

# SUMMER UPDATE

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Welcome to our Summer Update. It is hard to believe we are six months into 2022 already and it's great to see a return to normality for many. **We have enjoyed catching up with our clients and friends at numerous industry events** which have seen a welcome return after a Covid-19 hiatus.

Hilco have been delighted to sponsor several events including the **R3 Annual Conference** and the **opening reception of the SFNet Conference with Breal Group** and we look forward to seeing more familiar faces as the year progresses.

In our quarterly update, **representatives from each asset class** have summarised their work from a busy few months which details **insights into current trends and sector activity**. This includes our **specialist IPv4 service line** where IPv4.Global have been enjoying a busy conference season so far!

Our **Legally Speaking** segment welcomes **Salina Brindle from Burford Capital** sharing her perception into the **Insolvency Service, the Insolvency Practitioner and the Legal Financer**. Thank you to Salina for her contribution.

We are also thrilled to announce **several new staff members to our growing team** both across the UK offices and asset classes, **our website's new look** and a **new home for our Manchester office**.



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# MACHINERY & BUSINESS ASSETS

It has been a strong first half to the year for the Machinery & Business Assets national team with numerous instructions within the corporate recovery and asset based lending sectors. Despite the well documented economic constraints over the past two years, the number and flow of new appointments in the recovery arena are not at the levels that we would expect and the opinion across the whole sector from the majority of clients is we 'will' get busier, the question is just when!

However, the team in the Midlands have led two notable multi-site recovery based cases recently. Instructions, which have required input and involvement from colleagues across all our national offices.

## **Roadbridge Limited**

A global civil engineering business that operated c£10m of assets in the UK across ten live sites at the point of administration.

On appointment, our remit was to arrange valuers to attend all live sites, visually inspect and secure company assets and arrange repatriation of all requisite assets to a secure location in order to undertake a valuation and disposal strategy.

The sites ranged from London to Lairg (which sits on the same latitude as Norway!) with multi-site occupancy to include HS2 owned facilities. Sites covered considerable areas to include a 10km stretch of new road network and a wind farm covering c20km<sup>2</sup>.

Along with owned assets we liaised with the 16 various finance companies who also had an interest in assets within the company. Utilising MAPS security and Euro Auctions assistance, we secured assets, arranged uplift and have started to sell the construction assets through dedicated construction-based auctions, achieving strong results.

Due to the lack of availability of new construction equipment as a knock-on result of the pandemic, the first tranche of assets have sold very well through three separate live and online auctions to date. A further sale of assets is planned for August.

We were instructed on Roadbridge by Grant Thornton.

## **Major Pharmaceuticals Wholesaler**

One of the UK's largest national pharmaceutical wholesalers with a national network of offices and depots. On appointment we were required to attend all 14 of the companies facilities.

A valuation of all assets and a review of the company stock was undertaken for our clients requirements. We are currently still in the process of working through this case and are liaising with interested parties for various assets across all sites.

Hilco Valuation Services benefits from a national network of five offices with over 40 dedicated valuers able to assist our clients at short notice in order to mobilise and undertake multi-site instructions with ease.



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# ACCOUNTS RECEIVABLE & INVENTORY FIELD EXAM

# INTELLECTUAL PROPERTY

We have continued to see increasing numbers of instructions from lenders and advisors in what shaped up to be a very busy Spring quarter. With the world starting to return to a semblance of normality the team have started travelling to client sites more frequently, though we remain flexible and understanding that not all companies are back in the office fully just yet.

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. Facility sizes range from £1 million to €500 million and the companies are based throughout the UK, EMEA, and North America. We worked on a variety of engagements but with a particular concentration in the commodities industry with steel and steel processing companies a prominent feature.

We are seeing more requests from clients 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 to cope with the existing heavy workload, as well as the anticipated uptick over the rest of the year. We are looking forward to continuing to connect with old and new clients alike over the coming months.



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Despite the effects of Covid-19 very much still being felt in all walks of life including the business community it does feel like we are coming out of the other side of the tunnel. It has been a delight to see our clients in the flesh rather than merely their virtual selves. The recent R3 and SFNet conferences provided fantastic excuses to socialise en masse.

Reflecting the wider market perhaps, the Intellectual Property team have continued to work on an increasing number of ABL assignments and often with a creative or innovative spin. We have seen an increasing number of lenders contacting us to discuss using IP as security and increasing their lending to new and existing customers using non-traditional assets such as brands, software and patents in particular. Where clear and defined current or future revenue streams link to Intellectual Property these asset based lends can create a real win-win for both lender and corporate borrower. Please contact us to discuss any potential opportunities and the requisite valuation advice required.



