

Revlon: Distressed Capital Structure Case Study

A primer for bankers, analysts and investors seeking to understand how distressed debt analysis from the perspectives of the buy-side, financial advisors and the issuer. Including analyzing covenants, calculating debt and lien capacity and how to read indentures and credit agreements and how they factor into investing and restructuring distressed debt.

Content Overview

The purpose of this case study is to provide participants with a detailed analytical discussion that focuses on how to analyze distressed leveraged loans and high yield bonds in the context of a “real world” example using Revlon as a case study. The course will incorporate analysis of secured debt and lien capacity, how baskets and loopholes in debt covenants can be exploited. How the value distribution among guarantor / non-guarantors and restricted / unrestricted subsidiaries impacts various pieces of the capital structure. The case study covers the controversial topic of asset transfers and lender on lender violence.

Prerequisites

Participants should have a basic understanding of finance, accounting, financial statement analysis and a basic familiarity with indentures, credit agreements and covenants.

Course Format and Duration

Format TBD Case Study 1 hour, Excel Model 45 minutes, Full Excel Covenant Model 45 minutes

Course Topics:

- Revlon Case Study
 - Situation Overview
 - Capital Structure
 - Corporate Structure
 - Debt and Equity Trading Prices
 - 2019 IP Transaction and Collateral Release

- Calculating Revlon’s Debt and Lien Capacity (includes Excel covenant model)
 - Debt Incurrence Capacity
 - Lien/Secured Debt Capacity
 - Restricted Payments and Permitted Investment calculations
 - Springing Maturity and going concern language

- Understanding Various Parties Incentives in a Restructuring
 - Debt Investor Incentives in various classes of debt
 - Issuer/Management/Owner Incentives
 - Comparable Valuation
 - Recovery Valuation

- BrandCo Transaction
 - Covenant Baskets Enabling Transaction
 - Amendments Needed for Transaction
 - Pro Forma Capital Structure
 - Legal Challenges to Transaction
 - Citi “Fat Finger” Litigation

- Covenant Comparison
 - Comparing Revlon’s covenants across various issues
 - Leveraged Loan vs Senior Unsecured Notes