Journal of Investment and Management
2014; 3(3): 42-50
Published online September 20, 2014 (http://www.sciencepublishinggroup.com/j/jim)
doi: 10.11648/j.jim.20140303.11
ISSN: 2328-7713 (Print); ISSN: 2328-7721 (Online)

Rethinking target's private equity process in turnaround situations

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To cite this article:
Giuseppe Tardivo, Milena Viassone, Marco Vulpiani. Rethinking Target's Private Equity Process in Turnaround Situations. *Journal of Investment and Management*. Vol. 3, No. 3, 2014, pp. 42-50. doi: 10.11648/j.jim.20140303.11

Abstract: Given the increasing role of PE investments in restructuring the trend of acquisitions, its process needs an organizational change in order to cope with crisis situations. Despite several papers have emphasized the important role of PE both in M&A transactions and in turnaround situations no research crosses these two aspects. This paper bridge this gap, proposing a rethinking of the target's PE Process in turnaround situations creating value for the target and preparing it for the takeover. This purpose is achieved throughout a literature review and the description of a new PE process throughout the paradigmatic case study of the sport company Brown Ltd. Finally corrective actions are implemented. Results show how a turnaround situation needs a new PE process, developed in 3 main phases (crisis analysis, recover and development) through which it creates value for the target. Main limits consist in the application of the new PE process to a single case study and the lack of an empirical support able to generalize it. The findings help identify drawbacks and set an agenda for future work. This new process could be tested also on other industries and firms of different size, providing a practical adaptation of the PE process in crisis situations and adopted by consulting agencies after testing also its effects in the long term.

Keywords: Private Equity, Acquisitions, Turnaround, Value Creation

1. Introduction

In the last decades Private Equity (PE) investments have restructured the trend of acquisitions and aided in creation of value [1, 2]), assuming an increasing important role at world level [3-7]. The PE industry seemed "to be stuck in a rudderless recovery through the end of 2012": in that year "PE conditions in North America were reasonably strong", PE of China and India captured much investors' enthusiasm and "Latin America held up well" [7]. At the same time, we assist to a continuous increase of crisis and turnaround situations [9, 10] and turnaround investment opportunities [11]. In fact, as asserted by Young [11] "in any recession, opportunities will emerge to buy assets cheaply and create real value by effecting operational turnaround for the stressed company". In this context can PE process be structured in the same way or does it need new roles? Both literature [12-14] and practice [14] seem to support the idea that in this scenario the traditional phases of a PE Fund's Life Cycle, corresponding to fundraising-acquisition search-investments-growth valuation-exit [15-18], should be reconsidered. Despite several papers have emphasized how PE can be helpful in facilitating cross border mergers and acquisitions [19] and in increasing the value of the target [20, 21], there is a scarce literature on the role of PE in presence of a turnaround situation for preparing firms for a takeover, while most of existing papers focus on the advantage of the PE itself in fixing turnaround situations [22] or on approaches to assess turnaround opportunities throughout PE [23] or relating to specific topics like CSR [24]. In addition none of them explains clearly the rethinking of target's PE process in turnaround situations.

In this paper - throughout the paradigmatic case study of the company "Brown Ltd", belonging to the sport industry we suggest a new sequence of phases to be followed in presence of a turnaround situation during a PE investment in order to improve the performance of the target, thus preparing it to be purchased.

In the following sections, we first identify the most important literature on the role played by PE both in M&A transactions and in turnaround situations while, in a second moment, we accurately describe the research model adopted.

We then propose our new PE process in the concrete turnaround situation of the company "Brown Ltd". This allows to discuss theoretical and practical implications of the paper in the last section and to emphasize limits and future developments of the same.

