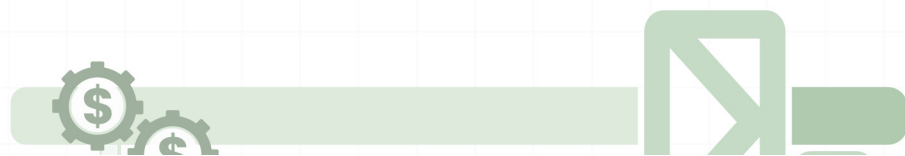


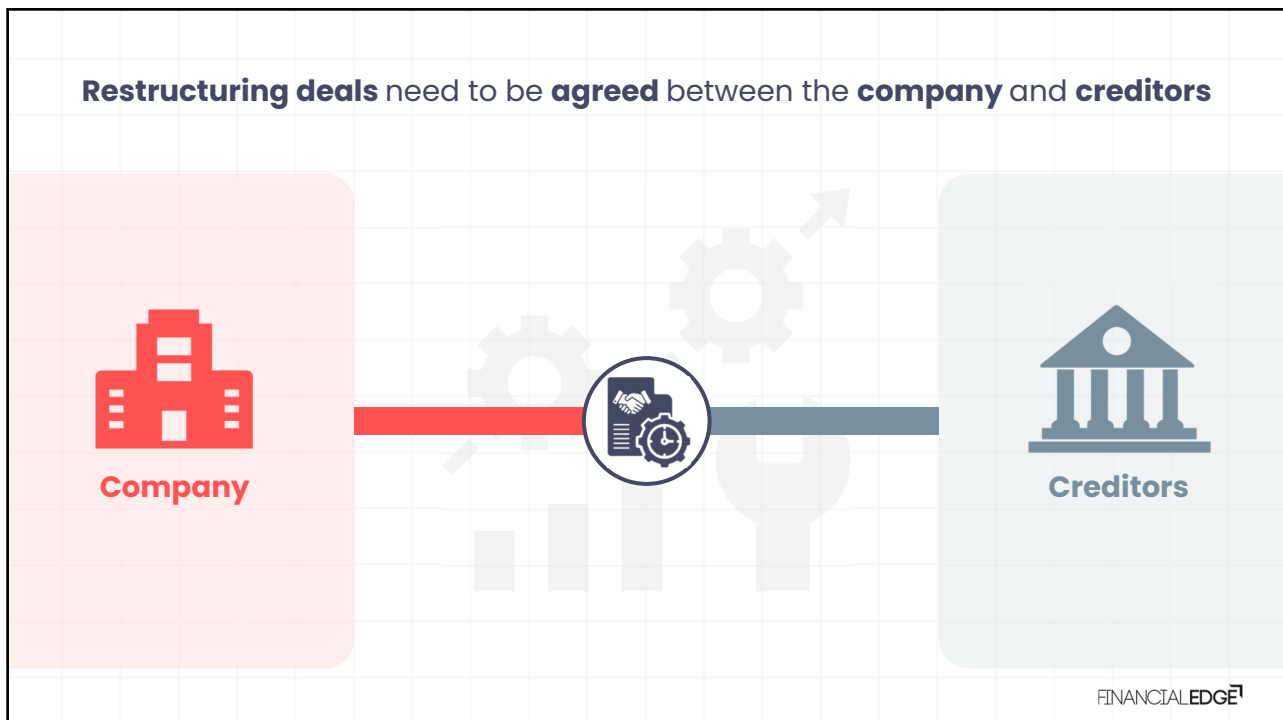
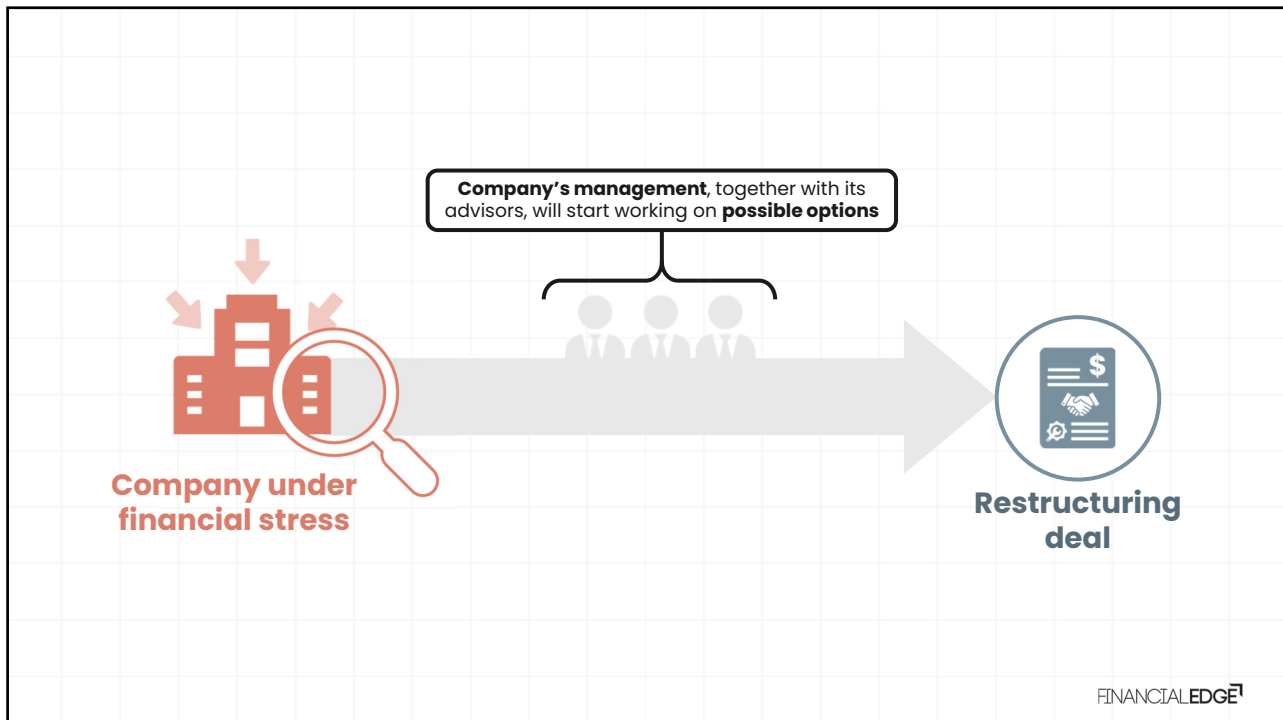


