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Welcome to our Spring Update. We debated the appropriateness of a newsletter at this time but ultimately concluded communication is vital during these unprecedented times.

In addition to our review of the first quarter of 2020 and examples of our recent assignments across different service lines, we are also sharing how our differing service lines have adapted and continue to adapt to provide asset valuation and advice during the current "new normal".

It goes without saying we are available to help and advise during this time and we look forward to being on the end of a phone or video call to assist.

Chris Hall
CEO

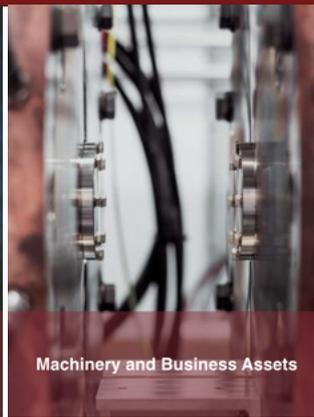


Machinery & Business Assets

Valuations of machinery and business assets have been plentiful to date, for both recovery and lending requirements, with Hilco receiving instructions nationally on over 70 business asset valuation cases since the start of the year across multiple sectors.

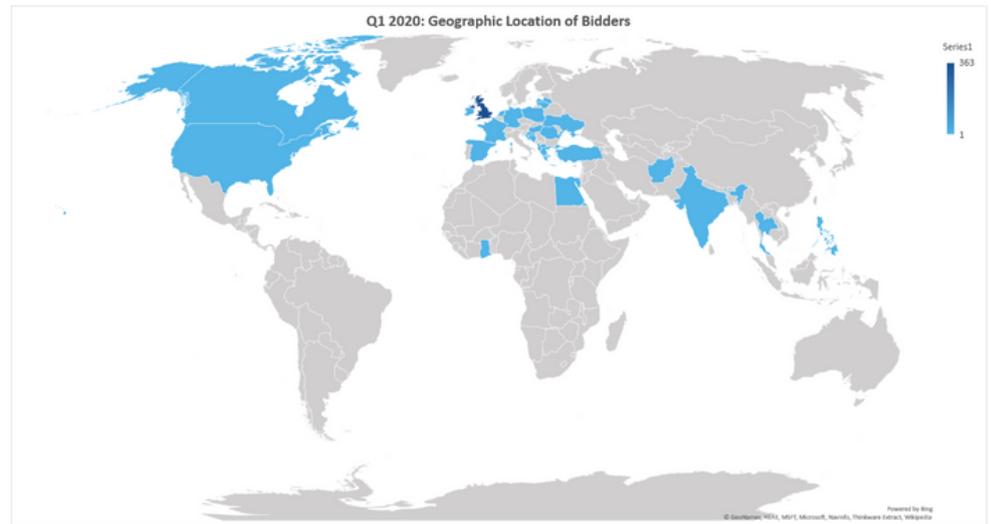
Since mid March 2020 however, as the crisis escalated we have found enquiries are continuing, with a combination of new appraisals and collateral reviews within the ABL arena, which is still active and in the restructuring arena, particularly contingency planning, mothballing facilities and advice. As perhaps might be expected, retail and restaurants have represented the majority of enquiries but we are now seeing other service industries and manufacturing.

Whilst we are unable to attend a facility in order to undertake a valuation (which is likely to continue for the next few weeks), we have adapted a process to suit our client requirements, where we can compile the vast majority of the work remotely, conducting video calls/ phone calls and viewing photos to verify assets and conduct sample reviews with these methods. Whilst obviously not ideal, we are able to provide our clients with the best possible resource in the circumstances.



If provided with suitable fixed asset registers, details of equipment and financed asset documentation, we can utilise this to compile a detailed schedule of assets for our valuation. Once the inventory of assets and valuation is complete, for verification we can request photographic or video evidence of the principal assets, or arrange for an officer of the company to sign our valuation to confirm the assets exist thus providing the requisite comfort of being unable to provide a physical inspection.

There is simply no 'right/' 'wrong' answer in any valuation currently being undertaken as the ability to source interested parties, arrange viewings and conclude a sale of assets is currently very challenging.



However, based on our wealth of experience, if we can provide clients with our valuation approach, market considerations, potential factors that may impact the process and conclusion, we can make sensible and reasoned judgements based on the method adopted.



Ian Bacon
Managing Director

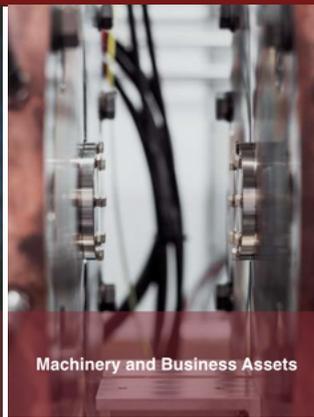
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Inventory

Hilco's inventory team continues to work closely with ABLs, to provide additional support and advice. Our knowledge and experience continues to be utilised by lenders for existing lends, new lends and now particularly, additional secured lending where other facilities are already in place. Advice can be provided on both an informal and formal basis, ranging from a quick chat, through desktop valuations to formal appraisal reports.

