Turnarounds at the Speed of a Note Sale

Description

Why Special Assets Officers, Private Debt Managers, and Insolvency Attorneys Should Reconsider the “Turnarounds Are Slow” Paradigm

For years, the institutional wisdom inside special assets groups, and restructuring practices has been consistent and largely unquestioned: turnarounds are slow, expensive, and unpredictable. When a borrower enters distress, conventional thinking says that the fastest path to a clean exit is a note sale or accelerated liquidation. Turnarounds, the myth goes, take too long and rarely produce meaningfully better recoveries.

This belief is so ingrained that many lenders reflexively assume a turnaround will drag on for four, or even six quarters+. But the data — and the last decade of our actual casework — tell a very different story.

Modern turnarounds, when executed with discipline, structure, and the right methodology, can move at the same speed as a note sale while producing dramatically superior recoveries. In many cases, the operational picture stabilizes in one quarter. In some, fewer than 6–8 weeks.

And that speed isn’t theoretical. It’s happening right now — repeatedly — across lower middle market companies that many lenders assumed were declining past the point of rescue.

Below is the hardline thesis of this article:

The belief that selling the note is faster or safer is outdated. Modern turnarounds routinely match note-sale speed while unlocking far better recovery potential.

Let’s dismantle the old paradigm.

The Hidden Truth: Turnarounds Can Move as Fast as Note Sales

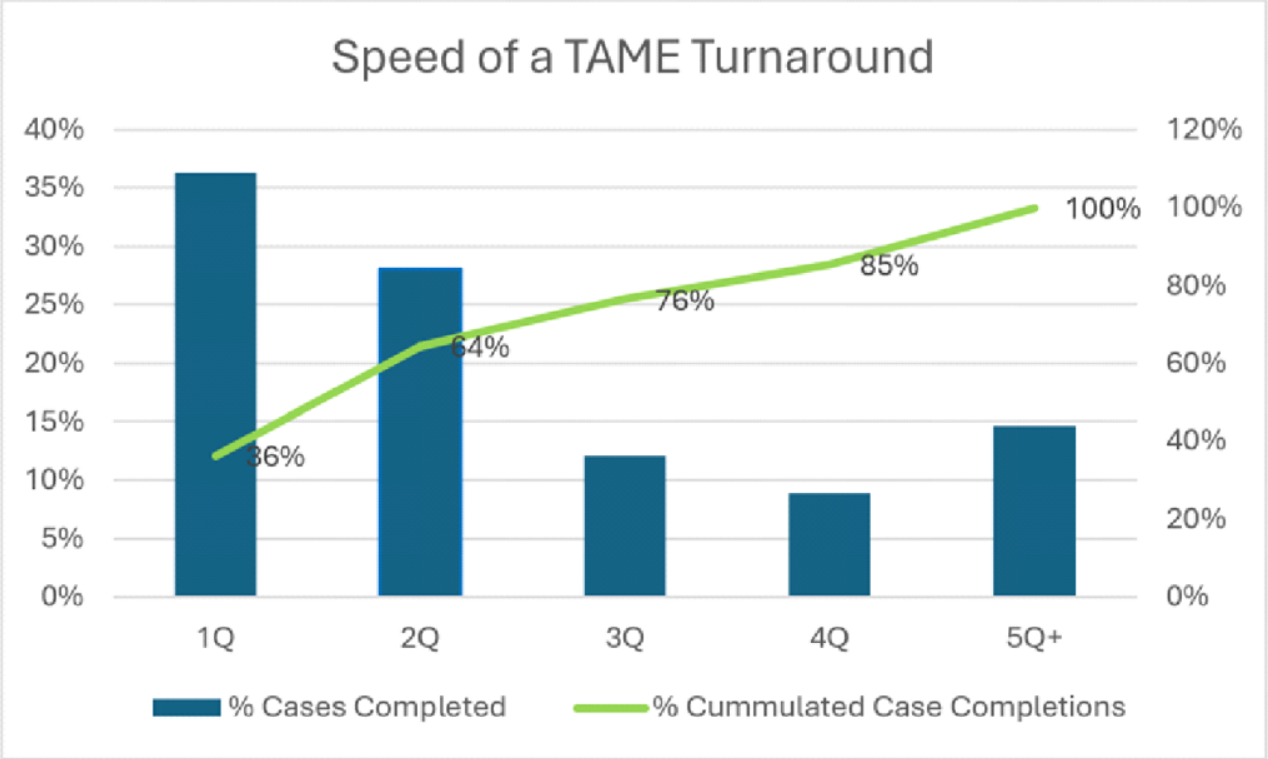
A typical note sale process — especially in the current environment — takes 45 to 120 days depending on asset quality, data availability, and buyer interest. That timeline is nearly identical to the window

required for a structured, hands-on turnaround using disciplined tools like weekly cash controls, operational triage, and focused communication protocols.

Here's what lenders often assume: – Turnarounds drag on for months before producing results.
– They require expensive CROs, consultants, and advisors.
– The outcome is too uncertain to justify the time.

Here's what actually happens in our engagements: – Operational clarity emerges in 1–2 weeks. – Cash flow forecasting and controls stabilize within 20–30 days. – Vendor, employee, and customer relationships begin normalizing inside one quarter.

And the shock for many lenders: turnarounds happen in the same window they would have spent negotiating, approving, and closing a note sale. The table below shows a decade's history of Newpoint turnarounds, where close to 65% were completed in less than six months.