Reaching an Agreement – Consensual and Non- consensual Agreements

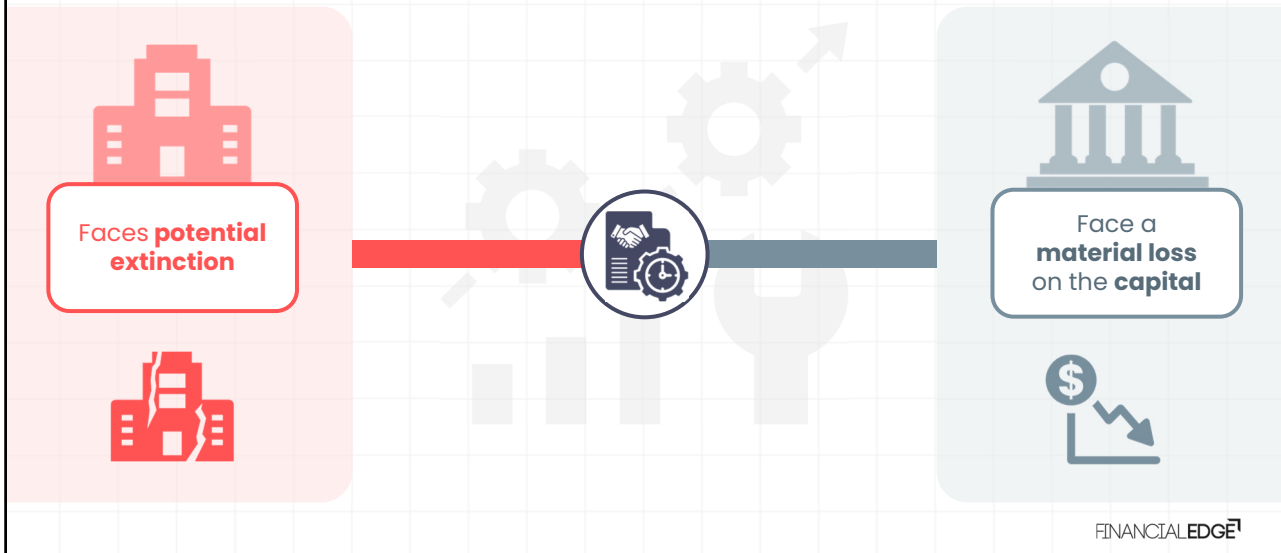
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Reaching An Agreement: Consensual & Non-Consensual Deals





