



Left to right: Partners Tony Sims, Grant Sperkes, Steve Parbery and Ian Carson . . . advising private and public companies with about \$5 billion in assets. Photo: ANDREW QUILTY

Insolvency merger on the money

Mark Fenton-Jones

An increasing demand for insolvency practitioners to offer more advisory services in addition to their traditional recovery work has motivated two leading corporate turnaround firms to merge.

On July 1, the Sydney and Brisbane practices of SimsPartners will combine with the Melbourne, Sydney and Perth practices of PPB to form a new firm, the PPB Group.

Although the partners of the two firms opened dialogue on the possibility of a merger a couple of years ago, talks did not become serious until February of this year.

"It was reflective of the changes in our marketplace which were becoming apparent late last year," said Tony Sims, the national managing partner of SimsPartners.

Over the past six months, Sims and PPB have started bigger advisory-type assignments. This resulted in the firms approaching Beaton Consulting for strategic analysis.

Sims and PPB are at present either restructuring or advising private and public companies with about \$5 billion in assets.

"It's at least double what we were doing 12 months ago," said PPB partner Ian Carson.

"We saw a need to create the scale to service that change in the market. It just became compelling on both sides."

Mr Carson, based in Melbourne,

State of the union

Effect of the July 1 merger between PPB and Sims

	Before merger		After merger
	Sims	PPB	PPB Group
Billings	\$15m	\$25m	\$40m
Partners	7	15	22
Staff	71	130	201
Total	78	145	223



SOURCE: SIMS, PPB

estimated that 80 to 90 per cent of the work was already advisory related.

This included helping bank boards raise capital, restructure businesses, change chief financial officers, offload underperforming divisions and change management information systems.

"We call it advisory because it's almost management consulting to stressed businesses," he said.

The Sims team has a similar story to relate. "High-level advisory is becoming the core of what we are doing, and the core service that the major Australian and international banks are looking for," Mr Sims said.

For many companies, board members have only tasted the good times of economic growth and prosperity. However, the global credit crisis will throw up a raft of new experiences and send many of them scuttling for help from insolvency firms.

PPB partner Steve Parbery said:

"The last few years, they [company board members] have been able to restructure a business by being able to restructure their balance sheet, whereas now it's going to take a more in-depth restructuring of the actual business."

He said it was possible that PPB Group would form alliances with similar overseas firms in the medium-term. PPB has been approached by firms in the United States and United Kingdom.

"We have constant discussions with key players globally," he said. "It's a matter of us working out which is going to be the best bed fellow for us."

Combined fee revenue from the two practices will be about \$40 million, \$25 million of which will come from PPB and \$15 million from Sims.

These figures do not include PPB's Adelaide office and Sims's Melbourne and Adelaide offices, which will not join the new group.

PPB will contribute staff of 130

and Sims 71 to the merged business. Of this total, 175 will be involved in recovery work. The new group plans to recruit at least 10 people from non-traditional accounting areas, such as investment banking and engineering, to bolster staff in forensic accounting and business advisory.

The merged entity expects to be in a strong position to recruit and retain quality staff.

"If you stay too small and too concentrated in terms of speciality you won't attract the best people or retain the best people," Mr Parbery said.

The new group will operate under a corporate structure where each of the 22 partners will hold an equal share in the organisation. "We think it incentivises younger partners to help us grow the organisation because they own an equal share in our success," Mr Parbery said.

PPB Group announced that it had appointed Bill Moss as chairman. He left Macquarie Bank about 12 months ago. "We think Bill Moss, because of his connections globally, will be able to assist us to attract foreign capital," Mr Carson said.

He said the merged entity would tap Mr Moss's wealth of property experience and knowledge to grow the business and help shape its business model.

"We are looking at a lot of property-related work across Australia, involving properties with significant debt," Mr Sims said.