

FOOD & BEVERAGE
INDUSTRY

CASE STUDY:

A Smorgasbord of Services for a Beverage Client

ABOUT THE CLIENT

The company manufactures and sells high-end non-alcoholic beverages and acts as the exclusive U.S. distributor of several European food and non-alcoholic beverage products. An American based business, the company was being acquired by a European private equity group (PEG) that was making its first acquisition in the United States. The PEG was acquiring 100% of the target company.

THE CHALLENGE

The acquired company was struggling with revenue and profitability. The previous owner had under-invested, resulting in poor financial management, poor inventory controls, and challenged processes and systems. A number of the manufactured and distributed brands were under-performing in the market.

The managing partner of the PEG took over as an interim CEO of the acquired company but quickly learned that many business processes and financial controls needed to be improved to ensure the acquisition's success. The PEG was seeking a service provider with a strong background in food and beverage businesses and comprehensive services to drive the turnaround across all areas of the business. In addition, the new owners were seeking a firm that could connect the PEG with other potential business partners in the food and beverage space.

THE GOAL

The client's goal was to find a trusted U.S. advisor to develop and implement a comprehensive turnaround strategy.

The project would require cleaning up the books and presenting clear financial statements as well as:

- ▶ **Tax Services** to identify opportunities to reduce or re-claim any tax overpayment.
- ▶ **Marketing Services** to position the acquired entity in the market.
- ▶ **Information Technology Services** to identify opportunities to improve automation, increase accuracy and speed up manual operations.
- ▶ **Managed Accounting Services** to assist with recording transactions, setting up books and records, communicating with vendors.
- ▶ **Transaction Advisory Services** to analyzing the impact caused by accounting discrepancies on the purchase agreement.
- ▶ **Employment Search Services** to assist in the hiring of a CEO and a CFO.

THE PROCESS

Marcum deployed a multifunctional team to provide financial accounting, advisory, tax, marketing, information technology, and search services.

The engagement included serving as an interim CFO and providing controllership assistance; performing audit-readiness procedures on the closing balance sheet obtained from the seller and assisting with determining



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the accounting for the acquisition; notifying the seller if there were defects in the closing balance sheet that warranted a purchase price adjustment; developing a clean set of books to properly manage investments and profitability of the entity; assessing the acquired company's processes, procedures and control environment and making recommendations for improvement; determining whether accounts payable invoices received subsequent to acquisition were in the name of the correct legal entity, valid under the related contracts, and the goods or services had been received; assisting in the implementation of an accounts receivable factoring program; transitioning key activities from the seller (e.g., payroll, insurance, information technology); and identifying gaps in existing inventory and identifying an approach to monetizing the inventory.

From a tax perspective, Marcum's professionals consulted on creating a tax-advantaged structure for the acquisition; prepared current year federal and state income tax returns; determined whether the appropriate income, sales and property returns had been filed prior to acquisition and assisting with plans to begin filing the appropriate returns going forward.

Our team also created a marketing plan and assessed whether the company's systems met the business needs and making recommendations for improvement.

THE SOLUTION

Marcum was able to bring multiple practice areas together in a coordinated effort to serve the diverse needs of the company. We developed a clean set of financials with better insight into the financial position of the acquired entity; developed a clean inventory that would enable the organization to move forward with monetization of the inventory; and worked with seller to re-coup lost inventory value that was stated in the sales agreement.

As a result of the partnership with Marcum, the managing partner of the PEG was able to create the necessary processes to ensure the acquisition's success. While he was identifying a new leadership team, conducting the necessary interviews and staffing up, Marcum was hard at work ensuring the smooth running of the business and enabling the CEO to manage the new entity in a reliable and thoughtful way.