Restructuring deals need to be **agreed** between the **company** and **creditors**

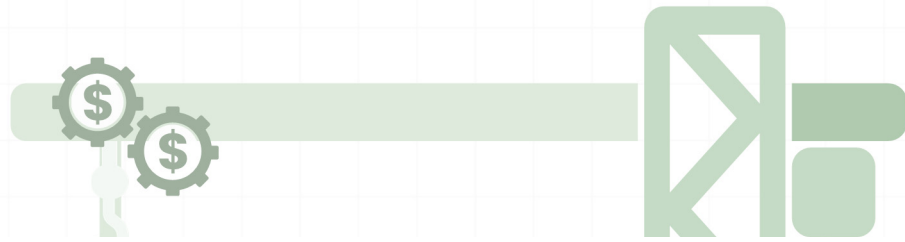


Restructuring deals can be **consensual** or **non-consensual**

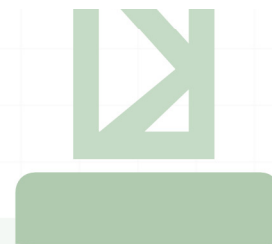


Non-consensual Deal

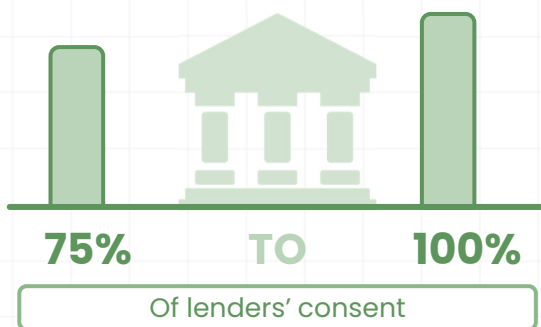
Legal mechanisms will be used to **force dissenters** to be **bound** by the **deal**



Consensual Restructurings

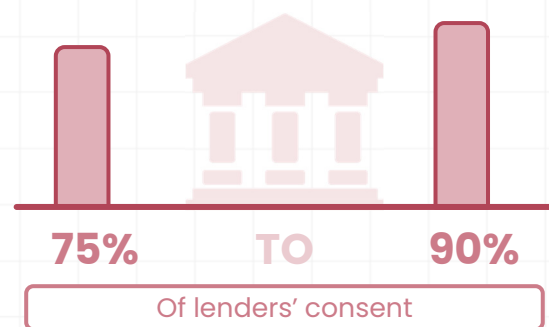


Consensual out-of-court restructurings will require



Depending on the **legal jurisdiction** involved

Bondholders will require



Money terms refer to how and when the **loan is payable by the borrower**

Additional Funds (or “new money”)



The lender could agree **to additional capital**

To support the funding requirement to **implement its turnaround plan**



Additional debt can be provided at **various levels of the capital structure**

Will most likely be ranked ahead of all the existing debt

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Additional Funds (or “new money”)

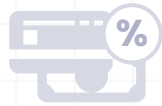


Existing creditors may view this additional funding as **the best way to ensure the company continues** as a going concern and is able to repay their **liabilities in full in the future**

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Amend & Extend

Lenders agree to **extend the maturity** of the **loan** and giving a **temporary suspension to:**



Interest Payments



Principal Repayments



Allow the company **more time** to be able to **generate the cash needed** to make the **necessary repayments**

Amend & Extend

This **extension** is typically **combined with:**



Amendments to the terms of the original deal



Credit Enhancements

Amend & Extend



Credit Enhancements



Increased Interest Rates



Expanded Security Packages



Tighter Covenants

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Exchange Offers

Here **lenders agree** to receive a **new debt issuance** in exchange for all or part of their **existing outstanding debt**

