



# Restructuring Options

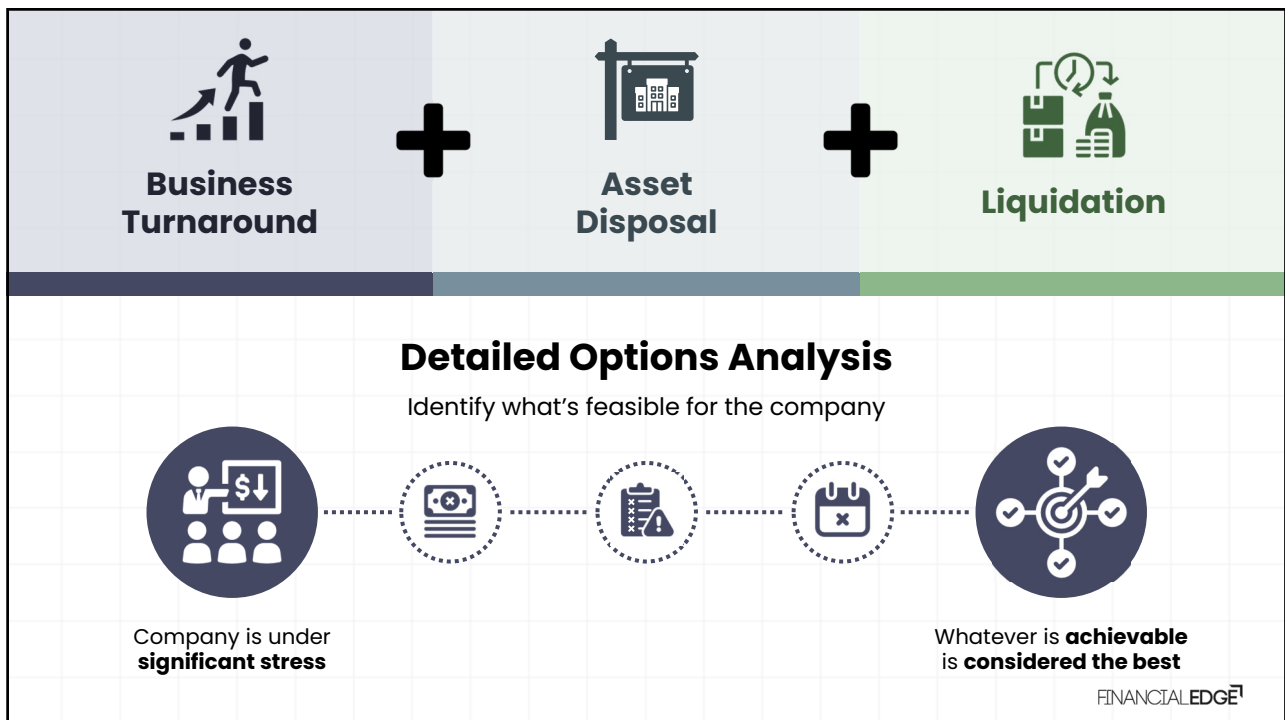
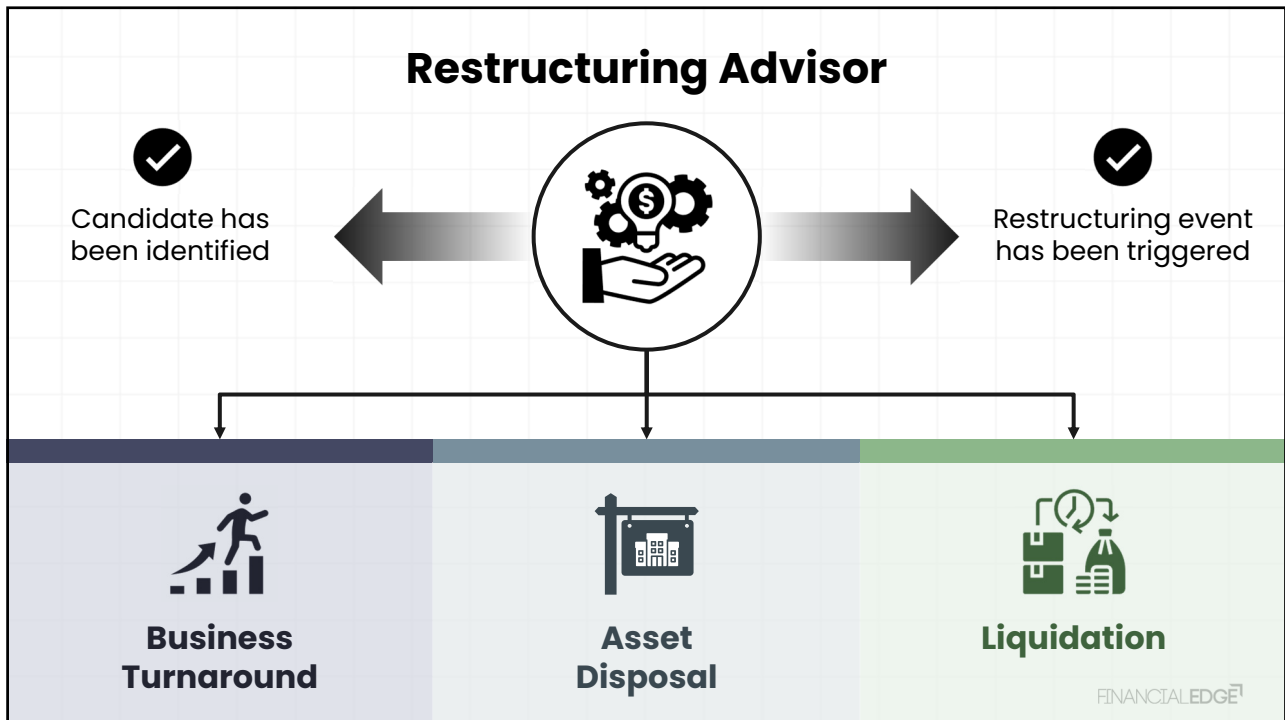


