

Corporate Restructuring

Christian Schopper

christian.schopper@aon.at / www.christianschopper.com

Course description

Corporate restructuring involves any substantial change in a company's financial structure, or ownership or control, or business portfolio, designed to increase the value of the firm. The focus will be on identifying situations that call for non-standard corporate finance solutions, addressing corporate performance financial distress, changes in business strategy and corporate policy, and information gaps between the firm and the capital markets. In many cases resolving these issues will require structured solutions, such as the design of debt, equity and hybrid financing techniques in order to resolve particular issuer or investor problems that cannot be solved by conventional methods.

At the core of the course are case studies which will require each course participant to make analytically sound and thoughtful executive management decisions in complex constellations whereby various investor interests, limitations imposed by stakeholders, possibly legal and corporate governance constraints and aspects of value creation will be considered.

This short course comprising 4 sessions will be highly intensive and foremost focused on group work as well as interaction and discussion in the class room with frontal presentations kept to a minimum. Thereby, Corporate Finance concepts already introduced and discussed in previous NES courses will be applied.

Course requirements, grading, and attendance policies

Participation

- Mandatory and conditional to be graded is a full and timely participation in all classes
- In order to actively participate, preparation of mentioned literature and handing in of all 4 Case Study Assignments is required and mandatory
- Case Study Assignments will be on a group basis. However, you are incentivized to work on an individual basis which will be rewarded with additional bonus points in regards to grading

Grading

- Grading will be dependent upon the quality of your preparation and hand-ins of the Case Study Assignments as well as the active participation and qualitative contribution in class room discussions
- A participant can receive a maximum of 100 points (plus additional bonus points), whereby the eventual grades will be as follows:

Points	Grade
0 – 30	1
31 – 49	2
50 – 55	3-
56 – 60	3
61 – 66	3+
67 – 72	4-
73 – 77	4
78 – 83	4+
84 – 89	5-
90 – 94	5
95 – 100	5+

- A participant can achieve along the following criteria a certain maximum of points:
 - Quality of class room participation a maximum of 40 points
 - 10 points in each of 4 sessions
 - Case Study Assignments a maximum of 60 points
 - 15 points for each of 4 mandatory group hand-ins
 - up to +4 bonus points, if hand-ins are delivered on an individual basis
 - up to +3 bonus points for a class presentation;

Attitude

The course is intense and will require time, effort, energy and concentration, but basically we want to learn and have also some fun ... - Precondition for this is a professional attitude:

- You are expected to professionally prepare, hand in the Case Study Assignments per deadline, be in class on time and actively participate in sessions
- In class, you will always have with you: A financial calculator; as well as the Case Study Assignment and your hand in / presentation material on a USB stick
- Mobile phones and other mobile devices will – without exception - be switched off during the sessions

Case Study Assignments

- You are required to hand in Power Point format presentations for a total of 4 case studies
- Grading will be on group basis. Groups are not to exceed 3 (three) individuals
- Each group / individual can assume to / will present at least twice during the Course
- Individuals delivering hand-ins (voluntarily) on an individual basis will be awarded additional bonus points
- Volume / page numbers / structure of the presentations are up to you (ideally, though, not more than 7 slides, excl. appendices) whereby quality and creativity rules over quantity
 - Especially in restructuring assignments creativity can be key, provided a compelling conclusion is backed up with material, analytics or else to support your arguments. In most of the cases your conclusions will be substantiated with a (small) financial model, attached in an appendix
 - A good structure may look like following:
 - Analytical conclusions
 - Which are the major issues to resolve?
 - Which basic alternatives are available and feasible?
 - What would you recommend to do and why?
 - Next steps
- You will send the presentation via email (christian.schopper@aon.at) by latest 24.00 on the night prior to the respective session in which the Case Study Assignment will be discussed and bring a copy **on a USB stick** to class
 - Downloading presentations during class time is not appropriate and consumes unnecessary valuable time we want to spent together to discuss
- Subsequently 2-3 groups / individuals will either volunteer or be chosen arbitrarily to present their conclusions in front of class (time limit: 10mins), followed by approx. 2-3 questions (3-5mins), whereby you will have to support your conclusion(s)
 - Please note: It may be useful, if you intend to voluntarily present, to make a rehearsal prior to the session, as there will be an absolute presentation time limit of 10mins

- A maximum of 15 points will be awarded for quality of written materials handed in for each Case Study Assignment. Individuals choosing to deliver hand-ins on an individual basis will be awarded with up to 4 additional bonus points. Those who present could expect to be awarded an additional maximum of 3 bonus points for the quality of the verbal presentation

Case Study 1: The **Esmark** Case involves the management of a firm with a market value of a going concern that is less than its breakup value. How does management maximize value for shareholders in this environment?