Unsecured debt



Lower principal amount of secured debt

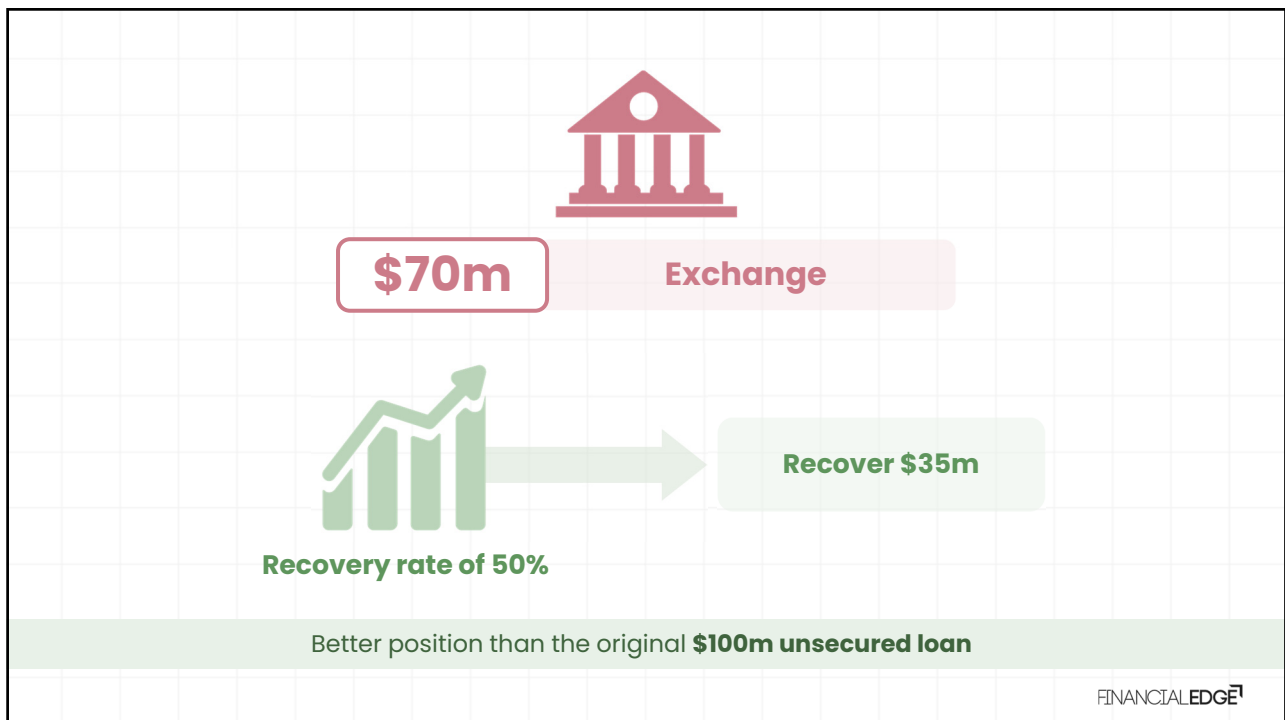
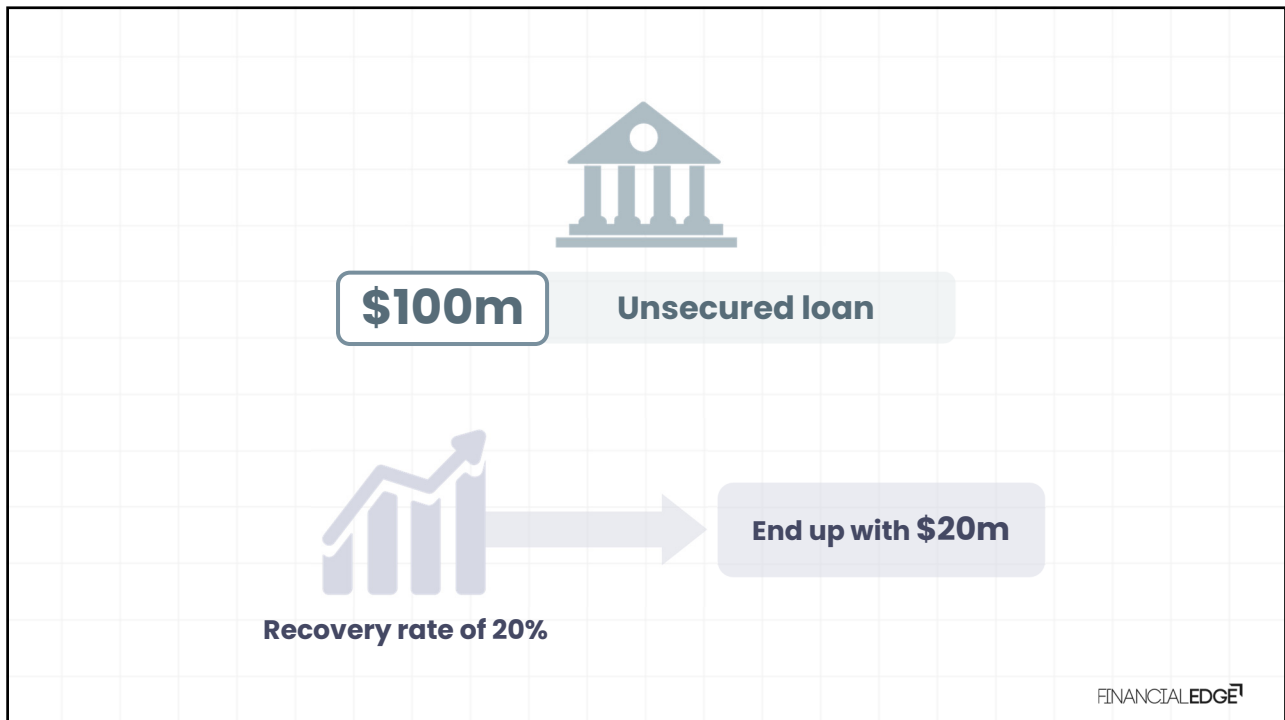