Case Examples: Rapid Stabilization at Note?Sale Speed

Below are representative examples pulled from Newpoint's TAME™ engagement history — each demonstrating that a structured, science?based methodology can stabilize or clarify a company's outlook within the same timeframe as a note sale.

Rapid Stabilization & Operational Recovery

#41 — TAME completed in two weeks, demonstrating management's capability to execute the turnaround and aligning lender expectations.

#40 — A two?week cash flow model identified over?advances early and enabled lender cooperation while the company shifted toward more profitable work.

#256 — TAME surfaced channel?positioning and product?offering weaknesses; SKU rationalization moved the company out of danger within months.

#196 — Findings exposed a wasteful sales process in a low?volume market; cost corrections achieved within four months.

#418 — In four months, Newpoint implemented simplified reporting, aligned employees around corrective actions, improved scheduling and delivery times, and installed a utilization?based equipment pricing model.

#202 — A 20?day assessment (a Newpoint tool) uncovered accounting and systems issues but confirmed the business was fundamentally viable and positioned to survive post?COVID volatility.

Complex Scenarios Resolved at the Pace of a Note Sale

#16 — Operational triage uncovered hidden value and improved the lender's recovery expectations in under 60 days.

#65 — Collections and project?pipeline discipline restored within one quarter.

#30 — Early discovery of non?recoverable management failures enabled lender to pivot quickly toward a higher?value recovery path.

#263 — Identified fatal missteps within weeks, allowing the lender to halt a premature Chapter 11 filing and preserve collateral for a fast sale.

#47 — Pricing and process flaws identified within three weeks; resolved in four months, restoring normal lender–borrower relations.

These are not years?long turnarounds. They are quarter?long stabilization events — delivered with the predictability of a modern, science?based approach. They are quarter-long stabilization events.

That alone undermines the longstanding assumption that all turnarounds require extended runway.

Why Lenders Default to Note Sales — and Why Those Reasons Don't Hold Up

Before discussing why turnarounds outperform, it's worth acknowledging why note sales remain popular. Your own uploaded argument list makes the case clearly:

Why Lenders Choose to Sell the Note

Key Arguments for Selling Debt or a Company Instead of Waiting for a Turnaround
– Time value of money (immediate monetization)

– Reduced execution risk

– Avoiding liquidity burn and operational deterioration

– Minimizing legal and administrative complexity

– Clearing bandwidth for larger portfolio credits

– Predictable pricing from distressed buyers

These arguments are valid — but only when the turnaround alternative is slow, costly, and uncertain.

Modern turnarounds eliminate that assumption.

The Counterpoint: Why Holding the Note Can Be Far More Profitable

Reasons Why a Note Sale May Not Be Better Than Waiting for a Turnaround

Your list highlights several reasons lenders who sell too quickly often leave substantial money on the table:

– Higher value after stabilization — even modest operational wins erase the distress discount.

– Hidden value is uncovered — margin repair, cost control, asset decisions.

– Improved borrower cooperation — especially once cash flow stabilizes.

– Predictability increases — once weekly cash controls are installed.

– Future upside accrues to the lender — rather than to a note buyer.

These aren’t theoretical benefits. They are the outcomes we see in the field.

The Shocking Reality: Turnarounds Aren’t Slow — Bad Turnarounds Are Slow

The industry doesn’t have a turnaround problem. It has a quality problem.

Most lenders picture a turnaround as:

- – A CRO who spends six weeks “getting up to speed”
- – A consulting firm that delivers a 60-page report but no action
- – A management team that stays in denial
- – A cash burn that gets worse before it gets better
- That is slow, expensive, and destabilizing.
- But a modern turnaround — the kind that operates with:
- – Daily communication discipline

- – A hard 13-week cash flow focus
- – Rapid operational triage
- – Structured expectations for management behavior
- – Direct lender transparency

… moves with speed that matches or exceeds the timeline of a note sale.

If the turnaround firm can't show you results within one quarter, you didn't hire the right firm.

Why Speed Has Changed: The Methodology Matters

The reason modern turnarounds are faster is simple: methodology.

Tools like Newpoint's TAME™ system dramatically compress the timeline by:

- – Revealing the true operational drivers in weeks, not months
- – Benchmarking management behavior and decision-making
- – Identifying the fastest cash-impacting actions
- – Forcing transparency across stakeholders
- – Filtering denial, optimism bias, and noise out of the process

Speed is not an accident — it is engineered.

So, Should You Sell the Note or Hold for the Turnaround?

Here is the hardline position:

If the borrower can be stabilized in one quarter — and many can — selling the note early transfers massive upside to the buyer and deprives the lender of superior recovery.

Note sales still have a role:

- – When management is hostile or uncooperative
- – When industry collapse makes recovery unrealistic
- – When imminent negative catalysts threaten asset value

But absent those conditions, lenders should reconsider the default instinct to sell.

Because in today's environment — with today's tools — turnarounds are not the slow option anymore.

They are often the fastest, most profitable path.

Final Thought: The Industry Is Overdue for a Paradigm Update

For years, lenders assumed turnarounds had long tails. That assumption was reasonable in 2008. It is not reasonable in 2025.

Today, we can diagnose in weeks, stabilize in a quarter, and improve recoveries beyond what a note buyer would ever pay (and that is not an AI statement). If you are a Special Assets Officer, a private credit PM, or an insolvency attorney, the question isn't whether turnarounds "can" be fast. They already are.

The question is whether your institution is benefiting from that speed — or automatically handing the upside to note buyers who know it.

If your business feels stuck, start with a conversation. Newpoint is here when you're ready.

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