, banks, corporates, private equity investors, institutional funds, family offices and local authorities.

Scott joins us from JLL where he was a Director in their Loan Advisory and Restructuring Services team and prior to that he spent 12 years in KPMG's national restructuring team as their Head of Real Estate Advisory Services. Scott has been instrumental in developing and delivering strategic real estate solutions on a variety of complex restructuring and insolvency projects including Intu Shopping Centres, Thomas Cook Aircraft Engineering, Topshop's flagship store on Oxford Circus, Jamie Oliver's Italian restaurants and Aylesford Newsprint.

In addition, Scott has provided real estate due diligence in respect to property company IPOs and M&A processes and has audited over £100bn of real estate valuations for accounting purposes.

We are thrilled that Scott is joining the Hilco team, and his wealth of experience will be hugely beneficial to our Global Real Estate Advisory service as we strengthen our offering to the Restructuring and Insolvency market.

Scott Commented, "I am delighted to be joining Hilco Global Real Estate Advisory team at this exciting time. The global economic conditions are going to impact property owners and stakeholders in a variety of different ways and the Hilco family, with its range of specialist services, is uniquely placed to support clients through all stages of the journey."



COMPANY NEWS

We continue our expansion for 2023, seeing growth across all service lines and are pleased to welcome several new members of staff. Our Leeds office has welcomed to the Inventory team, **Joe Dawson** who has joined as an Appraiser and **Ed Phillip** as a Trainee Appraiser. The London office welcomes **Oliver Cheeseman** as a Trainee Appraiser and **Mark Attwood** as an Appraiser in the Machinery & Business Assets team. In our Real Estate team we are pleased to have **Scott Marriott**, Senior Director (mentioned previously), and **William Garrod** as a Graduate Surveyor. **Megan Lamour** joined the Admin team and **Georgia Ager-Perera** is the new Marketing Assistant based in London. The Accounts Receivables team grows with the addition of **Hannah Yates** as an Associate Director, and finally **David Holborn** joins as an IP Analyst in the Intellectual Property team in Glasgow!



Joe



Ed



Oliver



Mark



William



Meg



Georgia



Hannah



David

INDUSTRY EVENTS

At Hilco we have been delighted to sponsor and attend many industry events throughout the last quarter. It has been great to catch up with so many of our clients in person throughout the busy summer and early autumn.



Members of our team attended the Business Beats Cancer event, jointly hosted with Breal Group, entertaining clients from EY, BDO and Alvarez and Marsal. A fantastic total amount of just under £50k was raised on the night for cancer research!



Our Marketing Director, Rebecca Tjonis, attended the most recent NOW TMA event, which took place in the landmark building, The Shard. The Bridge between Fashion and Sustainability event was an informative and timely event with the well informed and passionate guest speaker Mary Fellowes.



Sam Hinder sat on the panel and presented in two interesting breakout sessions at the RICS UK Valuation Conference. It was great to catch up with our clients and colleagues at this very well attended conference for 2023.



We were delighted to have sponsored the Ilkley Beer Festival 2023 which was a very well attended event. A great time was had by staff and clients and a fantastic deal of money was raised for a number of well-deserving charities.



 **CONGRATULATIONS!** 

WE WERE DELIGHTED TO CELEBRATE OUR
20 YEAR ANNIVERSARY, A WONDERFUL
EVENING IN THE ICONIC GUILDHALL
SURROUNDED BY OUR CLIENTS AND FRIENDS

News Article & Image Gallery Coming Soon To Our News Page

