Voluntary Administration enables administrators to ‘hop’ quickly for rapid sale of brewpub

When a WA-based brewpub found itself in financial difficulties due to a range of factors, it turned to WA Insolvency Solutions (WAIS) to determine the best way forward. That turned out to be voluntary administration, allowing the administrators to rapidly find a suitable buyer and retain jobs.

Background

Sound Brewing Co, a Rockingham WA based brewpub, was established in 2022. The company found itself in financial distress as a result of the rising cost of goods, utilities and rent, reduced consumer discretionary spending, in addition to a significant tax debt. In September 2023, the company, Bragu Pty Ltd, was placed into voluntary administration, after the director’s lawyer contacted the team at WAIS, Jirsch Sutherland’s WA division.

Solution

Voluntary administration (VA) was deemed the best solution, as it provided the opportunity for the administrators to continue to trade the business while seeking expressions of interest for the purchase of the business and its assets. It also enabled employees to retain their jobs.

Upon being appointed, WAIS immediately launched an expression of interest campaign,

receiving interest from 18 parties. There was one formal offer, by Cheeky Monkey Brewing Co, which was negotiated and accepted in early November 2023. This was achieved within two months of the VA commencing.

Throughout the VA process, the administrators continued to trade the business, dealing with all stakeholders including creditors, employees, suppliers, the liquor licensing department, and the landlord. WAIS also sought and obtained a Court order that extended the convening period for holding the second meeting of creditors.

Greg Prout, Principal, WAIS

Greg Prout, WAIS Partner, says the acquisition by Cheeky Monkey Brewing Co “is a perfect fit”. “They had been actively seeking sites in the Greater Perth region for more than a year and this provided them with a great location and opportunity.”

Says Brent Burton, Director of Cheeky Monkey Brewing Co., “[It’s] a golden opportunity for people in Perth to engage with our brand and enjoy the ‘cheeky’ experience, which is all about sharing exceptional beverages and food with friends and loved ones. We are committed to Western Australia’s local business landscape and its community. Our approach in negotiating terms with the administrators of Sound Brewing Co was guided by this commitment, allowing us to retain all staff members during the transition phase and the upcoming liquor license transfer. That was something we’re pretty proud of; it created a lot more work for us but it meant nobody lost their job.”

Results

The VA process and speed at which the expression of interest campaign kicked off enabled WAIS to find a buyer quickly. Employees were offered the chance to continue in their roles, and the administrators were also able to obtain a protection order for the liquor licence, enabling it to be maintained and then transferred to the purchaser.

“This matter is an excellent example of the benefit of using the VA process to effect a quick sale of a business, while allowing it to continue trading, with employees retaining their jobs,” adds Prout.