Decorative elements above the title include a grey arch with a small blue figure, a green airplane, and a red circular icon with a white 'r'.

## Restructuring Options Introduction



Decorative elements below the title include three horizontal bars: a grey one on the left, a green one in the middle, and a red one on the right.



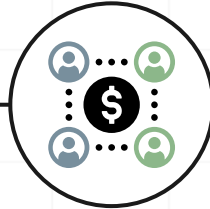
## Stakeholder Groups Might Have a Preference

### Management & Shareholders



#### BUSINESS TURNAROUND

Executives would keep their jobs and shareholders would not lose control of the company.



### Secured Creditors

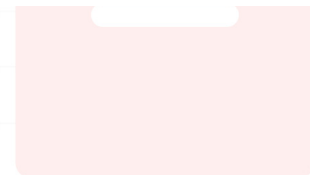


#### LIQUIDATION

To recover as much of their money as possible.

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## Business Turnaround

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## Business Turnaround

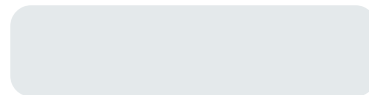
Management



Advisors

Devise a plan that focuses on the possible **changes in the operations of the business.**

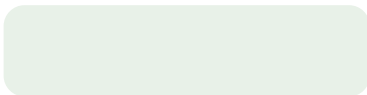
### Operational Restructuring (Or Turnaround Plan)

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### Operational Restructuring (Or Turnaround Plan)



#### Cost Cutting



Laying off staff

Renegotiating leases

Reducing marketing spend

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### Operational Restructuring (Or Turnaround Plan)



Limiting Capital  
Expenditure



Bare essentials

Focused investments

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### Operational Restructuring (Or Turnaround Plan)



Revising Working  
Capital Management



Payment terms

Reviewing inventory levels

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## Maximizing Readily Available Liquidity



Drawing down **committed available credit** lines and looking for **opportunities within existing debt documents**



**Baskets** under a financing agreement provide **certain available amounts** as allowable exceptions to a covenant restriction

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## Engaging Creditors



Asking for **amendments, waivers** and **forbearance**



A company may try to engage in an **amend & extend ("A&E")**



**Exchange offer conversation** with creditors to **alter** the terms of existing **debt arrangements**



**Forbearance agreements** may also be sought to avoid enforcement action

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## Potential Challenges



Costs might arise to pay for **redundancy payments** or **lease early termination fees**



Plan might only project a return to profitability **two or three years into the future**



Typically, difficult to find someone willing to **meet this funding requirement**

