



Assessing short- to medium-term cashflow needs of your global entities

Client name:

A small Australian subsidiary under a listed Japanese company.

Industry:

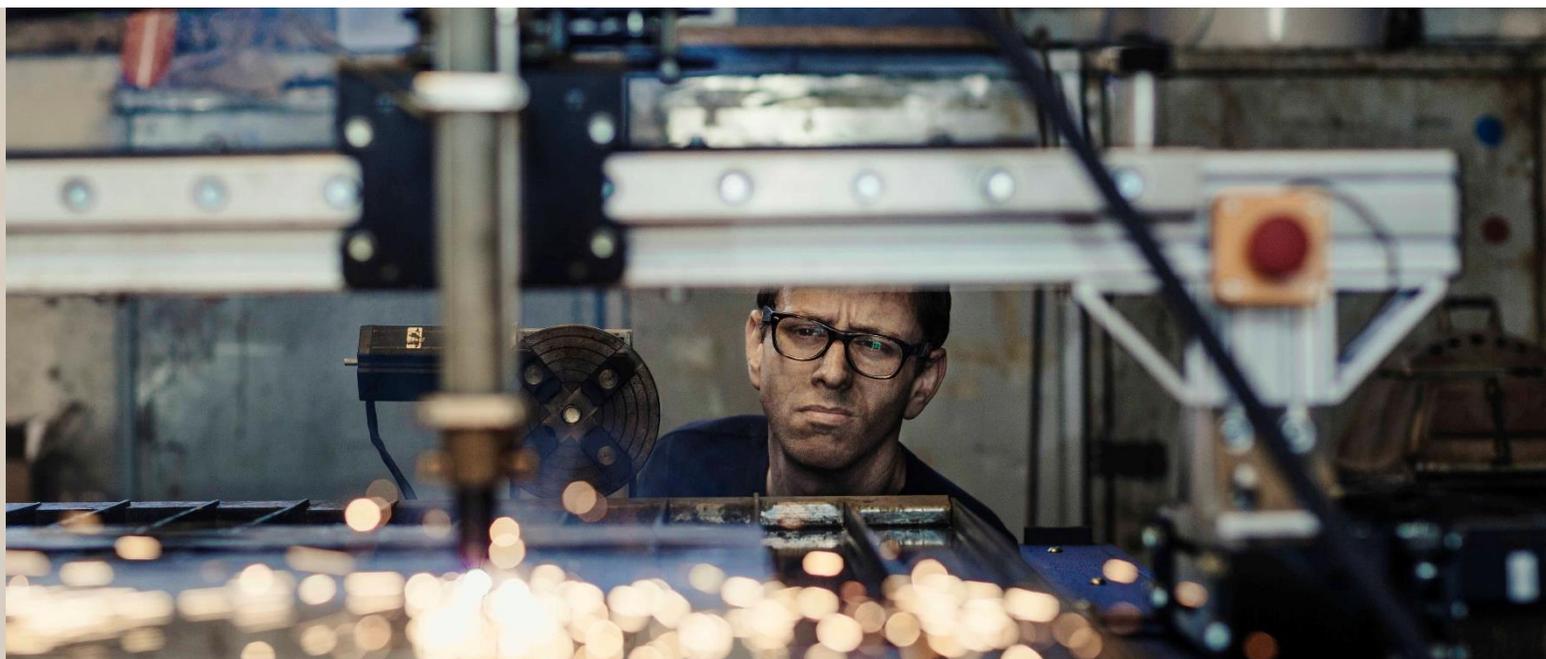
Manufacturing and distribution.

Client challenge:

Assessing whether to continue financing the non-core overseas subsidiary with cash flow problems.

Grant Thornton services:

Restructuring advisory (Lender Support) and the Japan Practice.



Banks are not the only entities that lend money. Japanese parent entities often finance subsidiaries, leveraging the lower cost of borrowing in Japan.

The outbreak of COVID-19 imposed significant cash flow challenges on many businesses globally. Travel restrictions and ongoing uncertainties continue to prevent Parent entities from assessing the operational 'health' of overseas subsidiaries on the ground. The Grant Thornton team can provide this local support to Japanese parent entities.



Grant Thornton
Australia



Lender Support



Client challenge

A reputable Japanese company (Parent company) acquired an Australian entity operation prior to the outbreak of COVID-19. The Australian entity was one of a number of operations within the packaged M&A deal.

Three months post the acquisition, the global pandemic began to impact economies around the world, including Australia. While the Parent company had made post-merger-integration efforts, the Australian subsidiary continued to face cash and liquidity problems and requested the Parent company to finance its working capital needs.

With stringent travel restrictions, the Parent company could not send Japanese management to Australia or take a hands-on approach to tackle the tough market environment, operational challenges and people and leadership dynamics.

The Parent company was faced with the challenge of determining the creditworthiness of the Australian subsidiary for further lending as quickly as possible – while also ensuring the business continued to operate effectively in the short to medium term.

The solution

The team at Grant Thornton was engaged to quickly deliver a financial report to the Parent company within the tight schedule, which was driven by a Board meeting in Japan.

Taking into account the cultural and sensitive nature of the dialogue, Grant Thornton spent a lot of time ensuring they understood the Parent company's needs. Together with the Parent company, Grant Thornton focused on the key financial and operational objectives of the business.

Lender support services allow for a pro-active assessment of a company's financial, management and security profile. The report developed covered a company and industry overview, benchmarking, adequacy of cash flow and forecasts, review of business plans and alternative methods of financing.

The outcome

One option for the Parent company was to sell the Australian business. However, it became clear from the review that it wasn't ready for sale.

The team continued to support our client to keep this business's doors open, while also looking for a local strategic partner.



“Whether your international business is big or small, a support network in the jurisdictions in which you operate is crucial.

This is especially so in jurisdictions where you have no experience, when responding to change – and when other dynamics mean you can't be present in the countries needing attention, as seen with COVID-19’

Shoko Arakawa
Japan Practice Leader, Grant Thornton