

How restructuring prepared an early-stage business for listing on AIM

A case study from Terry Irwin

My client ran an early-stage internet-based company. At the time I was retained it had been operating with limited success. Revenues were modest, the monthly cash burn was imposing, and cash was rapidly running out. The company had tried – but failed – to raise additional finance.

My mentoring objectives

I agreed to mentor the company with two aims in mind:

- to restructure it to stretch its limited cash resources as far as possible
- to position it so that it would be able to raise finance to fund its growth phase.

Preserving and stretching cash

I carried out a detailed cost review, which identified:

- duplication and inefficiency among the team
- disjointed and poor execution
- a lack of cohesive, effective supplier relationships.

As a priority, I restructured the management and team to eliminate duplication and bring greater focus to execution.

I also introduced competitive buying practices. The significant savings that ensued made it possible to stretch the available cash resources a further four months, giving management much-needed breathing space.

Unworkable strategies

I then turned my attention to positioning the company for the next funding round. It became clear to me that the company's existing business plan and underlying business model were unworkable, and that obtaining financing would be virtually impossible.

Management accepted that contention and commissioned me to completely restructure the business model and write a new business plan.

I proposed adding complementary business units to leverage the existing operations, introducing a vertically integrated business model with a 360° perspective (well before they became popular). This not only created the potential for multiple revenue streams, but also

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introduced the notion of recurring revenue streams. The latter, in turn, resulted in greater enhanced value and, potentially, a higher multiple on exit.

The client accepted my proposals, and then commissioned me to execute the initiatives and integrate the new business units into the existing organisation.

Growth funding procured

Before the existing cash resources expired, a successful initial public offering on AIM raised £3 million, which underpinned the growth phase of the venture.

For more information about company mentoring, [email me](#) or call me on **020 7099 2621**.