



Company Voluntary Arrangements

A route to rehabilitate companies while optimising value and outcomes for stakeholders

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What is a CVA?

A closer look at Company Voluntary Arrangements

Key characteristics

- › Binding agreement between Company and Creditors
- › IP required
- › Facilitates reorganization / restructuring of Company
- › Ringfences unsecured debt
- › Enhances outcome to creditors
- › Moratorium can offer protection

How can a CVA help?

- › Breathing space
- › Repayment of unsecured debts in full or in part over an extended period (typically up to 5 years)
- › Value protection
- › Company rescued



When is a CVA appropriate?

Core business remains viable with changes

- > Strong management and vision
- > Unsecured debts ringfenced
- > Tackle underperformance
- > HMRC compliance satisfactory
- > No reliance on tenders
- > B2C businesses
- > Key relationships will endure

Impact on management

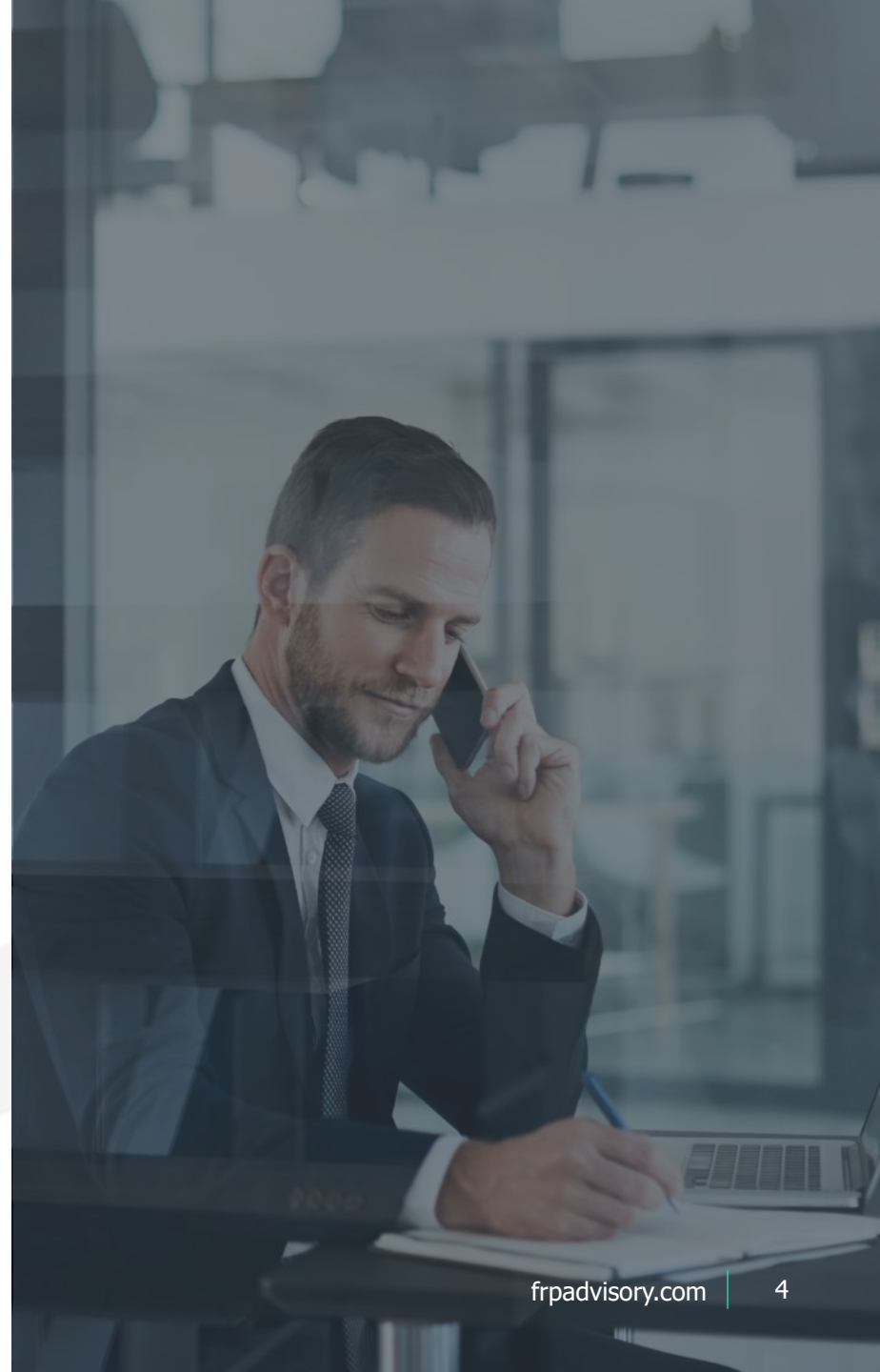
- > Personal guarantees – may be called in unless
- > External support often required
- > Protects equity and management team retain control
- > Repayment of overdrawn DLAs likely to be required over term of CVA
- > Avoid stigma



What are the benefits of a CVA?