2. Literature

2.1. M&A Transactions: The Importance of PE

There is a higher and higher interest in literature on the role played by PE and PE firms in merger and acquisition transactions [25, 26]. A branch of literature has examined the role of PE in M&A as investor [27], stressing their ability to provide domestic firms with funding and increase value in the portfolio firms and to manage firms thanks to a peculiar governance structure and size of investment [19, 28]. Furthermore, especially when participating in international deals and M&A transactions, they are able to reduce information asymmetries and they develop important networks of contacts [19, 29-31]. In fact, from the perspective of the bidder, these networks are useful to help a PE-backed firm to identify and assess promising cross-border targets and collect financing for the deals [19]. Literature attributes a controversial role to PE acquisition with reference to employment [32-34]: someone thinks that it negatively affects employment [35], due to the fact that takeover could facilitate the reigning in of managers and that changes in ownership can allow for the recasting of internal relations, with consequent downsizing and liquidation of assets [36]. Some others underline its very positive role on employment in terms of increase of employees' involvement [37] and practices [38]. In addition, a very important role is played by PE in the pre-takeover phase when PE firm, "providing capital enables the acquisition of assets that can provide for better returns in the long term" [39] and help the target become more attractive. Improving the performance of the target company is what the best private-equity firms must pursue [20]. Barton and Uhlhorn [40] describe a peculiar role played by PE firms in the pre-acquisition phase in order to implement an environmental performance strategy that can impact the purchase price of the target company. Our paper focuses its attention on the role played by PE in this phase, in particular when the firm faces a situation of crisis and undertakes a turnaround strategy.

2.2. The Role of PE in Turnaround Situations

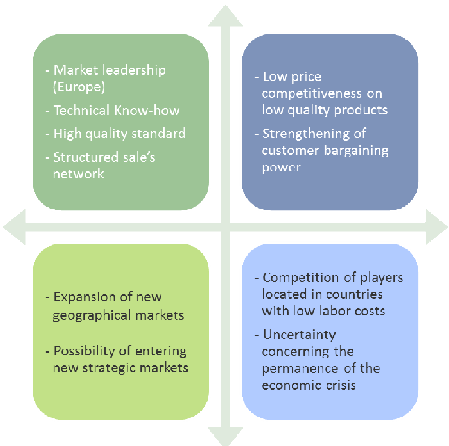
Nowadays, as asserted by Calandro [23], "economic distress can cause corporate returns to decline due to reduced consumer demand and lower prices"; in this scenario, a continuous increase of crisis and turnaround situations is the rule [9, 41, 10] and managers unable to face some particular situation are replaced by turnaround specialists, able to make firm structure profitable again [23]. In this scenario PE plays a more and more important role; in fact:"distressed PE has become an increasingly popular investment strategy, with institutional investors looking to gain exposure to companies in financial distress as a result of the difficult economic climate" [27].

Distressed debt shows unique characteristics: a very high importance of local lows and regulations, the presence of a significant competitor like hedge funds, the divergent investment strategies pursued by fund managers, the fact that investment opportunities in this sector are counter-cyclical to the general economy [42]. As asserted by Calandro [23] PE firms are able to mitigate the risk of negative experiences in periods of crisis "by approaching turnaround valuation and exit planning conservatively and then by aggressively implementing their business plan to its targeted exit". In turnaround situations, PE can "bring to the table": "an active partnership with management", "a three-to-five-year view" and "fresh capital" [43]. Furthermore, PE is both very active in the M&A and in investing large amounts in order to prepare firms to be acquired. In addition, one of the primary roles of banks and PE firms is to be the primary source of financial support for firms in distress [39]. PE firms "are now looking at competitor PE firms as a source of deals or as an exit strategy" [44]. In the current scenario also the activities of PE funds are more and more debated in literature because of the large amount of capital devoted to them [45, 46] and thanks to the role played by fund managers in the firms they finance [45, 47]. The traditional phases of a PE Fund's Life Cycle correspond to: fundraising (raising capital from investors); the acquisition search and the investment of the capital in well-performing companies; a growth valuation; exiting the investment with the distribution of profits [15-18]. Anyway, in a context characterized by a continuous increase of crisis and turnaround situations, the PE process needs an organizational change [12, 13]. In particular there are five stages in the turnaround process: Management Change, Situation Analysis, Emergency Action, Business Restructuring and Return to Normality [48]. According to Cuny and Talmor [22]:"the corporate board commits to a strategy"….."that will maximize the expected firm value", then the manager "decides upon her level of co-operation with the report production", "…the consultant produces the turnaround report" and, finally, if turnaround is feasible, the board decides "whether or not to execute the plan".