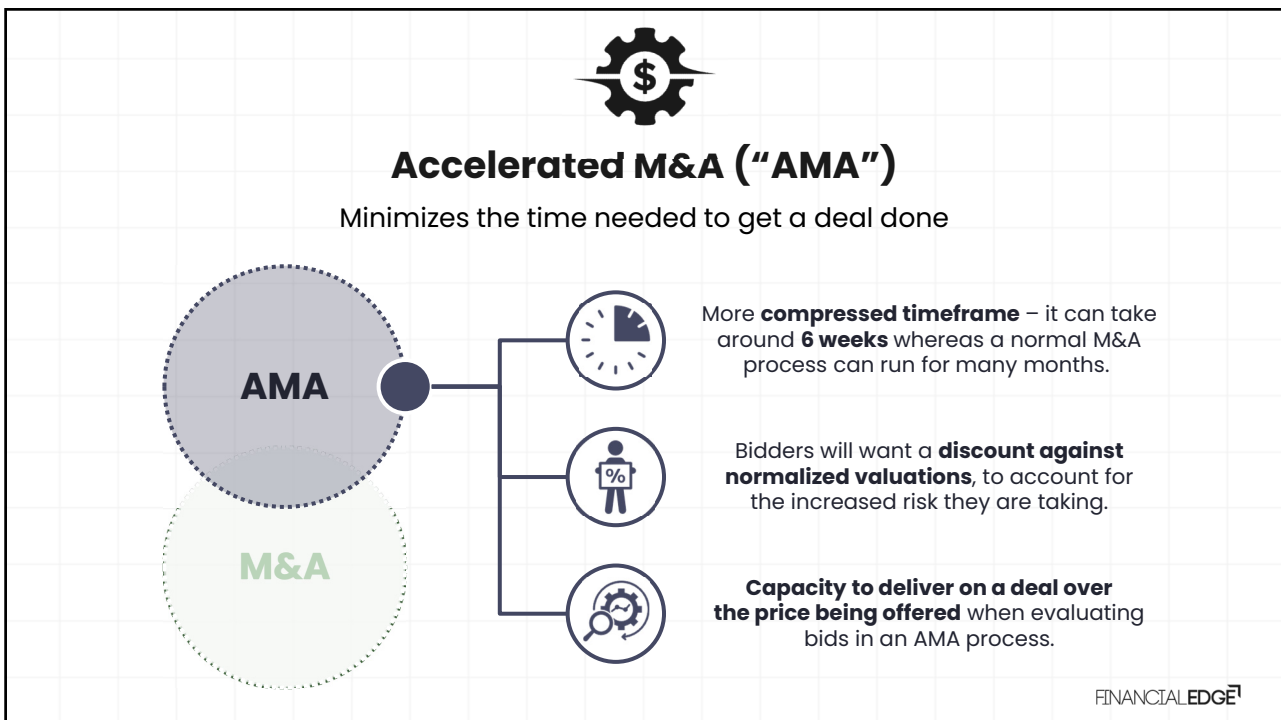
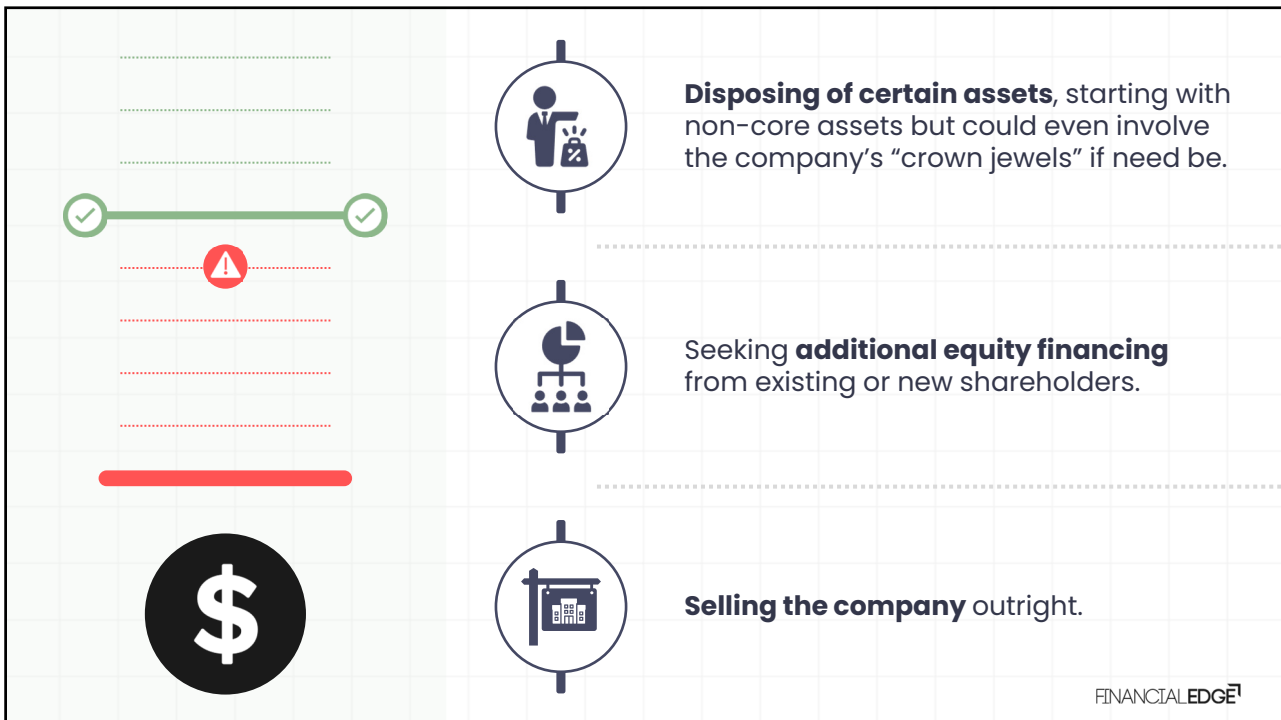