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# REAL ESTATE

Our predictions in the Spring Newsletter, that whilst it was a busy start to 2022, it would get busier, have proven correct and if the last few months are anything to go by this will continue. Advisory and restructuring engagements have formed a large part of our work across a variety of sectors including leisure, (golf courses, hotels, restaurant etc) manufacturing and residential.

In the last 3 months, some engagements, where the real estate assets were unable to be sold with the trading business, we have subsequently received disposal mandates including commercial properties in North Yorkshire, Manchester, a part completed residential development in Essex (launched this week), and on behalf of Administrators a 200 acre Brownfield Site in Anglesey, designated as an 'Eco Park' for waste to energy, material reclamation and alternative energy.

In a climate of rapidly escalating energy prices and with this brownfield site benefitting from substantial power import and export capability and potential, the disposal has attracted strong interest from across the UK and Europe and we are currently shortlisting bidders.

We recognise the growing importance of the alternative and renewable energy sector, and the Government's commitment to those sectors. Hilco Real Estate Advisory are partnering with a number of specialist consultancy services to ensure that our clients receive 'rounded and holistic' advice on the suitability for alternative and renewable energy projects on Brownfield and under utilised real estate assets to ensure added value is not overlooked. Please contact me for further information on this.

For anyone still considering the purchase of the residential development opportunity as mentioned in the Spring Newsletter, unfortunately, it's too late! Marketed and sale completion completed in 4 months from start to finish.

Finally we continue to grow with our newest recruit, Anthony Hart, who joined the team at Associate Director level on 4th July, further enhancing our capability and reach. We wish all our clients a happy, sunny and busy next few months.

Sector Spotlight: Alternative & Renewable Energy



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# INVENTORY

# ACCELERATED BUSINESS & ASSET SALES

As would be expected given current inflationary pressures across the board, largely as a result of increased costs of energy and oil derived products, together with the impact of the cost of living crisis, the Inventory team are seeing large increases in the number of enquiries and instructions in relation to appraisals for asset based lending purposes.

While freight prices have now stabilised to an extent, costs are still around 5 times the pre-COVID rates, impacting on many sectors but particularly those relying on imports from the Far East. Higher cost prices continue to impact business' cashflow and ABL facilities, particularly where fixed caps are in place which may no longer be reflective of the borrower's needs.

We are seeing activity in most areas, particularly the retail, plastics and steel sectors. We are also experiencing increased activity across mainland Europe, again largely focused on the retail and metals sectors.



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The team continues to be instructed on a growing number and diverse range of businesses.

In 2022 a total of 26 businesses have been marketed so far, including; a London-based steak restaurant chain, a handling equipment manufacturer, a musical equipment retailer, a chain of London based boutique fitness studios, a foam mattress manufacturer and telecoms infrastructure delivery consultancy to name a few. The telecoms business was sold to a telecoms group based in India and reflects the global reach of a researched and targeted marketing exercise.

Accelerated Business and Asset Sales is yet another growth area of our business, where we are able to draw on valuation advice across all asset classes as well as sector knowledge, and one where we anticipate seeing a substantial amount of activity in the coming months in supporting our restructuring clients in an increasingly uncertain economic climate.

Our current sales include a Leading SIPP Provider, a Travel Planning & Insurance App and a Emergency Property Maintenance Services Company can be seen here:

[www.hilcovs.co.uk/sale-type/hilco-abas-sales](http://www.hilcovs.co.uk/sale-type/hilco-abas-sales)



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# IPv4

This Quarter has seen the start of a busy conference season. As sponsors, the team attended events organised by the UK Network Operators Forum in Manchester and the Regional Internet Registry for Europe, the Middle East and parts of Central Asia in Berlin. We are proud to support Europe's Internet community and to assist both buyers and sellers of scarce IP address assets.

Busy conference season kicking off!



After 2021's meteoric rise in prices (during which prices more than doubled and the range of prices swung wildly) the IPv4 address market appears to have stabilised. Some sellers have accepted prices below previous highs.

Pricing of IPv4 addresses over the last few months has taken an interesting turn. In recent years, the price per address for small blocks has been greater than the price per address of large blocks (of 65,546 IP addresses and larger). This dynamic led to sellers breaking up large blocks to be sold in multiple transactions of smaller blocks since this returned more per address for the seller.

