

2019 Winter Leadership Conference

Yes, You Need Them: The Value of Financial Advisors and Investment Bankers in § 363 Sales

Hosted by the Asset Sales and Financial Advisors & Investment Banking Committees

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Order of Optimism

The Value of Financial Advisors and Investment Bankers In 363 Sales

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When a company's performance erodes and enters a period of uncertainty and transition there is often an "Order of Optimism" aka denial. What is the first action they take?

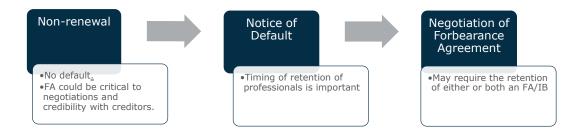
- a) Ask the bank for more money
- b) Stretch the payables
- c) Cut costs
- d) Sell underperforming assets



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The Order of Optimism: Inflection Points and Perspectives

The Borrower & The Bank



The Borrower, The Bank, & The Attorney



In your experience what type of professional gets hired first when a company contemplates a bankruptcy:

- a) An Investment Banker
- b) A Financial Advisor
- c) An Attorney
- d) A new lender



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The Order of Optimism: Inflection Points and Perspectives

The Borrower, The Bank, The Attorney & **The Investment Banker**



The Borrower, The Bank, The Attorney, The Investment Banker & **The Financial Advisor**



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What's most important in selecting an Investment Banker for a 363 sale?

- a) Industry-specific experience
- b) Distressed/363 experience
- c) Overall cost and fee structure
- d) Track record of speed to completion



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The Order of Optimism: Inflection Points and Perspectives

The Borrower, The Bank, The Attorney, The Investment Banker, The Financial Advisor & **The Judge**

Realization that the plan is not Initiate 363 Sale Process viable. Counsel, secured creditors, and • IB and FA are both key to a lenders start to point out the successful 363 process for issues, shoot holes and lose different reasons. confidence in the plan (pointing • The IB is driving the process, to missed projections and other sourcing buyers, running the broken promises) auction etc. • The FA is supporting the company on the ground with the • Business Plan and liquidity analyses indicate a sale is necessary. underlying analyses that are supporting the process. (Cash flows, business plans, operational viewpoints etc.)

What attributes are most important in selecting an Financial Advisor?

- a) Industry-specific experience
- b) Distressed/363 experience
- c) Overall cost and fee structure
- d) Personality/chemistry between FA and client



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Process Summary

The 363 sales process commences in bankruptcy



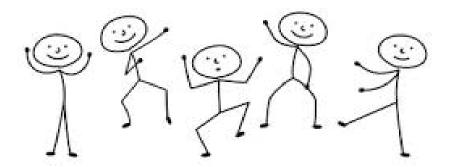
Threats to success mitigated by professionals

- > Expectations
- ➤ Lack of Runway
- > Narrow Process
- > Motivation and Effectiveness of Existing Management
- > Stagnant or Non-Existent Stalking Horse
- > Looming Valuation Issues / Constituent Buy-in
- > Unresolved Ownership / Lender Disputes
- > Attacks on Procedures / Lack of Unification and Trust
- > Unanticipated Closing and Post-Sale Costs
- > Special Circumstances (unique industry and entity issues)
 - Franchises Franchisor Approval
 - Healthcare Provider Numbers

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Kumbaya / Harmony

- ➤ Clear Mandates / Alignment
- > Transparency and Communication
- ➤ Respect and Trust
- ➤ Teamwork



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QUESTIONS?