Our valuations are currently being completed by way of remote data collection, analysis and telephone interviews with key management executives; reports are then issued with the intention that site visits will be carried out when allowed and reports updated where required.

Whilst the inventory team have vast experience across many sectors, including, but not limited to; Multi Channel National Retailers, Steel Stockholders and Manufacturers, Automotive, Aerospace, Textiles, Timber, Paper, Electronic Components, Food & Foodservice, Builders Merchants and Construction, it will come as no surprise that over the last few weeks many new assignments have been in the retail sectors both national and international.



Given the current uncertainty, Hilco's formal appraisals are now incorporating advice on three scenarios; Orderly Liquidation Value based on historical trading pre-outbreak, Estimated Orderly Liquidation Value following a 'mothballing' period and Estimated Market Value should the business be closed straight away and the inventory offered for sale on the open market.

The Market Value approach will draw on Hilco's vast liquidation and realisation experience to provide real-world solutions and advice.

As things start to normalise and businesses try to return to some form of pre-pandemic trading, there are a number of problems which are likely to impact business for some time. For retailers with seasonal offerings, it is inevitable that some inventory will be at least one season out, for example stores may be re-opening with Spring/Summer stock available, when they should be in the middle of their Autumn/Winter offering.

Whilst many retailers are trying to overcome this by offering reductions online, this is unlikely to offer a complete solution. The traditional clearance sales will need to offer deeper levels of discounting to attract customers back who have had to suffer months of reduced income levels and whilst there may be some form of consumer feel good bounce as stores reopen, our valuations need to reflect this and other factors.

Whilst the impact of the Coronavirus is becoming clear in Europe, the impact on longer term manufacturing supply chains in China and other Far East countries is unknown.

This could persist for several months after Europe has returned to business and could be devastating to long term production and assembly in the UK. In the Automotive sector, an ongoing lack of consumer confidence is likely to lead to continuing lack of demand, causing problems to their downstream suppliers. Aerospace is also likely to take a while to recover.



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Accounts Receivable & Inventory Field Exam

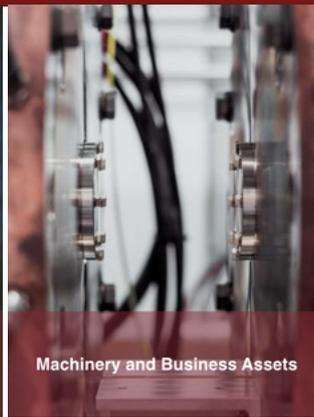
In 'normal' times we would, of course, always look to attend site to conduct an Accounts Receivable and/or Inventory Field Examination. However in these unique times our very experienced team have adapted to conduct these remotely. Since the Coronavirus crisis began, we have conducted a number of desktop examinations leading to a comprehensive report suitable for lending. This includes a Borrowing Base supported by the full level of testing that any existing or prospective lender would expect to see.

A number of assignments have been completed in recent weeks where desktop examinations have been undertaken to support existing facilities, where the lender is being asked to increase lending advance rates on a temporary basis, to bridge the customer's cash flow requirements through the crisis. Industry examples include

manufacturing, the steel industry and retail.

We have had numerous conversations with incumbent lenders who are looking to move clients across to an ABL structure and we are well placed to provide prompt advice regarding any relevant asset class.

When structuring a borrowing base, we are also looking ahead over the next few months to see how the headroom might change, such as how a likely slowdown in customer payments and/or the ageing of the inventory profile would impact the borrowing base under existing ineligible criteria.



The Hilco team have previous relevant experience in both an advisory and a lending capacity in providing sensitised collateral and headroom numbers in times of crisis from the previous financial crash in 2008 when debtor performance was severely impacted.



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Real Estate

Real Estate Advisory had a diverse first quarter of 2020. Instructions included lending valuations of manufacturing and process real estate assets in various parts of the UK, valuations and advisory for acquisition purchases out of insolvency, SIP 16 valuations, lease advisory and coordination of lease assignments in central London licensed in leisure and art sectors, lease mitigation in the retail sectors and the lead coordination of a number of freehold and leasehold agency and disposal mandates out of solvent restructuring and insolvency mandates.



In this day and age of technology there is a huge amount of information available online, including proprietary comparable and physical data, that so much can be done from home.

The skill, as always is the case in these circumstances, is how to interpret that data in an uncertain market in the absence of current transactional evidence during this period and a market where certain sectors face further unprecedented and long lasting changes (hospitality and leisure, retail being examples) which effect the fundamentals of landlord and tenant relationships and with it, underlying values.

This is where the knowledge, skill and know-how of advisors who have experienced the forefront of these situations in financial and other events over the last 30 years comes to the fore.

In the last few weeks, we have completed assignments including providing desktop indicative realisation figures on a freehold portfolio of high street retail stores in suburbs of London in an insolvency process,

pre-insolvency advice on a substantial chain of high end eateries, pre-lend desktop valuation exercises on a range of manufacturing, retail and residential properties across the UK and are working on a number of portfolio lease mitigation assignments on behalf of tenants.

