

Lesson Plan and Learning Outcomes for Excel Restructuring Training

Distressed Credit Training Exercises Excel Module (2-3 hours)

- 1- Learn how to analyze and interpret current price and yield tables including yield to maturity, yield to worst, yield to call, spread to worst and maturity, spread per turn of leverage. Use the yield function in excel to create IRR/yield sensitivity tables
- 2- Capital Structure, Maintenance and Incurrence Covenant Calculations. Learn how to properly classify debt priority in capital structure in a cap table using cumulative leverage at face and market, implement YTM formulas in a cap table. Learn how to allocate distributable enterprise value via absolute priority and calculate recovery estimates at each level of the capital structure and incorporate subordination turnover provision. Calculate recovery sensitivity tables at various EV/EBITDA multiples and EBITDA levels. Calculate LTM leverage and interest coverage covenant compliance ratios and debt incurrence capacity
- 3- Recovery Exercise. Implement recovery analysis techniques from prior lesson to fill in recovery waterfall including creating a formula to calculate turnover provision.
- 4- Calculate the IRR on a term loan with quarterly amortization and floating interest rate quarterly resets using the XIRR function
- 5- TBD – Fill in covenant summary template from GNC FILO TL Credit Agreement and or TL B Credit Agreement

Bond Valuation and Prepayment Analysis (~1.5 hours)

- 1- Learn to use the excel YIELD, PRICE, YEARFRAC, NPV, PV, functions to calculate clean and dirty price of a bond. Calculate the redemption cost of a bond under a makewhole and call premium scenarios and the NPV cost/benefit to early redemption

Calculating Exit Financing and Debt Discharge (Homework assignment review outcome 1-.1.5 hours)

- 1- Using court documents calculate the Plan Sources & Uses, Debt and Equity Rights Offering allocations, Pre and Post Money Pro Forma Ownership, recovery and secured creditor deficiency claim

Out-of-Court Distressed Debt Exchange Offer – 1 hour)

- 1- Factors driving increased out of court exchanges – [Anecdotes regarding Increase in CLOs and loan only capital structures]. Ad hoc groups and negotiations [Anecdotes regarding organizing of creditors in distressed situations], 3-D considerations /acting as a group; Creditor and stakeholder Constituencies. Factors driving exchanges: Debt reduction; Liquidity; Maturity extensions. Key thresholds in Exchange offers (25%/33%/50.1%,67%100%). o Coercive exchanges – Asset Transfers and Uptiering. CODI issues/NOL issues. Indenture stripping and TIA Issues for bonds. Exit Consents. Covenant Limitations.
- 2- Using outlined assumptions, including permitted liens and permitted refinancing covenant, model a distressed exchange offer where unsecured debt is exchanged at a discount for new 2L debt and equity. Calculate capital table adjustments pro forma cap table, recovery sensitivities at various EV/EBITDA multiples and EBITDA levels

Distressed LBO Recap Modeling Exercise – (1-2 hours)

- 1- Using given assumptions for pro forma leverage, interest coverage, financial projections calculate, required new money commitment, the sources and uses, pro forma interest, excess cash flow sweep, TL amortization, credit stats, IRR and MOIC based on distressed bond purchase price and recapitalization from new money investment
- 2- TBD Homework –Fill in a 1 pager LBO template model using a selected target company for a go-private transaction using real world assumption for pricing, leverage, and sponsor equity commitment

Fully Functional Bankruptcy Model – (2.5-3 hours)

- 1- Review case study overview of the Tronox Bankruptcy
- 2- Using the Tronox Disclosure Statement and Plan Docs create a model that recovers among various classes, secured creditors, including EPA/Tribal (environmental), GUCs and Unsecured bonds pro forma for rights offering participation and backstop fee dilution. Calculate pro form capital structure, credit and valuation metrics. Compare to model solutions.

TBD -J Crew Style Dropdown Asset Transfers and Uptiering Transactions

- 1- Covenant analysis of restricted payment and permitted investment baskets, pro rata sharing provision amendments, lien and guarantee releases along with trapdoor for investments by non-guarantor restricted subsidiaries into non-guarantor unrestricted subsidiaries. Use the J Crew IP and Revlon BrandCo deals as examples.
- 2- Uptiering Transactions – Analyze provisions to amend liens and guarantee with simple majority vote to implement new lien and payment subordination priorities via a new intercreditor agreement and stripping of old credit agreement or indenture protections, exploiting the lack of all affected lenders provisions for key amendments , and exploiting the “open market repurchase” basket to include a distressed exchange tranche. Boardriders, Serta, TriMark, Envision et al examples.