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PODCAST

TMA Chicago/Midwest Podcast Hosted by Paul Musser | Sandeep Gupta on Middle Market Restructurings and Investigations

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In this episode of the TMA Chicago/Midwest (TMA) Podcast, Katten Restructuring Partner and host Paul Musser sat down with Sandeep Gupta, Managing Partner and Founder of Novo Advisors (Novo), a turnaround, restructuring and financial advisory firm focused on the core middle market. Our guest discussed his journey into restructuring, Novo's approach to distressed situations and private credit workouts, the firm's recently launched forensic and dispute advisory service line, and his insights on business development within the turnaround industry.

Sandeep, who founded Novo Advisors after honing his skills at FTI Consulting and other firms, described how he "accidentally" entered the restructuring world in 1999, choosing turnaround consulting over the lure of dot-com and telecommunications opportunities. He explained that Novo focuses on middle market restructuring, which he characterized as businesses with roughly $150 to $500 million in top-line revenue, a segment where his team can leverage its operational know-how to find real opportunities for improvement. Sandeep drew a strong parallel between his entrepreneurial mindset and turnaround work, noting that getting involved in a distressed business is not unlike a startup where you take a step back, rethink the business model and see what is possible. He and Paul then delved into the nuances of working with closely held, family-owned businesses versus companies backed by private equity sponsors, observing that closely held situations tend to be deeply personal for owners, while sponsor-backed engagements are more analytical yet still require sensitivity toward management teams. Both agreed that understanding and respecting the relationships among lenders, sponsors and borrowers is more important today than ever in restructuring and workouts, especially given the growth of private equity and private credit in the market.

Their conversation turned to the private credit workout landscape, with Sandeep noting that private credit lenders are generally willing to "take the keys" from a sponsor who is done supporting a

company. In private credit workouts, Novo is often brought in on the company side to stabilize the business, develop a turnaround plan and help install new management. He explained that Novo's playbook involves quickly establishing business facts, including a 13-week cash flow forecast, a break-even analysis and a working capital assessment, all within 30 to 45 days, and then presenting the private credit lender with a clear picture of the incremental capital the situation will need over the next 12 to 18 months. Sandeep observed that, in his experience, private credit lenders are typically willing to support a thoughtful go-forward plan when presented with solid data. However, if they are not, Novo advises bringing in investment bankers to explore a sale.

Sandeep also highlighted Novo's recently launched forensic and dispute advisory service line, sharing real-world examples, including a case involving a commercial cleaning business during which his team uncovered a Chief Financial Officer siphoning funds. Sandeep emphasized the practical, cost-conscious approach Novo brings to fraud investigations in the middle market, noting that the team works within defined budgets to evaluate whether a realistic path to recovery exists before committing further resources. He and Paul agreed that professionals involved in these investigations, and fraud cases in general, need to remember the importance of their client's recovery, which can often get clouded by the understandable anger of being the victim of a fraudulent scheme.

Finally, Sandeep reflected on his involvement with TMA and shared his perspective on the importance of business development in the restructuring industry. He emphasized that the restructuring community, while small, is remarkably collegial and generous with its time, which is one reason he gives back so actively to TMA. He advised that professionals looking to grow their practices should set small, attainable networking goals, execute stellar work, so one's reputation speaks for itself, and consistently maintain at least one marketing effort every week. Both Sandeep and Paul agreed that collegial collaboration across disciplines is essential to achieving successful outcomes for clients.

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