Implementation can often be **problematic** and **risky for most parties involved**

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## Asset Disposal

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## Accelerated M&A ("AMA")

Minimizes the time needed to get a deal done

**Capacity to deliver on a deal over the price being offered** when evaluating bids in an AMA process.



### 100% Cash Bidder

Limited reps  
and warranties

Additional due  
diligence



### Higher Price Bidder

Higher level  
of conditions

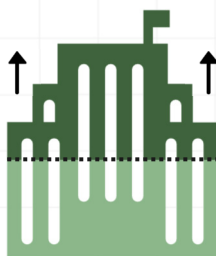
Mixture of cash  
and shares

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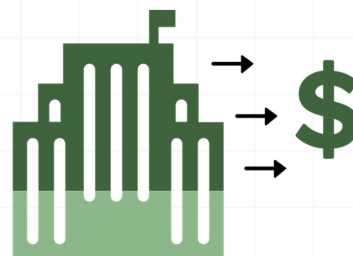
## Current Shareholders

Willingness to continue supporting the company.



Additional  
funding

**Requesting  
additional funding**



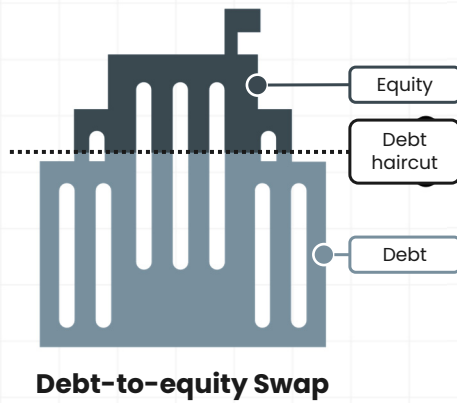
**AMA can be used to  
divest from the company**

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## Creditors

Might agree to “right size” the capital structure.



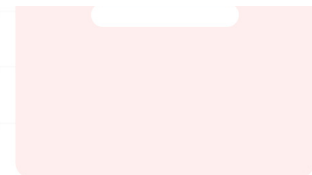
## “Right Sizing”

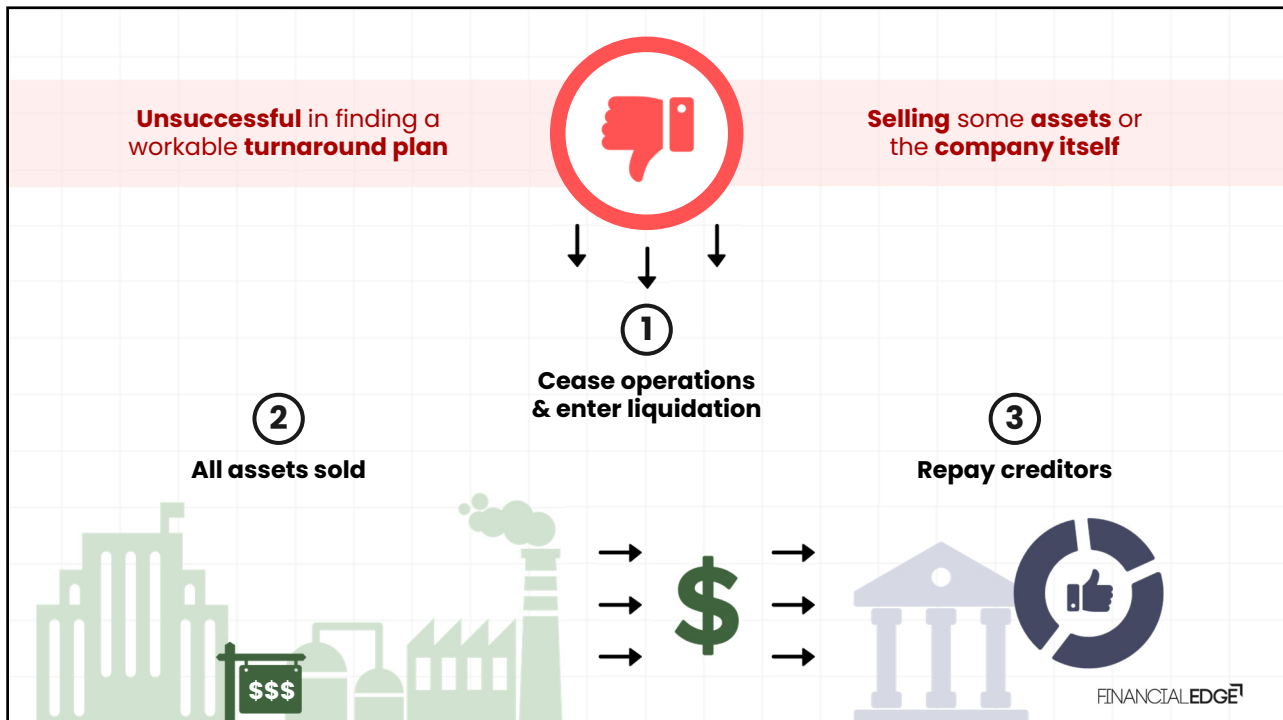
There is an **optimal mix** of **debt** and **equity**.