The aim of this is to **increase lenders expected recoveries**



The **overall debt burden** of the company is **reduced** through the **lower overall debt amount**

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Reduction in Debt Principal

Lenders can agree to a **haircut** in their **total outstanding debt** exposure as part of an **overall turnaround plan** or **exchange offer**



New debt tranche could be an **unsecured debt** with interest paid-in-kind



A form of equity, meaning this would be a **debt-to-equity swap**

Consensual Deals – Pre-packaged Plans



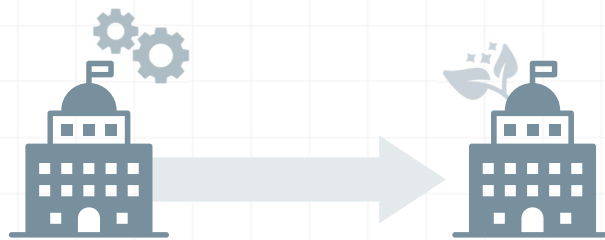
Consensual Deals



Pre-packaged Plans

Pre-negotiated arrangements that leverage the benefits of some legal restructuring tools.

Consensual Deals



The company remains **under administration** just for **1 day** and emerges on the following day as a **"NewCo"**

Business Continuity**Reduced Cost of Administration****A Degree of Control is Maintained by Directors**FINANCIALEDGE⁷**Business Continuity**

Fast and seamless process that keeps the **business operating** without **disruption** or **loss of value**.

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Business Continuity**Reduced Cost of Administration****A Degree of Control is Maintained by Directors****Reduced Cost of Administration**

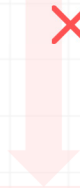
The process is much **cheaper** and administrators don't need to get involved in a potentially long process of **finding funding** or **selling assets**.

Business Continuity**Reduced Cost of Administration****A Degree of Control is Maintained by Directors**FINANCIALEDGE⁷**A Degree of Control is Maintained by Directors**

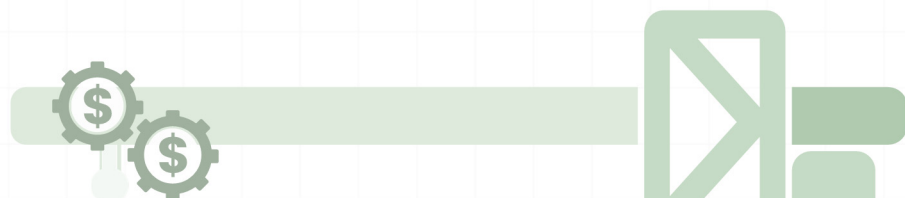
Directors still exert a **degree of control** over the fate of the **company**, as opposed to handing the **keys** over to **an administrator**.

