A&A MACHINERY MOVING & SALES

Investment Recovery: The Entire Picture

Because multiple factors affect the true, end value of any investment recovery project, it's critically important to establish the goals of the project early on. Typically, there are three main elements to any investment recovery project:

1. **Revenue** – the income that can be generated; redeployments, sales, salvage, etc.
2. **Expenses** – the costs required to generate the income and reach the desired end-state conditions
3. **Value** – the 'bottom line'; revenue less expenses along with any consequent schedule, tax and balance sheet impacts.

Realistically establish your goals as the desired balance between these elements. Understand there is a cause-and-effect relationship between these elements, so an emphasis on one element will impact the other(s). For example, concentrating primarily on revenue may cause unexpected and undesired effects on your expenses and your desired end value. The same would apply in reverse, whereas a focus on expenses could adversely impact your revenue and value goals. Don't forget your schedule can significantly impact each of these elements, so create your schedule with your goals in mind. Alternately, if your schedule is the driver or fixed element of your project, establish your goals around the schedule. Generally speaking, time is money and schedule affects everything all.

Revenues

The revenue side of these projects is typically what most people want to talk about. Be careful though, in the end, it may not be what you should be talking about the most. Listed below are areas you can generate revenue.

1. **Redeployment** – internal redeployment of assets
2. **Machinery & Equipment** – sale of machinery/equipment
3. **Raw Materials** – raw material stockFinished Goods – completed product/goodsSalvage – sale of items, parts or pieces with value
4. **Scrap** – sale of scrap material no longer needed to preserve the value of the real-estate
5. **Real Estate** – sale or rental
6. **Intellectual Property** – sale of intellectual property associated with discontinued markets

In some cases, these areas are segregated between different departments and budgets. What might be good for one department may severely affect the revenue of another. This takes us back to the original message; establish your goals early.

Expenses

Expenses from investment recovery projects may be the most misunderstood or miscalculated part of these projects. This is due, in part, to the the vast differences in the nature and scale of these projects. A project consisting of a single piece or even a single manufacturing or processing line has vastly different dynamics and variables than one involving an entire building or an entire plant. Expenses can be caused or impacted by some of the following; this list is not comprehensive:

1. **Equipment Removal** – the cost to remove equipment; although this is often borne by the buyer, it affects the price someone is willing to pay for your item
2. **Dismantling/Demolition** – costs to remove or demolish primarily non-value items
3. **Sequencing** – this is a cost impact item based on the sequence of when something is removed within the overall project. Closure Personnel – the cost to maintain personnel onsite during the closure process.
4. **Utilities/Permits** – the cost to maintain utilities and permits during the closure process
5. **Environmental Remediation/Mitigation** – costs for remediation, mitigation and disposals
6. **EHS Management** – costs associated with EHS personnel and inspections, testing and monitoring through the closure process
7. **Legal/Contractual** – contract and legal costs; internal and external

Value

This is the bottom line. Though it includes the revenue less expenses, it's more than that. Value includes other factors such as:

1. **Risk** – those idled, unused assets or facilities may present a risk on several fronts. Getting those risks removed from your portfolio might be critically important
2. **Balance Sheet** – the consequent effect of these revenues, expenses and depreciation changes may appreciably impact your balance sheet; when these financial transactions are recognized may also be important and may make up part of those project goals you establish early on.
3. **Taxes** – don't forget about the taxes paid on these gains.