This requires the adoption of a new organizational paradigm able to change the scheme of the traditional PE Fund's Life Cycle: this could be developed in 3 phases (crisis analysis, recovery and development) thanks to which it could create value for the target preparing it for a future acquisition; this constitutes an attempt to reduce the discrepancy between academic research and empirical observation [49].

3. Research Methodology

The present study aims at describing an innovative process of PE to be adopted in case of crisis when it is suitable to take a turnaround strategy in order to create value and to improve the performances of the target, thus preparing it for an acquisition. To achieve this objective and to offer a description of a new sequence of phases throughout which to structure processes of PE in case of shocks or turnaround situations, a review of literature on the important role of PE in M&A transactions and in case of turnaround situations has been provided. In a second time this is shown throughout a paradigmatic case study of a firm based in Europe and belonging to the sport industry: the Brown Ltd. It was acquired by a PE fund and its original plan was to develop the business and way out by a listing of the Company in the Stock Market. Notwithstanding the strong positioning in the reference market, in the last years the company has suffered the competition of players located in countries with low labor costs and the uncertainty concerning the permanence of the economic crisis which has negatively affected the overall consumptions. Therefore, in the last years, this firm has been characterized by a special situation of distress, with an urgent need for a turnaround/restructuring plan. In this paper, a description of such a plan (referred to the period FY12-FY16) has been analyzed, detailing the main actions of the turnaround. The final purpose of the turnaround strategy was the recovery from a situation of distress in order to get back to a situation of value creation in a negative context. This case study is developed through the industry analysis, SWOT analysis of the Company, determination of its key critical success factors with the analysis of key figures, profit and loss statement, volumes and revenues for business area, percentage costs, personnel costs, balance sheets, trade receivables and payables, inventory and net financial position. In particular, changes in the external context have been considered: the aim is implementing the corrective actions with respect to the original plans and the debt restructuring, in addition to advance forecast of key figures. Results allow to promote possible strategies and draw practical and theoretical implications for the future.



Source: Personal Elaboration.

Figure 1. *Brown SWOT analysis.*

4. Brown Ltd: An Application of the 3-Step PE Process

4.1. Crisis Analysis - Brown Overview and Positioning

Brown[1] is a company ("Brown" or the "Company") specialized in the production and sale of fabrics, primarily for the manufacturing of Sports Wear ("Sportswear") and Ski Equipment ("Skiwear"). Brown's main customers are producers and distributors of the sport sector with a geographic focus in Europe.

Table 1. *The historical key financials of the Company.*

GBP/mln	Actual -3	Actual -2	Actual -1	Actual 0
Net Revenues	131.5	138.7	139.7	80.8
EBITDA margin (%)	4.5%	8.1%	6.7%	(5.0%)
Net Financial Position	22.8	20.7	34.2	30.4
Workforce (units)	605	584	510	480

Source: Financial Statement Brown Ltd.

As anticipated, Brown mainly operates into the European market. Notwithstanding, the Extra-UE market shows a meaningful increase of value, offering possibilities to increase exports, considering that the main competitor of European Companies are the US ones. The global market of fabrics is growing and it is expected to grow in the upcoming years with Asia playing an important role into it.

Brown's strategic positioning within the market has been analyzed with a SWOT analysis.

Table 2. *Production and Consumption Geographical Breakdown (%).*

Skiwear & Sportware Fabrics Market Value (consumption) (%)			
Europe	Asia	US	Rest of the world
30%	27%	37%	6%
Skiwear & Sportware Fabrics production (%)			
Europe	Asia	US	Rest of the world
35 - 40%	included in rest of the world	30%	30-35%

Source: personal elaboration

The main identified strengths of the company are:

- market Leadership; the company have developed a good relationship with the customers and a leading position in the market, mainly thanks to high standard quality level, to innovative production capability, to high level of customer care and post-sales services;
- know-how; the know how is the basis for high levels of production quality and process reliability and capability to meet specific complex needs;
- quality; the high quality standard in fabrics production, give a the company a competitive positioning in the European market;
- sales Network; the company has developed strong commercial relationships with other European companies.