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Lenders might be inclined to **agree** to a **consensual deal** if the **alternative plan is not very appealing**

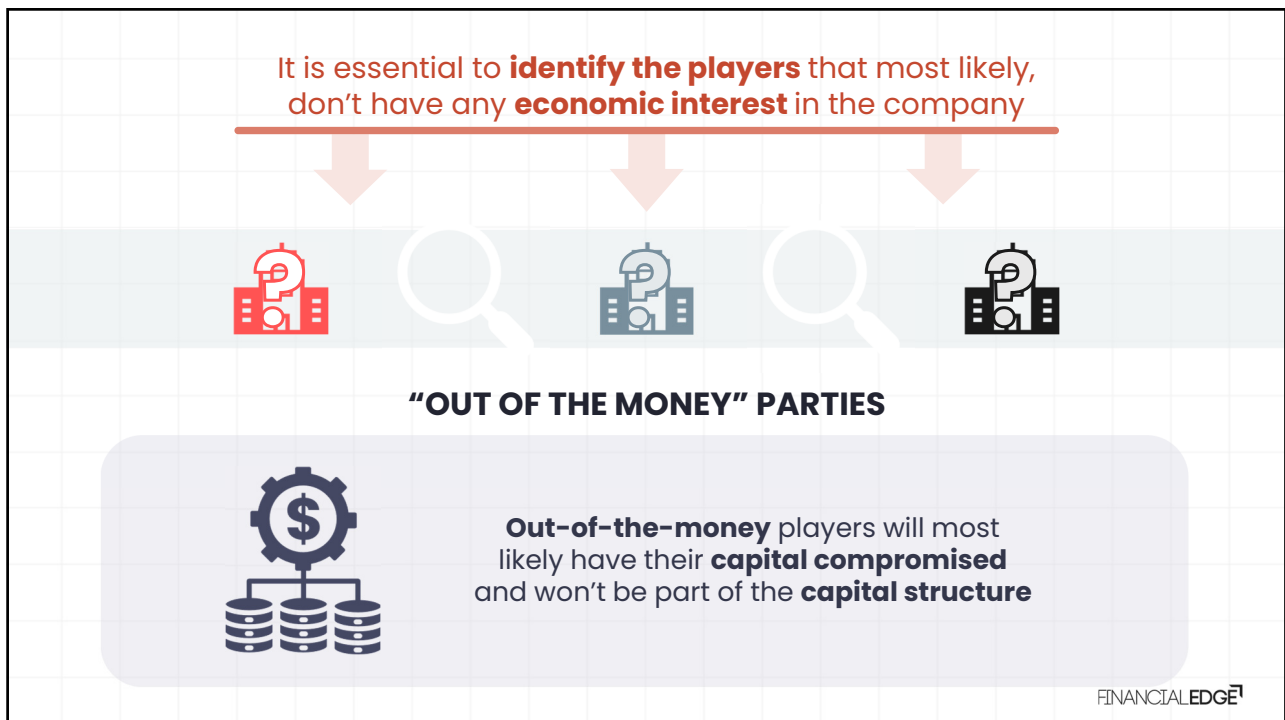
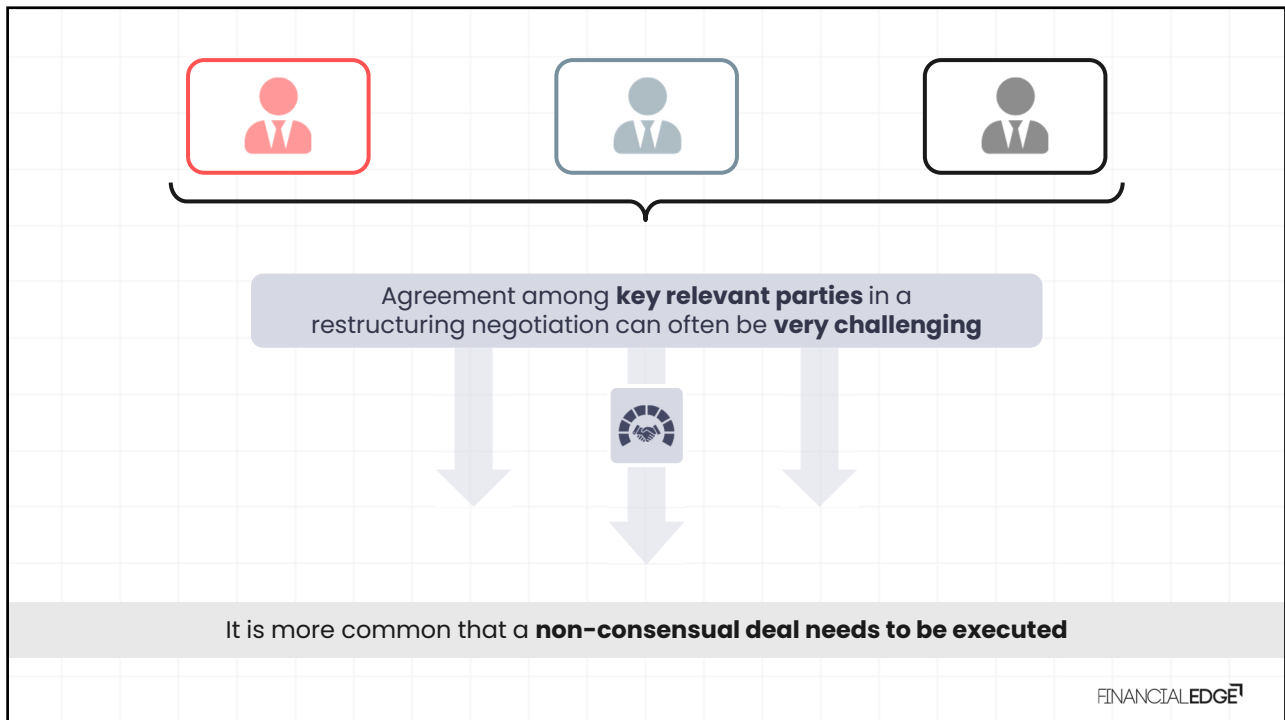


