

Press Release

Tool manufacturer Schwarz to reposition itself as a debtor in possession

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On 4 August 2022, the Local Court of Bielefeld ordered in-court restructuring proceedings and, in parallel, provisional debtor-in-possession management for Heinz Schwarz GmbH & Co. KG.

Mr Diedrich Diedrichsen and Mr Henrik Minnich will remain in charge of the tool manufacturer's operational business while the novel kind of restructuring proceedings are underway. They will be supported by attorney Mr Stefan Meyer from PLUTA Rechtsanwalts GmbH, whom the court appointed (provisional) insolvency monitor in its decision today. "My role as insolvency monitor is to supervise the proceedings and management team in the interests of creditors and to assist the company with its restructuring efforts. To this end, I will also coordinate closely with the provisional creditors' committee to find a good and sustainable solution that will preserve the business for the benefit of all involved," explained attorney Mr Stefan Meyer.

Broad support for the tool manufacturer's repositioning

The medium-sized business is to remain fully operational during the restructuring proceedings. "Debtor-in-possession management offers us the flexibility and speed we need to restructure the business for the long term and

PLUTA press contact

Patrick Sutter
relatio PR
+49 89 210 257-22
presse@pluta.net

PLUTA expert



Stefan Meyer

Rechtsanwalt,
Fachanwalt für Insolvenz-
und Sanierungsrecht



Christoph Chrobok

Rechtsanwalt

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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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reposition ourselves in a way that fully accords with the interests of our employees, customers and creditors. We are confident that the restructuring will be a success and we will be able to further develop the business with a view to the future in order to keep the site and the jobs there as far as possible," said managing director Mr Dierich Dierichsen. The next few months will be challenging for the medium-sized tool manufacturer, but the initial signs are already hopeful. For example, salaries for the months of July, August and September are guaranteed thanks to specific substitute benefits provided by the Federal Employment Agency under German insolvency law. The company has also moved immediately to introduce initial stabilisation measures. "We explained the current situation and the proceedings in detail to our some 270 employees at a staff meeting. The entire workforce and the works council then promised to support the restructuring efforts. This response gives us the strength and encouragement we need to tackle the work ahead," explained managing director Mr Henrik Minnich.

External restructuring expertise confirmed

Key customers and partners of the company have also signalled their backing already. In addition, both managing directors will be supported by attorneys Mr Christian Krönert and Mr Thomas Ellrich of the VOIGT SALUS. law firm, who will act as general agents. "We will take care of all matters relating to insolvency law and compliance with the relevant legal provisions. This will in turn free up the managing directors engaged in debtor-in-possession management to focus entirely on the practical



Tim Austmeyer

Diplom-Wirtschaftsjurist (FH),
Tax Consultant

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implementation of the financial and structural reorganisation activities,” explained Mr Thomas Ellrich when asked. Attorney Mr Christian Krönert added, “When you have a company like Schwarz with a healthy operational core, this division of tasks can help to ensure an effective restructuring and recapitalisation process. With the business remaining operational and the support of employees, customers and the creditors’ committee, the company has a good basis for achieving the best possible solution for all concerned.” The restructuring team will also receive commercial assistance on matters such as financial and liquidity planning from management consultant Mr Simon Leopold, managing director of ABG Consulting-Partner GmbH & Co. KG.

Business driven into a corner by energy and material prices

Heinz Schwarz GmbH & Co. KG, a supplier specialising in tools and components, is in a position to build on its many years in business and its comprehensive networks in its customer industries, such as the automotive, agricultural and commercial vehicle sectors. The medium-sized business can trace its origins all the way back to 1964 and is today part of a larger, renowned group that is well known on a supra-regional scale. Nevertheless, the long-standing company found itself caught up in a maelstrom of events. The tool industry has been undergoing a process of structural change for some time now. Companies are battling greatly increased challenges – especially in the automotive sector. This includes an increased need for upfront financing due to a deterioration in payment terms

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with large customers and reduced model variety with the related fall in demand for tools. The effects of a huge hike in the cost of material and energy procurement and transport in recent times are also being felt. At their peak, material prices rose to three times their previous levels, while transport costs doubled at the same time. Given contractual arrangements that include fixed prices, for example in the automotive industry, an important sector for Schwarz, it has not been possible to sufficiently pass on such costs to customers. The managing directors of Heinz Schwarz GmbH & Co. KG immediately took steps to improve the liquidity situation. However, these could not be concluded out of court due to the risk of illiquidity within the foreseeable future. Although considerable additional funding was forthcoming from the shareholders, it proved impossible to manage the situation without official restructuring proceedings. Accordingly, Mr Diedrich Diedrichsen and Mr Henrik Minnich dutifully filed for insolvency with the competent court, namely the Local Court of Bielefeld. The decision to opt for debtor-in-possession management is intended to increase the likelihood of successful restructuring and shorten the duration of the proceedings in the interests of employees, customers and creditors. The main shareholder has also pledged its continued support for the debtor-in-possession proceedings now underway.

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