Case Study 2: In 1988, **USG** was the world's largest gypsum producer and one of the world's largest building-products companies. On May 2, 1988, USG's board of directors announced a proposed leveraged recapitalization plan to thwart a hostile cash tender offer by Desert Partners. With only one week remaining before the tender offer was scheduled to expire, shareholders must decide whether to tender their shares or wait and vote in favor of the recapitalization plan

Case Study 3: In early 1993, **Stone Container** was heavily burdened by debt following a series of highly leveraged acquisitions. A prolonged depression in paper prices necessitated the development of a comprehensive financial plan to relieve the financial pressures on Stone. Among the alternatives to be considered are straight debt, convertible debt, and equity.

Case Study 4: In the summer of 2015, India-based **Amtek Auto Ltd.**, one of the country's largest companies in the manufacturing of automotive components, was on the brink of financial ruin. After more than a decade of being immersed in a spending spree on acquisitions to build capacity and expand its clientele in both the European and Asian auto markets, Amtek's stock plummeted by 50 per cent within two days as nervous investors worried about the company's ability to make its scheduled debt payments. Tensions were high as the company faced mounting pressure over its liquidity issues, and after reporting a net loss for the first time in two decades. With rumours of bankruptcy on the horizon, what steps could the company take to decrease its debt burden at a time when the automotive industry was in a slump? Should Amtek consider selling off some of its assets to raise the needed cash, or should it look to banks and investors?

Course contents

Content

The course focuses on – among others - the restructuring of debt and liabilities as well as assets and equity. Thereby, we will pay particular attention on the decision-making processes of managers, creditors, investors, stockholders, suppliers, turnaround consultants, and financial advisers. The case studies that participants will work through in this course tend to focus on large companies, with complex capital structures, facing extremely challenging business situations (including threats to their survival). The course covers restructuring across a range of countries and industries, and features companies – also investors - confronted by a range of problems and challenges. The primary pedagogical approach is case discussion

The course includes lectures, problem solving and discussions, and case study assignments.

Subjects will comprise – among others:

- Distressed
- Bankruptcy
- Spin-Offs
- Split-Offs
- Trackers
- De-mergers
- Recapitalization
- Shareholder Composition

- Corporate Governance

Learning Approach

Learning is foremost by building on already acquired know-how of Corporate Finance principles and applying these in case study constellations, with lecture elements provided as needed. Hence, learning will take place in individual preparations and then subsequently in class room.

Learning Outcomes

The course prepares participants to deal with the restructuring challenges and opportunities they may encounter throughout their careers. Restructuring is the process by which companies renegotiate the financial contracts and commitments they have entered into with their creditors, employees, suppliers, customers, and shareholders, usually in response to some financial challenge or crisis.

By applying tools and concepts introduced in the course, participants will learn

- How to recognize when a company can benefit from restructuring,
- How to identify the best restructuring option or strategy for dealing with the problem, challenge, or opportunity that the company faces,
- How to execute the restructuring effectively to create the most value possible, and
- How to "sell" the restructuring to the company's constituencies, who may be asked to make significant sacrifices

Restructurings are often extremely complicated, and involve multiple issues around valuation, bond indentures, subordination agreements, bankruptcy law, employment law, taxes, litigation, regulation, etc. In analyzing the cases in the course, emphasis will also touch most of these and other issues, which often reveals the best approach for addressing the company's problems.

Schedule

NEW ECONOMIC SCHOOL COURSE IN CORPORATE RESTRUCTURING SS 2019				
Date	Session 1		Session 2	
	5. März 2019	19.00 - 22.00	12. März 2019	19.00 - 22.00
Time				
Focus Areas	Holding Discount	Recapitalization	Stress in Cycles	Overstretch
Hours	1	Case Study - Esmark	Case Study - USG	Case Study - Stone Container
	2			Case Study - Amtek
	3			
= Group Case Study Assignments				

Course materials

Preparation

- Familiarize yourself with literature / readings about the principles of Corporate Management. Basically, you are free to select any literature which suits you. Good references in this context are the books by Damodaran – Corporate Finance or by Brealey / Myers -- Principles of Corporate Finance
- A summary of some selected restructuring concepts you may also find on my website: <http://christianschopper.com/on-finance/>
- Please note and be mindful of the intensity of the Course: You may assume that the preparation of the respective case studies realistically requires from 10-20 hours

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.