

Restructuring: A Primer on Distressed Debt Analysis

A primer for investors seeking to attain knowledge about investments in distressed securities, defaulted securities and the securities of companies undergoing court supervised Chapter 11 reorganization.

Content Overview

The purpose of this content is to provide participants with the requisite skills to analyze and value companies in financial distress and bankruptcy as well as provide a detailed understanding the dynamics of investing in distressed securities and bankrupt companies. Whether an introduction on the fundamentals or more technical modeling approached for seasoned investors, the restructuring content can be customized to suit your training needs and objectives.

Introduction to Credit Analysis

- Structural Classifications of Debt
 - Legal entity issuing debt - "Obligor"
 - Seniority
 - Contractual Subordination
 - Structural seniority and subordination
 - Guarantees
 - Inter-Company obligations
 - Secured vs Unsecured
- Covenants
 - Reading Credit Agreements and Indentures
 - Overview of Covenants
 - Affirmative Covenants
 - Negative Covenants
- Baskets Carve Outs / Loopholes
 - Permitted Liens - Priming/secured debt capacity
 - Permitted Indebtedness
 - Permitted Investments
 - RP Baskets and Unrestricted Subs
- Covenant Comps and Credit Analysis

Introduction to Distressed Debt Investing

- Causes of Corporate Distress
 - Operational vs Financial Distress
 - Operational Distress
 - Loss of key customer
 - Secular change/disruption
 - Cyclical issues
 - Financial Distress
 - Liquidity

- Maturity
 - Violation of Debt agreements
 - Going Concern Issues
 - Catastrophic event – Environmental/Toxic tort (asbestos) Fraud (Enron/WorldCom/Madoff)
- Corporate Decision Making Framework
 - Hire Operational Restructuring Advisors
 - Retain legal Counsel and Financial Advisors
 - Review “Strategic Alternatives”
 - Recapitalization
 - Asset Sales
 - Sale of Business /Auction
 - Board of Directors Fiduciary Duties
 - Duty of Care
 - Duty of Loyalty
 - Engage with Creditors
 - Financial Creditor Ad Hoc Groups
 - Suppliers and other key stake holders
- Introduction to Capital Structure
 - Understanding Capital Structure Priorities
 - Secured vs Unsecured Debt
 - Legal Entities and Corporate Structure
 - Holding Company vs Operating Company
 - Issuer and Guarantors
 - Restricted vs Unrestricted Subsidiaries
- Analyzing the Debt Covenants
 - Ability to incur additional debt
 - Ability to make restricted payments and permitted investments
- Evaluating Alternatives
 - Coercive vs Consensual Framework
 - Competing Creditor Interests in Restructuring
 - Out of Court vs Chapter 11
 - Factors Favoring Out of Court Restructuring
 - Factors Favoring a Chapter 11 Restructuring
- Title 11 of US Code
 - Bankruptcy Chapters
- Objectives of Court Supervised Chapter 11
- Valuation and Recovery Analysis
 - Example of Valuation
 - Example of Recovery Waterfall
- Glossary of Key Terms