The main weaknesses of the company are:

- price; the company faced low price competitiveness by the low quality producer;
- customer; the company suffered from the strengthening of customers bargaining power, as consequence of a declining level of demand and a stable supply level.

With reference to the market, the following opportunity has been identified:

- market; in the recent years, geographical market

[1] For confidentiality reasons the name of the company is not the real one. Some other information relevant to the Company have been changed for the same reasons.

expansion and new entering opportunity arose, thanks to the market development of the emerging markets;

The following threats have been also identified:

- competition; the entrance of a new players in the market, mainly located in the emerging market, implied a harder competition with lower prices, obtained by lower labor costs of far East competitor;
- environment; the general economic outlook is uncertain, mainly due to the permanence of the economic crisis in the Euro zone.

In the last years Brown faced a huge reduction of sales revenues, as reported in the following table, with consequent significant losses:

With respect to the volumes and revenues per Business Area, the main results for the historical period are the following:

- total volumes decreased (CAGR in the period of about -11,8%), as a consequence of the economic crisis;
- in particular, there was a decrease of about 12.3% (CAGR) for Sportswear and a decrease of about 8.2% (CAGR) for Skiwear.

Table 3. *Profit and Loss of the Company*

Profit & Loss	Actual -3	Actual -2	Actual -1	Actual 0
(GBP/mln)	Historic	Historic	Historic	PreCons
Net Revenues	131.5	138.7	139.7	80.8
(Raw materials)	(73.6)	(77.0)	(79.3)	(46.9)
(Services)	(11.3)	(10.4)	(10.9)	(6.5)
Gross Profit	46.6	51.3	49.5	27.4
(Personnel cost)	(21.5)	(21.8)	(22.6)	(16.5)
(Use of third party assets)	(0.8)	(0.8)	(0.8)	(0.9)
(Other indirect costs)	(18.3)	(17.4)	(16.6)	(13.9)
(Reserve for depreciation)	(0.1)	(0.1)	(0.1)	(0.1)
(Market Risk)	-	-	-	-
EBITDA	5.9	11.2	9.4	(4.0)
EBITDA margin (%)	4.5%	8.1%	6.7%	(5.0%)
(Amortization)	(5.0)	(4.7)	(4.2)	(4.2)
(Other provisions)	-	-	(0.1)	(0.2)
EBIT	0.9	6.5	5.1	(8.4)
EBIT Margin (%)	0.7%	4.7%	3.7%	(10.4%)
Net financial income/(expense)	(0.7)	(1.0)	(1.6)	(1.5)
Other income/(expenses)	-	(0.1)	(0.7)	(1.2)
EBT	0.2	5.4	2.8	(11.1)
EBT Margin (%)	0.2%	3.9%	2.0%	(13.7%)
(Taxes)	(0.9)	(1.6)	(1.7)	(0.2)
Net result	(0.7)	3.8	1.1	(11.3)

Source: personal elaboration

Table 4. *Balance Sheet of the Company.*

Balance Sheet	Actual -3	Actual -2	Actual -1	Actual 0
(GBP/mln)	Historic	*Historic*	*Historic*	*PreCons*
Property, plant and equipment	39.1	37.4	38.5	51,2
Intangible assets	0.2	0,1	-	-
Investments	0.4	0,1	0.1	0,9
Non-current assets	39.7	37,6	38.6	52,1
Trade receivables	24.3	24,1	27.8	16,8
(Trade payables)	(22.2)	(20,8)	(22,5)	(15,3)
Ohter receivables/(payables)	3.1	1,3	0,6	(1,5)
Inventories	25.9	27,6	32,8	23,3
Net Working Capital	31.1	32,2	38,7	23,3
(Provisions)	(15.8)	(13,3)	(10,4)	(9,1)
Net Invested Capital	55.0	56,5	66,9	66,3
Share capital	5.0	5,0	5,0	5,0
Reserves	28.0	27,1	26,6	42,2
Income/(loss) of the period	(0.8)	3,7	1,1	(11,3)
Total shareholders' equity	32.2	35,8	32,7	35,9
Short term borrowings	24.6	22,5	34,8	31,0
Long term borrowings	0.8	0,6	0,4	0,3
(Cash and cash equivalents)	(2.6)	(2,4)	(1,0)	(0,9)
Net Financial Position	22.8	20,7	34,2	30,4
Total covering net invested capital	55.0	56,5	66,9	66,3

Source: personal elaboration

The Net Financial Position showed a significant increase, about +10% (CAGR) in the period, due mainly to an increase in short-term debt towards banks, about +8,1% (CAGR) in the period.