2022 has seen the inverse of that, with larger blocks selling for a higher price per address. May 2022 has seen the continuation of this trend with an average price of \$54.47 per IP address, up from April's average of \$54.25 per address. Conversely, while the price for large blocks has been experiencing an increase, small and medium sized blocks have been decreasing in price through 2022.



Given this trend, buyers and sellers may want to adjust their buy/sell strategies and make appropriate adjustments. Current trends indicate that the price of large blocks will remain higher than small and mid-sized blocks in the short term as high demand for these large blocks encourages a higher price per address.



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# LEGALLY SPEAKING

Salina Brindle writes:

## THE INSOLVENCY SERVICE, THE INSOLVENCY PRACTITIONER AND THE LEGAL FINANCER

### RISE IN INSOLVENCIES

For better or for worse, the extraordinary government intervention efforts in response to Covid-19 inadvertently created a debtor-friendly insolvency regime in the UK. The interventions delayed a surge in insolvencies that had been widely predicted at the pandemic's onset, but such measures are unlikely to forestall the wave entirely. In the UK, company insolvencies are expected to increase by 37% this year, positioning the country to become the first major European economy to reach pre-pandemic levels of corporate insolvencies. [1]

There are two leading culprits behind this long-predicted uptick: The end of protective government measures and the onset of new economic challenges - which include increasing inflation, soaring energy prices and post-Brexit trading effects. If history is any indication, economic uncertainty creates an environment ripe for fraud as businesses struggling to survive look for alternate, even if illegitimate, means of income: And that is exactly what we are seeing.

### ABOUT THE AUTHOR



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Salina Brindle is a Vice President in Burford's Asset Recovery business and is based in the London office. She also sits across Burford's Commercial team where she underwrites investments primarily with an insolvency focus.

Prior to joining Burford, Ms. Brindle was an associate at Moon Beaver Solicitors (now Wedlake Bell), where she led the firm's newer business initiatives. Ms. Brindle's practice focused on contentious insolvency with an emphasis on recalcitrant debtors, judgment enforcement and injunctive relief.

### INTRODUCTION

*It was to be expected that the subject of the Covid-19 pandemic and its impact on insolvency activity in the UK would be a regular theme for our 'Legally Speaking' newsletter contributions, and so it has proved.*

*With the cessation of UK government interventions such as BBLs and CBILs to protect companies, the cost of living crisis and geopolitical issues, it appears likely that the inevitable outcome will be an increase in the volume of corporate insolvencies.*

*In this article, Salina Brindle, VP at Burford Capital considers the implications of abuse of protective measures introduced and solutions to addressing directorial fraudulent activity relating to the support provided. Our thanks to Salina for her contribution to this edition.*



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### INCREASED POST-PANDEMIC FRAUD LEVELS INVITE DIRECTOR SCRUTINY

Two of the most well-known supportive measures introduced during the pandemic via the Corporate Insolvency and Governance Act 2020 (CIGA 2020) was the Bounce Back Loans Scheme (BBLs) and Coronavirus Business Interruption Loan Scheme (CBILs). Through these measures zombie companies—those that have easy access to cash with no hope (or intention) of ever paying back—grew in numbers. Those zombie companies are now imploding. Further, such government measures have opened the door for serious corporate wrongdoing. In fact, initial studies into the impact of the pandemic on terrorist financing and money laundering by the Financial Action Task Force noted the misuse of government stimulus funds as the third most significant COVID-related crime after fraud and cybercrime.

In 2021, the Insolvency Service began investigations into businesses that may have abused the BBLs. The Public Accounts Committee's December 2020 report highlighted that the BBLs had "exposed the taxpayer to potentially huge losses". Latest data show that of the £47 billion in UK taxpayers' money disbursed in loans, £17 billion will be lost and of which £4.9 billion, or over 10% of the loans, is due to fraud. [2]

continued

# LEGALLY SPEAKING

Salina Brindle writes:

## THE INSOLVENCY SERVICE, THE INSOLVENCY PRACTITIONER AND THE LEGAL FINANCER

Historically, the dissolution of a company had potential for abuse with the powers of investigation and disqualification under the Company Directors Disqualification Act 1986 not applying to directors of dissolved companies. This meant the Insolvency Service had to follow an expensive and lengthy procedure to investigate the conduct of a director of a dissolved company

On February 15, 2022, The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 came into force. The Act extends the power of the Insolvency Service both to investigate whether directors intentionally dissolved a company to avoid paying creditors and to disqualify individuals from acting as directors for a period between two and 15 years. Three key issues are addressed by the Act:

1. Dissolving companies for the purpose of allowing directors to avoid any investigation into their conduct
2. Stopping directors from avoiding repayment of bounce back loans by dissolving the company and creating a new debt-free entity
3. Targeting those directors who seek to use the dissolution process as an alternative to a more appropriate insolvency process.