The impact on real estate activity and future pricing will inevitably differ from sector to sector but as always



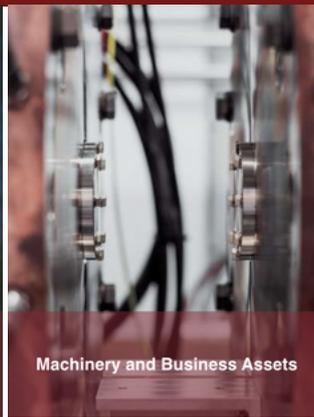
Intellectual Property



Accounts Receivable and
Inventory Field Exam



Real Estate Advisory



Machinery and Business Assets



Inventory

where events such as this change the financial landscape there will be industry winners, survivors and losers. We continue to support our clients in the lending, PE and restructuring communities as they work to implement lending initiatives and strategies in real estate restructuring and recoveries.



Jon Cookson
Managing Director

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Intellectual Property

Hilco has been involved in a number of high profile intellectual property (IP) disposal and valuation cases since the beginning of the year including The Book People, Norton's Motorcycles and Tomlinson's Dairy to name a few. This reflects the growing importance of IP as an asset class in our economy on a macro scale as well as to individual corporates, lenders and stakeholders at the micro level.



The impact of Coronavirus on our IP practice has been somewhat mitigated by our working practices in that the vast majority of our work is desk based working with assets that do not exist physically (brands, trademarks, patent portfolios, Microsoft licences, internet protocols, domain names and web content etc.) but can hold significant value. It is still very much possible to transact on intellectual property within a lockdown scenario and we

are still seeing an appetite at present and have a number of deals we expect to complete over the coming days and weeks.

Having said this, IP assets often sit in a wider commercial context and often alongside other asset classes and this will undoubtedly present unique challenges going forward – the degree to which this is the case is yet to be seen.

The global pandemic and the effect this has had across the business world has seen an increase in lenders seeking to securitise IP, often as part of a wider refinancing across asset classes and we expect this trend will continue with our valuation expertise being required to execute these in tight timeframes.

We are here to assist our clients to deal with challenging situations and



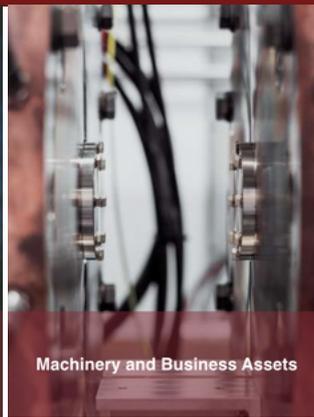
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Inventory

provide advice specialist to the asset class given our years of IP experience. This can be valuing and disposing of IP assets but often our clients face multifaceted issues which require a more nuanced approach where we can add value through experience.



Nat Baldwin
Managing Director

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Market Sector Review - Airlines and Aircraft

Following recent involvement in concluding the successful disposition of assets for clients on both Thomas Cook Group PLC and Monarch Airlines, we are currently working with the administrators of FlyBe in providing valuation and disposition support across the diverse range of equipment that typically form the estate of assets for airline companies.



Against the background of the Coronavirus 19 crisis, the aviation industry has been catastrophically impacted with estimates that losses for the global commercial sector will be in the order of \$250 Bn as a result of travel restrictions imposed by international governments and airline authorities.

We are receiving numerous enquiries from sources to provide valuation advice and solutions for operators and owners of aircraft, engines, ground support equipment, spares, tooling, training facilities, associated air maintenance support assets, IP and property interests for companies

and funders confronted with urgent decision making on behalf of their shareholders.

Our industry and insolvency expertise, robust global online selling platforms and established links with aviation specialist sector advisers for sale partnering projects, means that we are perfectly placed to provide advice should there be a requirement for potential Liquidation, Administration or Corporate sale/rationalisation projects for your client base.

To discuss aviation/airline sector matters in which you are involved or for further information please contact either Kevin Smyth or Chris Hall.



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Chris Hall
CEO

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Company News

Staff Welcome



Edward Jeffery joined Hilco at the start of 2020 as an Associate Director in Real Estate Advisory Services. Ed has more than 20 years experience in valuation, restructuring and insolvency and has previously worked for Sanderson Weatherall and Edward Symonds.

We also welcome Kerr Moir who has joined as an Intellectual Property Analyst in our Glasgow office. Kerr studied Accountancy at the University of Aberdeen where he moved on to practice audit before joining Hilco.



Hilco were also delighted to sponsor the inaugural R3 in Scotland Burns Supper on Wednesday 29 January at the Waldorf Astoria – The Caledonian in Edinburgh. In a pre-COVID era and before social distancing this was a great evening of ceilidh dancing, a traditional burns feast of haggis, neeps and tatties, and networking. Many thanks to those who joined us and supported the event and we look forward to seeing as many clients in person as soon as COVID restrictions allow.