During the analyzed period, there was an increase in the inventory of finished products and a growth in stocks of raw fabrics as a consequence of the reduced sales.

From a preliminary analysis made on historical data, it turned out that the main last year's difficulties were determined by both external and internal factors.

The main external factor is the economic-financial crisis, which has deeply affected the whole industry. The negative effects of economic performance has also affected the financial debt (mainly composed of bank loans).

With the turnover decline, the possibility of requesting funding on exports has been reduced and hence it was necessary to postpone the repayment date of some financial advances.

The main internal factors which affected the losses were relevant to the high fixed costs, mainly due to personnel (overstaffed for the reduced level of productions) and, more in general, to the high cost of production, no longer competitive with the Far East competitors.

Another important internal critical issue is represented by the high level of financial debt, as a consequence of the Leverage Buy Out carried by the investors in the acquisition of the Company.

4.2. Recovery Plan

Table 5. *Projections of profit and loss of the Company*

Profit & Loss	Actual +1	Actual +2	Actual +3	Actual +4	Actual +5
(GBP/mln)	**Budget**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Net Revenues	89.1	106.8	117.6	126.5	135.3
(Raw materials)	(49.6)	(59.5)	(65.7)	(70.8)	(75.9)
(Services)	(5.6)	(6.6)	(7.5)	(8.3)	(9.1)
Gross Profit	33.9	40.7	44.4	47.4	50.3
(Personnel cost)	(12.1)	(14.1)	(15.3)	(17.1)	(18.5)
(Use of third party assets)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
(Other indirect costs)	(13.5)	(14.9)	(15.8)	(16.5)	(17.4)
(Reserve for depreciation)	(1.0)	(0.1)	(0.1)	(0.1)	(0.2)
(Market Risk)	-	(1.1)	(1.2)	(1.0)	(0.8)
EBITDA	6.7	9.9	11.4	12.1	12.8
EBITDA margin (%)	7.5%	9.3%	9.7%	9.6%	9.5%
(Amortization)	(4.1)	(4.4)	(4.4)	(4.7)	(5.3)
(Other provisions)	(0.3)	-	-	-	-
EBIT	2.3	5.5	7.0	7.4	7.5
EBIT Margin (%)	2.6%	5.1%	6.0%	5.8%	5.5%
Net financial income/(expense)	(1.5)	(1.3)	(1.2)	(1.0)	(0.9)
Other income/(expenses)	-	-	-	-	-
EBT	0.8	4.2	5.8	6.4	6.6
EBT Margin (%)	0.9%	3.9%	4.9%	5.1%	4.9%
(Taxes)	(0.6)	(1.1)	(1.1)	(3.0)	(3.2)
Net result	0.2	3.1	4.7	3.4	3.4

Source: personal elaboration

On the basis of an historical economic-financial analysis, aimed to provide an indication of the company financial situation through the analysis of liquidity, operating profitability, coverage, turnover and financial leverage ratios, the following corrective initiatives have been identified to amend the historical negative trend:

- production: outsourcing of some production phases, especially the phases related to the low added-value process. Other savings have been pursued from the replacement of the volumes purchased from European supplier with equivalent products purchased from other Far East suppliers;
- staff: actions aimed at the progressive reduction of staff, as a consequence of the outsourcing strategy implementation;
- managers: streamlining of the management, with a reduction of about 15 units;
- foreign branches: cost reduction of the foreign branches (with the dismissal of part of the weaving department, allowed by the purchases of similar raw fabric produced by others);
- utility: renegotiation of a more advantageous contract with a new utility supplier (more than 80% due to the contract for fuel);
- products portfolio: introduction of new products (new kind of fabrics);
- debt: need to fund the import financing, export financing and sales growth.

On the basis of the actions described above, the following projections have been developed.