If alternative is a **formal administration** process that could potentially lead to **complete liquidation of the company** and therefore **lower recoveries**



Non-consensual Restructurings





"OUT-OF-THE MONEY" PLAYERS



Shareholders



Unsecured Creditors

Knowing which **parties** are **in** or **out** is always a contentious debate

This is based on **'individual players'** view on **company's enterprise value**



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The **parties** usually **engage external advisors** to run detailed **valuation exercises**



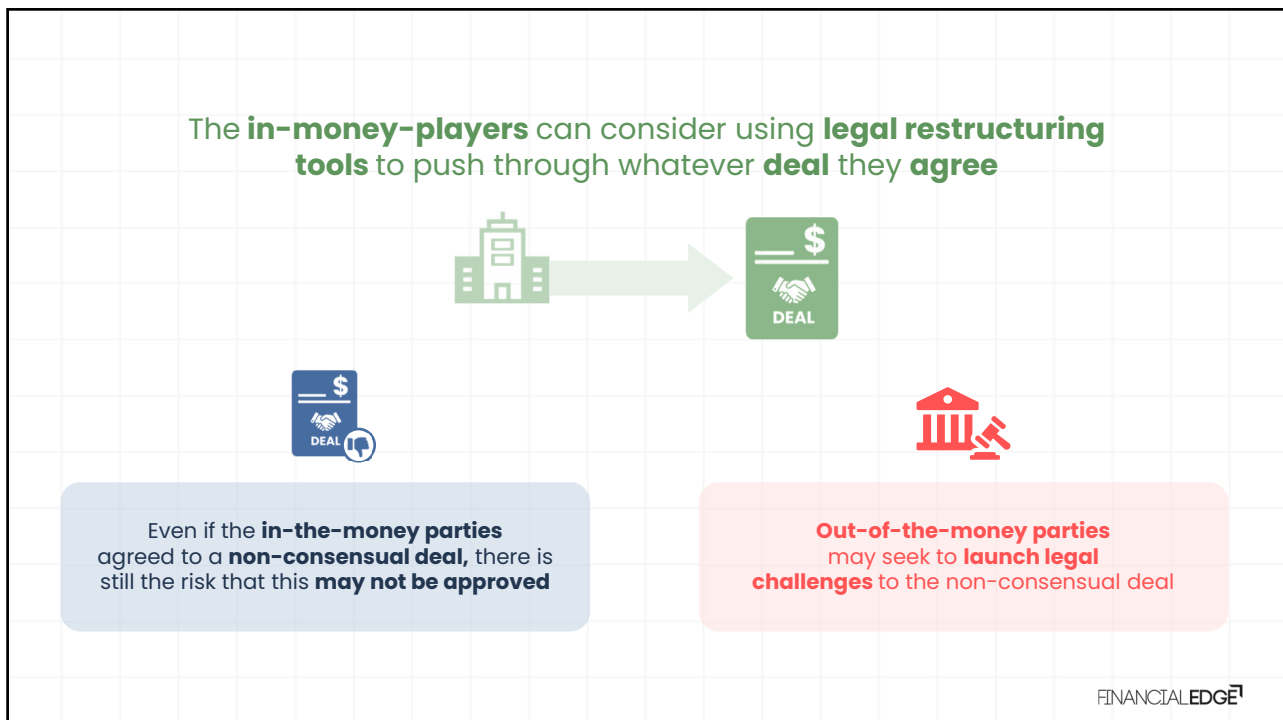
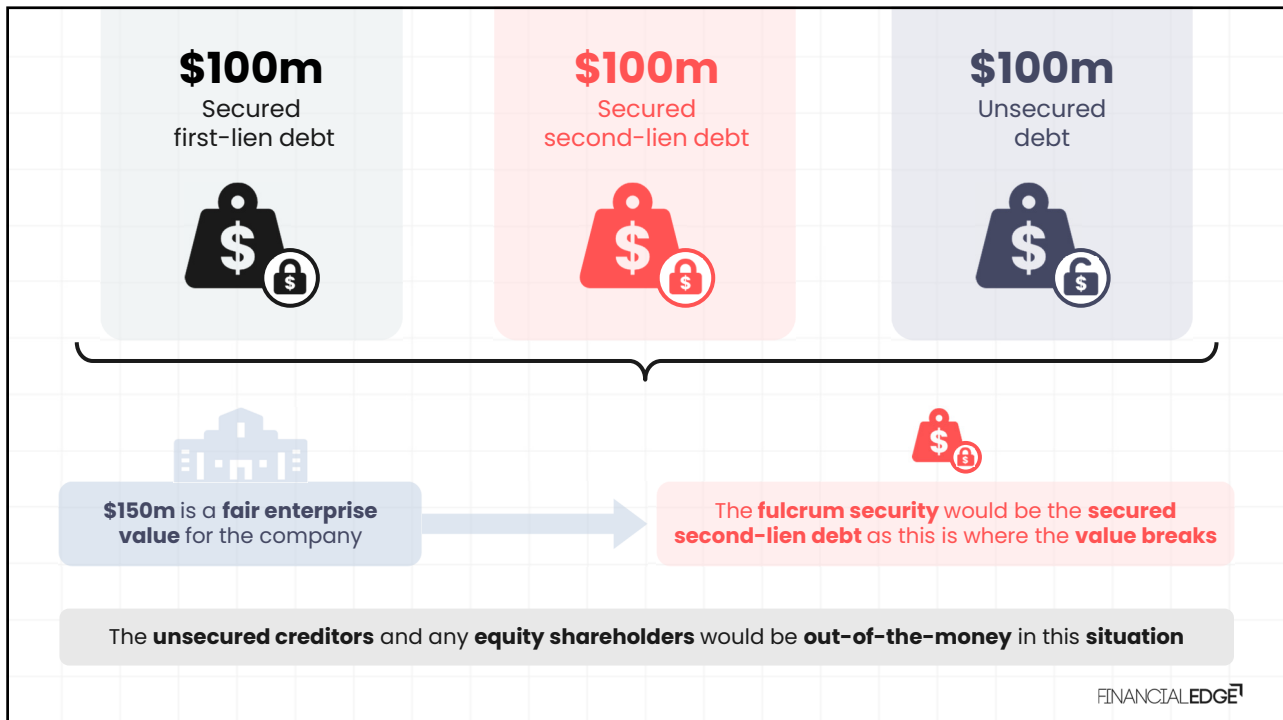
Identify the **"fulcrum security"**, or the instrument of the **capital structure**



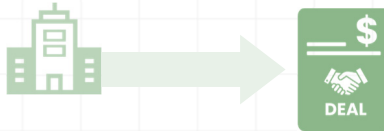
Unable to be **fully repaid** with the **company's remaining assets**, also commonly referred to as where the **value breaks**



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The **in-money-players** can consider using **legal restructuring tools** to push through whatever **deal** they **agree**



If it is not possible for a **deal** to be **implemented**, the company will end up facing **legal bankruptcy procedures** and potentially being **liquidated**

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