



Turnaround & Restructuring Newsletter

Sept/Oct 2023



Views from our leaders

Wanya du Preez and Justin Hughes, Senior Managers

Anyone who has [considered buying or] bought a property in the last couple of years will be familiar with the fluctuations in the interest rate and the material difference a higher interest rate can make on finances and cash flow.

In 2020, it was possible to buy a property in certain regions of the United States with a 15 or 30-year fixed interest rate below 2%. In September 2023, fund.com was advertising its recognized 15-year refinance rate at 6.9% and its recognized 30-year refinance rate at 7.8%.¹ The Federal Reserve has increased interest rates 11 times between March 2022 and July 2023.² Given the median value of a home in many regions of the United States today, a higher interest rate can easily equate to higher payments.

The rising interest rates have created difficulties for the private equity firms and their respective portfolio companies over the last year. Acquisitions or investments that were financed with variable debt have suddenly become more expensive, prompting many private equity firms to assess where cash is tied up in order to use such cash to fund these higher payments. Portfolio companies have seen their interest charges increase, while still operating in similar business

environments, albeit with higher inflationary costs.

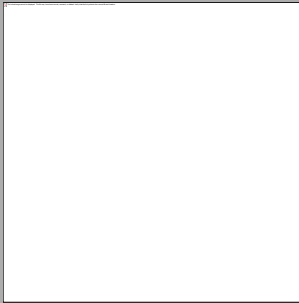
The good news is that when the problem statement is “we need more cash!”, the opportunities for us to assess different aspects of the business, are significant. Starting with how sales teams are compensated through to the systems and tools used to run (and ideally streamline) operations; a broader problem statement allows for more opportunities.

Over the last several months, the Deloitte Cash and Working Capital team have been able to identify cash opportunities for private (and public) businesses across the globe. In addition, we are excited to continue helping our clients position themselves for success.

¹[Source: Fund.com Mortgage Refinance Rates 2023](#)

²[Source: Forbes article: Federal Funds Rate History 1990-2023 by Taylor Tepper, July 26, 2023](#)

Our latest eminence



Finding Cash on the Balance Sheet

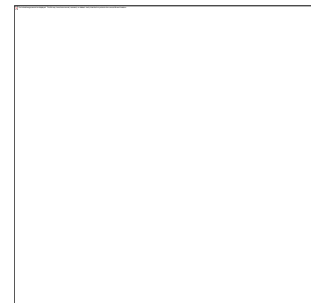
Explore how companies could improve their working capital management to help unlock liquidity for investment, amid persistent headwinds.

[READ MORE](#)

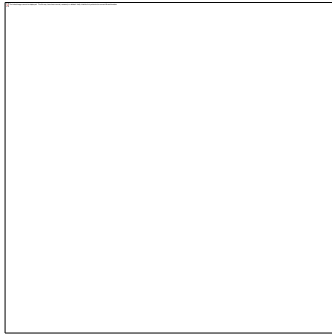
Recent engagement

Construction company

Deloitte T&R served as a financial advisor to a large private construction company that suffered significant losses mainly from complications associated with a difficult Enterprise Resource Planning implementation. The company had to arrange a significant loan from its longstanding lender. That short term financing was maturing and the company needed to renegotiate renewed funding as maturity neared. Deloitte T&R was able to provide advice and recommendations as in connection with the company’s evaluation of its business plan and to support the company in its discussion with its lender regarding such business plan.



Upcoming Dbriefs Webcast



Unlocking value through tax-free spin-offs in volatile market cycles

October 26, Thursday | 1:00 PM ET

Participants will identify elements to become prepared sellers and unlock value in the current market environment.

[Register](#) to learn more.

Additional insights

Looking for an approach to accounting for a Chapter 11 reorganization? [Read our latest insights](#) to find out.

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