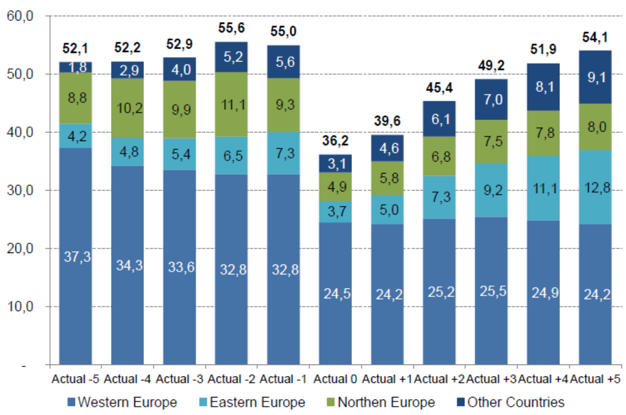
Table 6. *Projections of balance sheet*

Balance Sheet	Actual +1	Actual +2	Actual +3	Actual +4	Actual +5
(GBP/mln)	**Budget**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Property, plant and equipment	49.4	45.1	43.8	44.3	44.1
Intangible assets	0.1	-	-	-	-
Investments	0.9	0.9	0.9	0.9	0.9
Non-current assets	50.4	46.0	44.7	45.2	45.0
Trade receivables	15.9	18.6	19.8	20.7	21.3
(Trade payables)	(13.2)	(16.1)	(17.7)	(19.0)	(20.3)
Ohter receivables/(payables)	(0.8)	(1.2)	(1.4)	(1.8)	(2.0)
Inventories	20.2	24.1	26.4	28.2	30.0
Net Working Capital	22.1	25.4	27.1	28.1	29.0
(Provisions)	(7.5)	(7.1)	(6.7)	(6.9)	(7.0)
Net Invested Capital	65.0	64.3	65.1	66.4	67.0
Share capital	5.0	5.0	5.0	5.0	5.0
Reserves	30.9	31.1	34.3	39.1	42.5
Income/(loss) of the period	0.3	3.2	4.8	3.4	3.5
Total shareholders' equity	36.2	39.3	44.1	47.5	51.0
Short term borrowings	3.4	-	-	-	-
Long term borrowings	25.9	25.9	23.1	20.2	17.2
(Cash and cash equivalents)	(0.5)	(0.9)	(2.1)	(1.3)	(1.2)
Net Financial Position	28.8	25.0	21.0	18.9	16.0
Total covering net invested capital	65.0	64.3	65.1	66.4	67.0

Source: personal elaboration.

The volumes forecasts have been developed with a specific focus on Sportswear and Skiwear fabrics. Sportswear fabrics volumes assumptions have been developed with a focus on the three markets of Western Europe, Eastern Europe and Northern Europe. For each of the three markets, three scenarios have been examined (best case, average case and worst case). As represented below, the only market in which the sales are predicted to decrease, in each of the three scenarios, is the Western Europe one. The other two markets, in consideration of the growth phase, are expected to increase during the forecasted period.

For Skiwear fabrics, the forecasted volumes are expected to grow in the period and, based on the analysis conducted, the evolution for the upcoming years of the Skiwear industry has been estimated and related to historical market share of Brown.



Source: personal elaboration

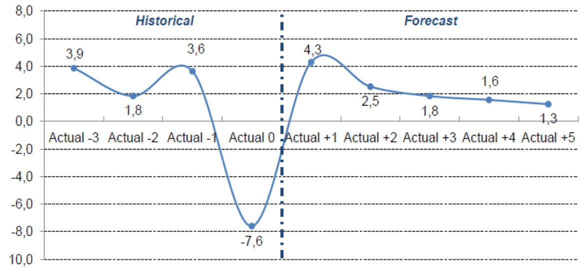
Figure 2. *"Sportswear" Volumes, Historical and Forecast (m/mln).*

Capex have been assumed for investments finalized to make more efficient the production activity (layout improvement, automation of the finished products warehouse, optical inspection, heat recovery, etc.).

For Working Capital, a gradual return to the historical collection conditions is expected, with days of collection assumed to be flat and in line with the historical trend.

