

Press Release

Debtor-in-Possession Proceedings – Withdrawal from Purchase Agreement for SHW CT in Wasseraffingen and Machining Technologies in Königsbronn

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The debtor-in-possession management team responsible for SHW CT in Wasseraffingen and Machining Technologies in Königsbronn have withdrawn from the purchase agreement with the investor, Rheinische Mittelstandsbeteiligungs GmbH (RMB). This decision was taken after a unanimous resolution had been passed by the creditors' assembly with the approval of the insolvency monitor. The reason for this decision is the investor's financial difficulties. Recently, Hulvershorn Eisengießerei GmbH & Co. KG, a private equity firm in the RMB Group, was forced to file for insolvency. The RMB Group was represented by the managing directors Mr Rainer J Langnickel and Dr Jan Hückel.

The investor had only recently taken over the Königsbronn plant of SHW Casting Technologies GmbH & Co. KG as part of an asset deal with effect from 1 June 2018. At that time, all the assets and business operations together with 163 members of staff were transferred to a newly founded company, SHW High Precision Casting Technologies. The change in the fortune of the new owner has been very surprising for the PLUTA restructuring experts, who have

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About PLUTA

PLUTA helps companies in legally and economically difficult situations. Since the company was founded in 1982, PLUTA has constantly grown. Today PLUTA has a staff of about 500 employees in Germany, Spain and Italy including more than 290 graduates in business economics and business management, attorneys, business lawyers, tax consultants, public auditors, certified accountants, economists, bankers, bookkeepers, engineers and insolvency administration specialists. Many of them own multiple qualifications what ensures practicable and economically sensible solutions. In particular, PLUTA provides support in restructuring companies affected by a crisis or insolvency and in continuing business operations, if necessary by involving restructuring experts in a responsible role. PLUTA is one of the top enterprises specialising in restructuring and turning around companies, as demonstrated by rankings and awards from INDat, JUVE, The Legal 500, Who's Who Legal, brandeins, and Focus. Further information at www.pluta.net

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been restructuring SHW CT during the debtor-in-possession proceedings since July 2017 and had handed over SHW CT to the investor with full order books. For example, the initial partial payment was already deposited into an escrow account by the investor before the purchase agreement was actually signed. This was considered to be extremely positive. According to the agreement, the complete purchase price is to be made in several partial payments. The final payment consists of the pro-rata share of the proceeds from the sale of the finished goods, which were only semi-finished products at the time of the closing. The investor still owes this final payment.

Surprising change in fortune of the new owner

At the beginning of October 2018, SHW CT in Wasseralfingen and Machining Technologies in Königsbronn were also sold to the private equity firm RMB. At that time, the investor had fully met all the financial obligations arising from the other purchase agreement involving SHW CT in Königsbronn. The current problems came as a surprise. A recognised M&A advisor had supported the process of selling the SHW CT Group and had confirmed the investor's financial standing.

Therefore, the closing for the second deal, i.e. the completion of this transaction with effect from 1 January 2019, will not take place. Although the purchase agreements for SHW CT in Wasseralfingen and Machining Technologies in Königsbronn were signed at the beginning of October, the sale is subject to specific conditions. Moreover, the responsible experts from PLUTA included a

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right to withdraw from the purchase agreement valid until the end of 2018. This right will now be exercised.

Withdrawal from the purchasing agreement is to the advantage of the creditors.

In July 2017, all three operating SHW Casting Technologies companies as well as the holding filed for in debtor-in-possession proceedings. Since then, the group has been supported by the restructuring firm PLUTA. Mr Marcus Katholing, who restructured SHW CT during the debtor-in-possession proceedings in his position as Managing Director, explained, "The situation has escalated in recent weeks so that we now have to withdraw from the purchase agreement. I am very sorry for the staff, who were really committed."

Prof Dr Martin Hörmann, the insolvency monitor, explained, "Since the application was filed 16 months ago, the proceedings have been very positive. The excellent work done during the debtor-in-possession proceedings will now be overshadowed by the investor's current situation. That is a pity and most regrettable."

Business operations in Wasseralfingen and at MT in Königsbronn are continuing. Mr Katholing's team will now be working non-stop to find a solution for both companies, but the situation is difficult. Many customers are understandingly very hesitant about placing any new orders. The number of incoming orders is very low. Furthermore, a major customer, that accounts for a large part of the revenues, has reduced the order volume considerably in the past months.

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Mr Katholing commented, "We will now talk to all of our customers as soon as possible in an effort to stabilise the situation once more. Our customers' trust is now the decisive factor." At the same time, Mr Katholing intends to hold talks in order to find another investor.

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