Company has found itself in difficulty through having **too much debt financing**.

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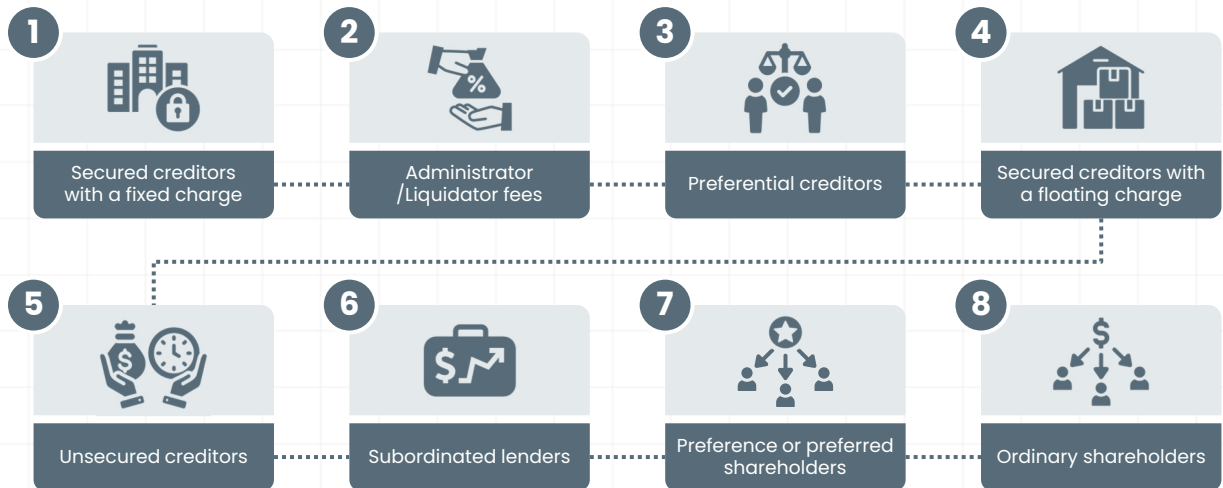
## Liquidation

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## Example Repayment Waterfall

Ranking **varies** depending on the jurisdiction

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Liquidation is always a **worst-case scenario** and usually provides:



**Lowest recovery**  
levels to creditors



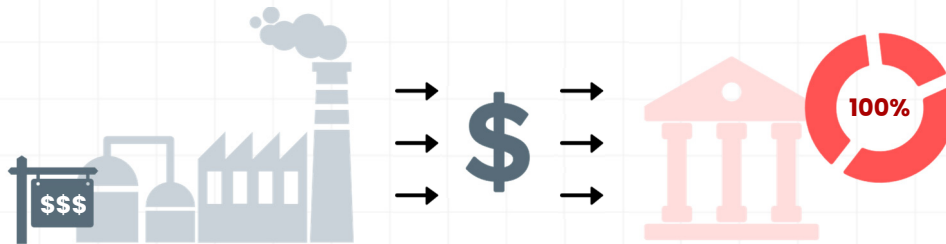
Alongside  
**job losses**



Shareholder **value**  
**wiped out**

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It is possible for the creditor to **fully recover** what is owed to them...



...If the company owns **valuable property**, however this is unusual

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