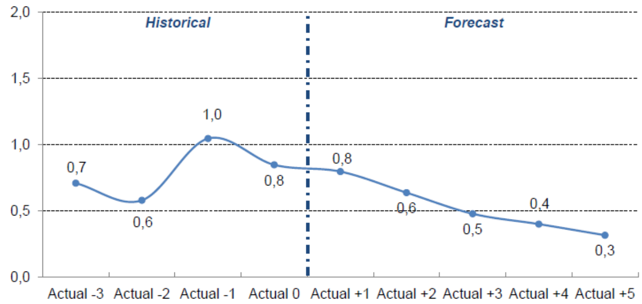
For the Net Financial Position, a debt restructuring process has been assumed, with a gradual reduction of the Long Term Debt amount, mainly as a consequence of operating cash flows recovery. The financial feasibility of the plan is based on the availability of the actual debt holders to renegotiate term and conditions of the credit facilities. In conclusion, in the recovery plan, significant cost cutting actions (in particular personnel reduction) have been identified to adapt the production capacity and the operating leverage of the Company to the recent evolution of the market demand.

In conclusion, on the basis of the previously highlighted strategic actions, a substantial recover of the main financial indexes is expected in the further years of the plan, when revenues are expected to recover historical level.



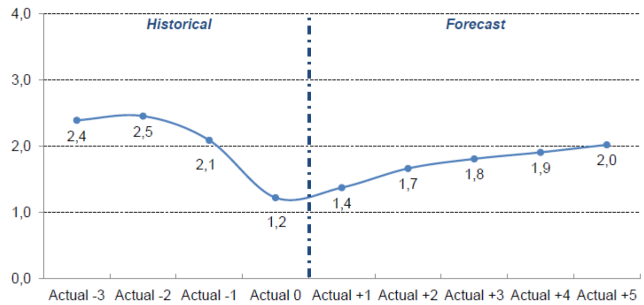
Source: personal elaboration

Figure 3. *Net Financial Position/EBITDA.*



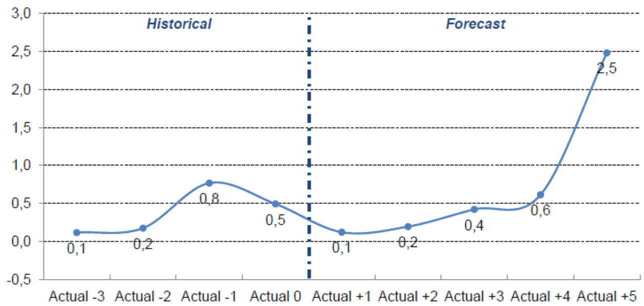
Source: personal elaboration

Figure 4. *Financial Leverage.*



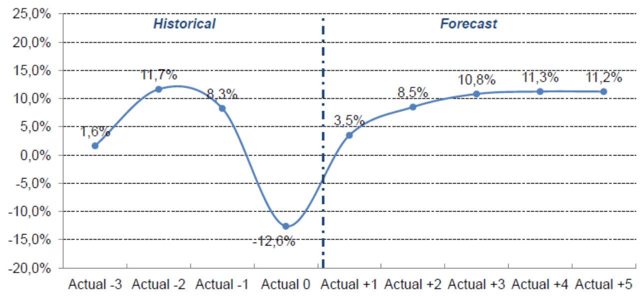
Source: personal elaboration

Figure 5. *Net Asset Turnover.*



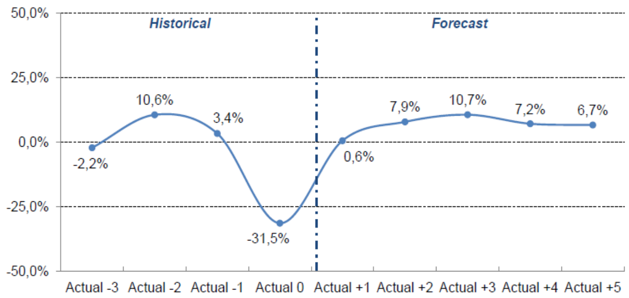
Source: personal elaboration

Figure 6. *Average Debt Service Coverage Ratio*



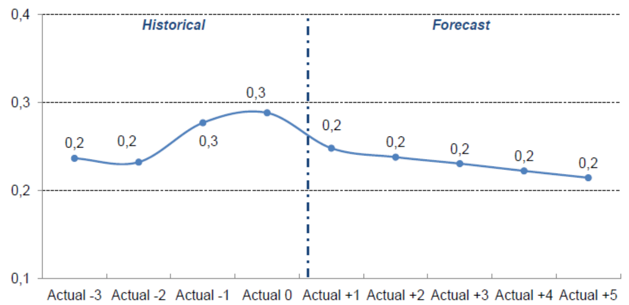
Source: personal elaboration

Figure 7. *Return On Investment.*



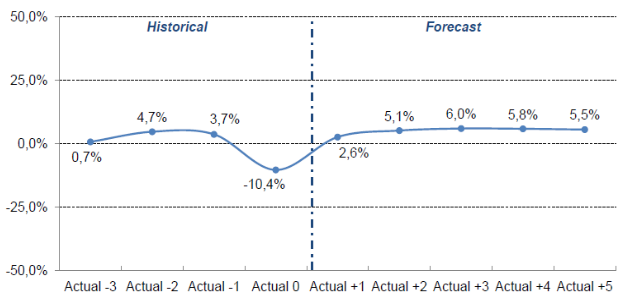
Source: personal elaboration

Figure 8. *Return On Equity.*



Source: personal elaboration

Figure 9. *Net Working Capital/Net Revenues.*



Source: personal elaboration

Figure 10. *Return On Sales.*

4.3. Development Plan

Other important strategic options have been considered, not reflected in the base Business Plan, as development actions to be applied once implemented the recovery plan (Development plan).

The following actions have been considered:

- "global supplier" project; realization of a production plant in South East Asia in order to set up a strategic production facility able to serve the whole Asian geographical area.
- product portfolio; acquisition of licenses on added-value textiles and/or small specialized companies.
- quality; development of research programs to improvement fabrics performances.
- services; development of production-operation agreements in order to improve customer services.
- new products: introduction of new kind of fabrics/products.

From a forward-looking perspective, new projects under implementation could represent an opportunity to either improve expected results or compensate unexpected additional contraction of demand.

5. Conclusive Remarks

