



AMERICAN
BANKRUPTCY
INSTITUTE

2019 International Insolvency & Restructuring Symposium

US-EU Distressed Investing

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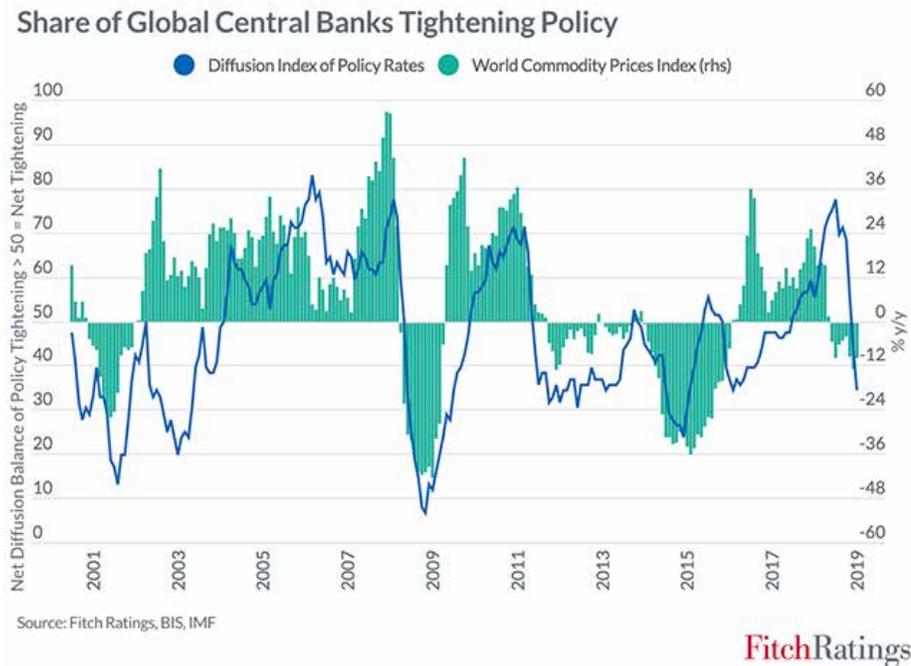


Distressed Debt Market Themes

- Central bank tightening around the globe¹
 - 52% of 38 central banks were in tightening phase and 3% easing in December 2018
 - Over a third of central banks have shifted monetary policy direction in first half of 2019
 - Broadest shift in global monetary policy across geographies since 2009 financial crisis
 - Bias toward raising rates has shifted toward easing and cutting rates
 - European Central Bank relaunches quantitative easing in September 2019

Source: (1) Fitch Ratings

Distressed Debt Market Themes



Distressed Debt Market Themes, cont.

- Elevation of debt levels
 - Impact of global monetary policy on corporate bond markets
 - Macroeconomic environment
- Regulatory pressure over non-conforming loans
 - Geographic legal and regulatory environment
 - Market landscape
 - New guidelines accelerate disposals of non-performing loans (NPLs)
 - French banks hold the second largest portfolio of NPLs in Europe²
 - Deleveraging options
- Geopolitical tensions
 - Brexit
 - Trade negotiations / Tariffs

Source: (2) Deloitte Deleveraging Europe: Focus on France 2019

US-EU Distressed Investing Market Outlook

- Investment opportunities and deal flow
- Market conditions in US vs. EU
- Leveraged loan issuance, default rates, and covenant structure
- Sourcing challenges
- Core vs. non-core assets



US-EU Distressed Investing Strategies

- Restructuring volume
- Debt renegotiation and acquisition
- Par repayment / loan to own
- Capital markets activity and access
- Triggers
 - Geopolitical and macroeconomic issues
 - Liquidity
 - Covenant amendments
 - Refinancings
 - M&A Activity



Insolvency Process Mechanics

- EU Insolvency Directive (EUID)
 - Preventive restructuring framework
 - Discharge of debt
 - Efficiency of procedures
- Acquisition of distressed assets via US Chapter 11 process
 - Challenges and opportunities for European buyers
 - Advantages in cross-border restructurings
- Schemes of arrangement
 - Issues for US creditors
 - Secondary filing – US Chapter 15
- Development of new restructuring hubs
 - Brexit impact on UK process
 - France / Netherlands / Emerging

Sector Review

- Automotive
- Bio/Pharma/Healthcare
- Manufacturing/Industrial
- Retail
- Technology



Acquisition of Non-Tangible Assets

- Non-tangible assets can be critical assets
- Licenses and potential integration
 - Can provide value where equipment/hard assets would otherwise be sold for scrap
 - Buyer can acquire and integrate within their infrastructure
 - Licensor negotiations may be sensitive and result in litigation or lack of support
 - New licenses or renewals with a transfer of owners/users should be obtained pre-sale
 - Integration requires specific permission/licenses

Acquisition of Non-Tangible Assets, cont.

- Legal considerations
 - Proper registration and assignment of rights to buyer
 - Patents / Copyrights / Trademarks
 - Source-code
 - Data
- Security interests in intellectual property
 - Geographic considerations
 - Impact on value and buyer interest

Acquisition of Non-Tangible Assets, cont.

- Maintenance
 - Understanding the net value to acquirer
 - Patent fees and defense
- Distressed opportunities and monetization of non-tangible assets
 - Process for maximizing value and limitations
 - Knowledge of building the sales book and buyer list
 - Relationships / Database
 - Credibility and subject matter expertise

Acquisition of Non-Tangible Assets, cont.

- Acquisition strategy and buyer motivation
 - Intangible asset sales are different from hard asset sales
 - Litigation
 - Defensive
 - Offensive
 - Bolt-on product or development or acqui-hire
 - Licensing revenue
 - Keeping away from the competition

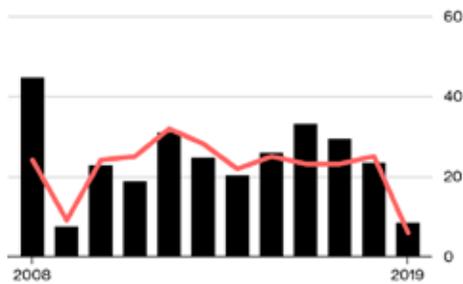
Distressed Funds Interest/Investing in the EU

- Supply of US distressed debt has dropped
- Fewer options for forcing restructurings
- Distressed debt fundraising
- Increase in hiring staff for distressed debt investing strategies

No Distress

Fundraising for distressed debt has slowed

■ Capital raised (\$B) / No. of funds closed



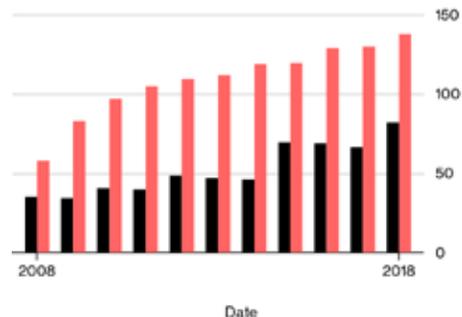
Precin data. 2019 volume year-to-date.

Bloomberg

The Long Wait

Distressed investors have \$82 billion of dry powder waiting on the sidelines

■ Dry Powder (\$B) ■ Unrealized Value (\$B)



Precin data. 2018 volume through September

Bloomberg

US-EU Distressed Investing Q&A