The benefits of a CVA

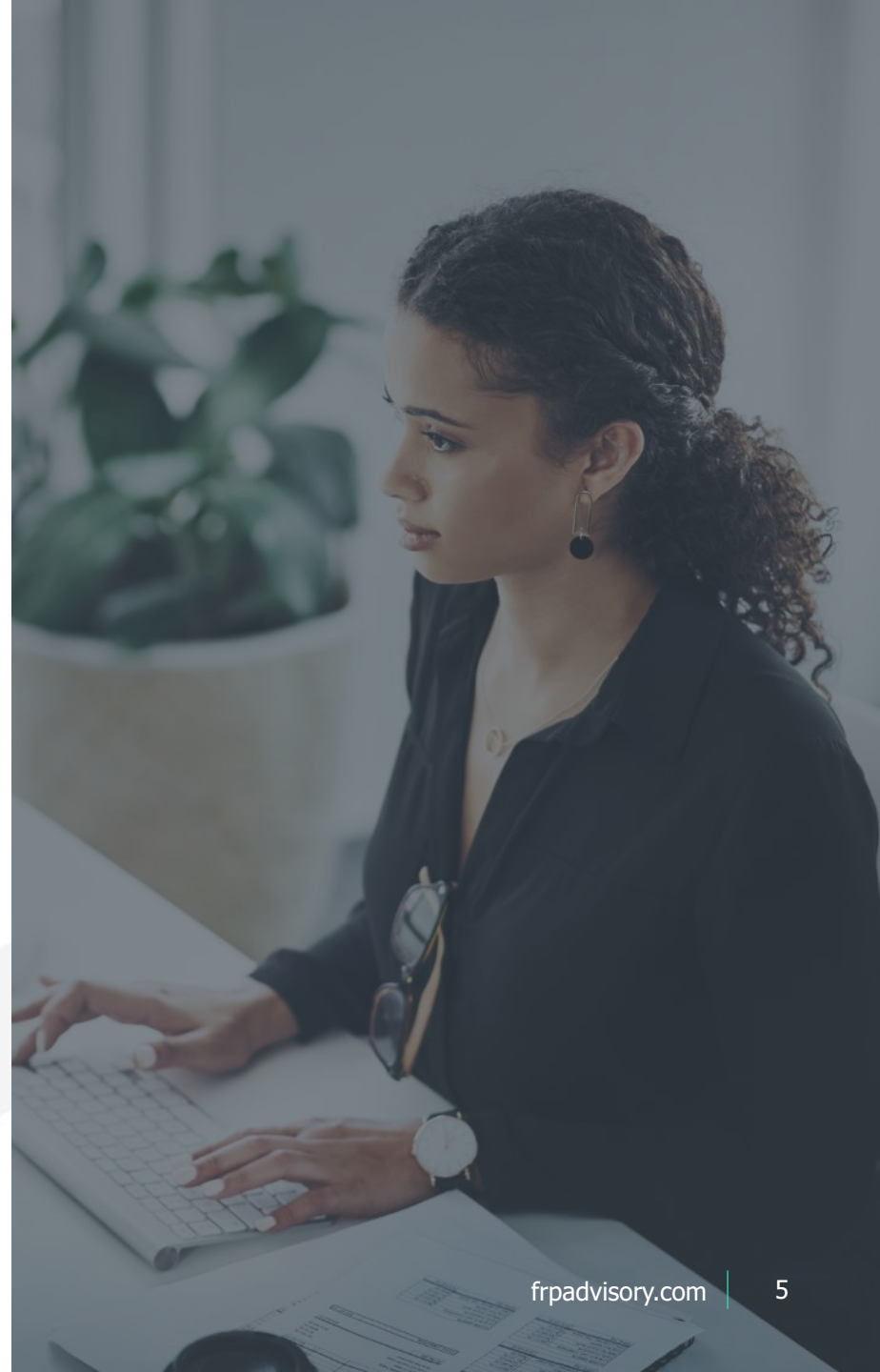
- No change in ownership or management
- Not advertised
- Flexible
- Company can retain assets
- Can abandon unprofitable contracts
- Ability to streamline workforce with employment liabilities being paid by the Redundancy Payments Service
- Limited court involvement
- Relatively cost effective
- Uninterrupted trading
- Profit enhancement?
- Secured creditors likely supportive
- “Cram down” dissenting unsecured creditors



The CVA Process

Viability and feasibility

- Identify the problems – can they be overcome with time?
- Options analysis – does there remain a viable core business?
- Forecasting – generally the Company must be shown to be profitable moving forward
- Viability of CVA – does it give the best outcome to creditors?
- Stakeholder consultation – are key and essential creditors supportive?



The CVA Process

Legal Steps

- Proposals (the “deal”) are drafted and submitted to intended Nominee – who must be a licensed insolvency practitioner
- Proposals issued to creditors for consideration
- Meetings (normally virtual) convened on minimum 14 days
- Creditors typically vote by proxy. 75% of voting creditors (by value) required to approve the CVA.
- General majority of shareholders required



CVA process flow diagram

Viability & feasibility assessment

4-12 wks

Options analysis to be undertaken

Prepare CVA forecasts to validate viability of proposed post CVA operations

Obtain valuations prepare comparative EOS for alternative outcome

Analyse creditor claims and likely CVA voting outcome

Consider consultation with important stakeholders on key terms of the Proposals

Draft Proposals

2-4wks

Refine forecasts as required following any consultation

Re-validate viability of post CVA assumptions

Devise post CVA implementation plan (credit score improvement / PR strategy etc)

Prepare Proposals

Circulate Proposals

14 days plus posting

Board approves proposals

Proposals and Nominees' report issued to creditors and members with notice of decision procedure (likely virtual meeting)

Consideration to be given to any creditor proposed modifications

Decision date & subsequent challenge period

28 days

Proposals (and any modifications) considered and voted upon by creditors and members

If approved, the CVA is effective from date of the creditor vote but can be challenged within first 28 days

CVA stands if unchallenged after 28 days – bullet payment made / contributions commence

Execute post CVA implementation plan

Our Team

Please feel free to reach out to any of the advisory team in our Teesside office who will be happy to provide you with free of charge initial advice



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