

SME turnaround of the year

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The Australasian small and medium enterprise (SME) turnaround company of the year, which is awarded to companies with a turnover of \$50 million or less, was for Discovery Holiday parks, the largest owner and operator of accommodation parks in Australia.

Discovery formed part of the ABN AMRO portfolio of companies that was taken over by Allegro in September 2008. At that point, Discovery was heavily overgeared, with debt representing 12 times earnings before interest tax depreciation and amortisation (EBITDA).

As well as facing numerous internal operational issues, the domestic tourism industry was also under threat and the ability to raise capital was severely impacted by the financial crisis.

Discovery's solution to its balance sheet and operational issues was to operationally transform itself into the best in class caravan park operator in Australia, using only internal resources. This enabled earnings to grow despite balance sheet issues and difficult external environment. This in turn provided the basis to attract capital and restructure its balance sheet.

Since 2008, Discovery has improved EBITDA by 39 per cent, reduced gearing from 12 times earnings to five times earnings and improved return on capital employed from seven per cent to 12.4 per cent.

The turnaround has generated over \$65 million in equity value since 2008. In 2011 Discovery parks won two well-regarded tourism awards, and the company is highly respected by its guests, staff, shareholders and lenders.

TMA Member Firms Involved: Allegro Funds, Minter Ellison, Rothschild Australia.

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