In recent years a large body of empirical literature has emphasized the role played by PE both in M&A transactions [19, 25, 26, 50, 51] and in turnaround situations [9, 23, 10]; but this research crosses these two aspects showing its important role in merger and acquisition transactions in particular in the pre-takeover phase in order to prepare a firm to be acquired and explaining how, in a turnaround situation, like that of Brown Ltd, it is necessary a new organizational paradigm able to change the scheme of the traditional PE Fund's Life Cycle.

This could be developed in 3 main phases (crisis analysis, recovery and development) thanks to which – as shown in the successful case study of Brown Ltd - it could create value for the target preparing it for a future acquisition.

These results have important implications both at theoretical and at practical level: on the one hand they could activate studies on the specific topic of PE applied to turnaround situations in order to increase M&A market, supporting firms in crisis and preparing them for a takeover; furthermore, also the creation of a specific figure for these situations could be studied.

On the other hand the analysis proposed for Brown Ltd shows how [14]:

- significant cost-cutting actions (in particular personnel reduction) are required to adapt the production capacity and the operating leverage of the Company to the new trend of the market demand;
- new projects under implementation and the development of quality, services and new products are necessary;
- financial feasibility of the plan depends on the availability of the current debt holders to renegotiate conditions of the credit facilities.

Despite the paper contributes to enrich international literature on this topic and the findings help identify drawbacks and set an agenda for future work, it shows important limits like, for example, the application of the new

3-stage process of PE to a single case study in presence of a shock or a situation of crisis, without an empirical support able to generalize it to all turnaround situations.

Another limit is represented by the recent implementation of the turnaround plan that does not allow for the verification of the long-standing effectiveness.

Anyway, this paper could constitute a first attempt to reconsider old processes of PE apt for previous scenarios adapting them to the current situation more and more characterized by crises and distress contexts. With some changes, this new process could be tested also on other industries and firms, providing a practical adaptation of the PE process in crisis situations. It could be adopted by consulting agencies after testing also its effects in the long term.

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