## REFERENCES

[1] Allianz Global, "Global Insolvency Report: Growing risk and uneven state support", 18 May 2022.

[2] House of Commons Committee of Public Accounts, "Bounce Back Loans Scheme: Follow-up, Fiftieth Report of Session 2021-22", 20 April 2022.

## INSOLVENCY PRACTITIONERS, FRAUD AND JUDGEMENT ENFORCEMENT

Insolvency Practitioners will similarly be seeing fraudulent activity by directors of companies over which they are appointed, whether these are BBLs related or otherwise. Once judgment has been obtained against a misfeasant director, then will begin the process of enforcement. The Insolvency Practitioner then has to decide whether to incur further cost and how for that process. One of the first questions an IP will be asking very early on within their appointment is whether the target defendant has assets.

This is where a reputable Asset Recovery team can assist to maximise returns to creditors: Through a combination of intelligence, on-the-ground source contacts, financial investigation, discovery and a good understanding of the law across jurisdictions, all of which is particularly important in complex cross-border matters.

## LEGAL FINANCE SOLVES MULTIPLE INSOLVENCY RECOVERY CHALLENGES

Some leading legal finance providers, while remaining passive investors in the matters they fund, offer value-added solutions and expertise that complement insolvency recovery strategies. We have an in-house asset recovery business. Contentious insolvencies often involve recalcitrant debtors who create costly and complex obstacles to enforcement by evading service, moving to debtor-friendly jurisdictions and delaying proceedings. We offer an all-in-one solution pursuing defendants, providing both the capital and the expertise to pursue complex enforcement strategies.

UK insolvencies are on the rise, and the country's Insolvency Practitioners know that obtaining a judgment against a defendant is not the end of a matter. Practitioners handling contentious insolvencies will consider all available resources to maximise returns to creditors. To best accomplish this goal, partner with a legal finance provider that has both a dedicated in-house asset recovery team as well as the capital to fund asset tracing and judgment enforcement efforts.

# COMPANY NEWS

## WELCOME TO THE TEAM!

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Over the last few months we have been delighted to welcome several new members to our team as we continue to see growth across all our departments. In our London office we have welcomed **Ryan Brenner as an Analyst within our Intellectual Property team**, **Kuba Hliwa as a Trainee Appraiser within our Inventory team**, **James Playle as an Assistant Appraiser within our Machinery & Business Assets team** and **Anthony Hart as an Associate Director in our Real Estate team**. We have also welcomed **Chris Chambers as a Field Examiner in our Accounts Receivable & Inventory Field Exam team** in our Leeds office.



Ryan



Kuba



James



Anthony



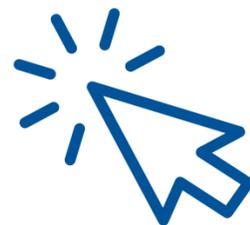
Chris

During the summer months we are also thrilled to welcome **Abby Shaw** who has joined us as an Intern within our Intellectual Property team in Glasgow and **Alfie, Louisa and Katie** who are doing summer work placements in our London office.

## OUR WEBSITE HAS A NEW LOOK!

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You can discover more about Hilco Valuation Services Europe on our website than ever before! At Hilco we pride ourselves on our **expertise across sectors** and the **experience of our skilled team**. Explore our website for further information on our services, sector experience and find case studies of our previous work as well as keeping up to date with our latest sales and company news.



## A NEW HOME FOR OUR MANCHESTER OFFICE

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Our Manchester office have relocated to **82 King Street, Manchester, M2 4WQ**.

We look forward to welcoming you soon!



# COMPANY NEWS

## PEER-TO-PEER NETWORKING EVENT WITH FRP

We were delighted to co-host a **peer-to-peer networking event with FRP Advisory** in March. This event was well attended by younger professionals from all types of financial and legal backgrounds and the feedback from clients was very positive. We hope to expand the number of these events in the future and will look to include breakfast and lunch seminars with guest speakers over the coming months.

## THE RETURN OF INDUSTRY EVENTS

In a change to recent years, we are thrilled to see a **return of in-person networking** and have enjoyed both **sponsoring** and **attending** several industry events over the last few months. It is great to see our clients again and catch up in person. Long may this continue!



R3 Annual Conference

IPv4.Global at RIPE84



and UKNOF49

SFNet Conference Opening Reception



R3 Scotland and WOSIF Quiz

