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# Financial restructuring process

Chief Financial Officers Conference

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# Financial restructuring pillars (1)

## Golden rules

- Always have regard to the amount of debt that can be serviced by the operating profits of the corporate
- Debt for equity swaps should generally be limited such that the remaining debt is not lower than the expected future returns to the lenders (although there are exceptions)
- Reduce gearing and eliminate negative covenants/pledges

# Financial restructuring pillars (2)

## Loss sharing principles

- All participants in a financial restructuring process should be treated equally
- No participants should be permitted to improve its position compared to any other whilst a review and turnaround are in progress
- Any additional risks incurred after a moratorium is called should be borne by each participant *pro rata* to its exposure at the moratorium date

# Financial restructuring stakeholders matrix

	Short Term	Medium Term	Long Term
COMPANY	<b>SURVIVAL</b> <ul style="list-style-type: none"> <li>Cash or cash equivalents</li> </ul>	<b>STABILITY</b> <ul style="list-style-type: none"> <li>Headroom</li> <li>Servicing</li> </ul>	<b>PROSPERITY</b> <ul style="list-style-type: none"> <li>Optimal WACC</li> <li>Pricing</li> <li>Investment capacity</li> </ul>
EXISTING DEBT	<ul style="list-style-type: none"> <li>Improved probability of recoveries</li> <li>Reduced probability of default</li> </ul>	<ul style="list-style-type: none"> <li>Servicing/income cover</li> <li>Security cover</li> <li>Liquidity</li> </ul>	Repayment/Refinancing
NEW DEBT	Security, ranking	Repayment	New Lending
EXISTING EQUITY	<ul style="list-style-type: none"> <li>Upside retention</li> <li>Minimise dilution</li> </ul>	Liquidity	Exit /Realisation
NEW EQUITY	Risk/Reward	<ul style="list-style-type: none"> <li>Yield</li> <li>Capital appreciation</li> </ul>	<ul style="list-style-type: none"> <li>Exist realisation</li> <li>Upside potential</li> </ul>

# Financial restructuring objectives

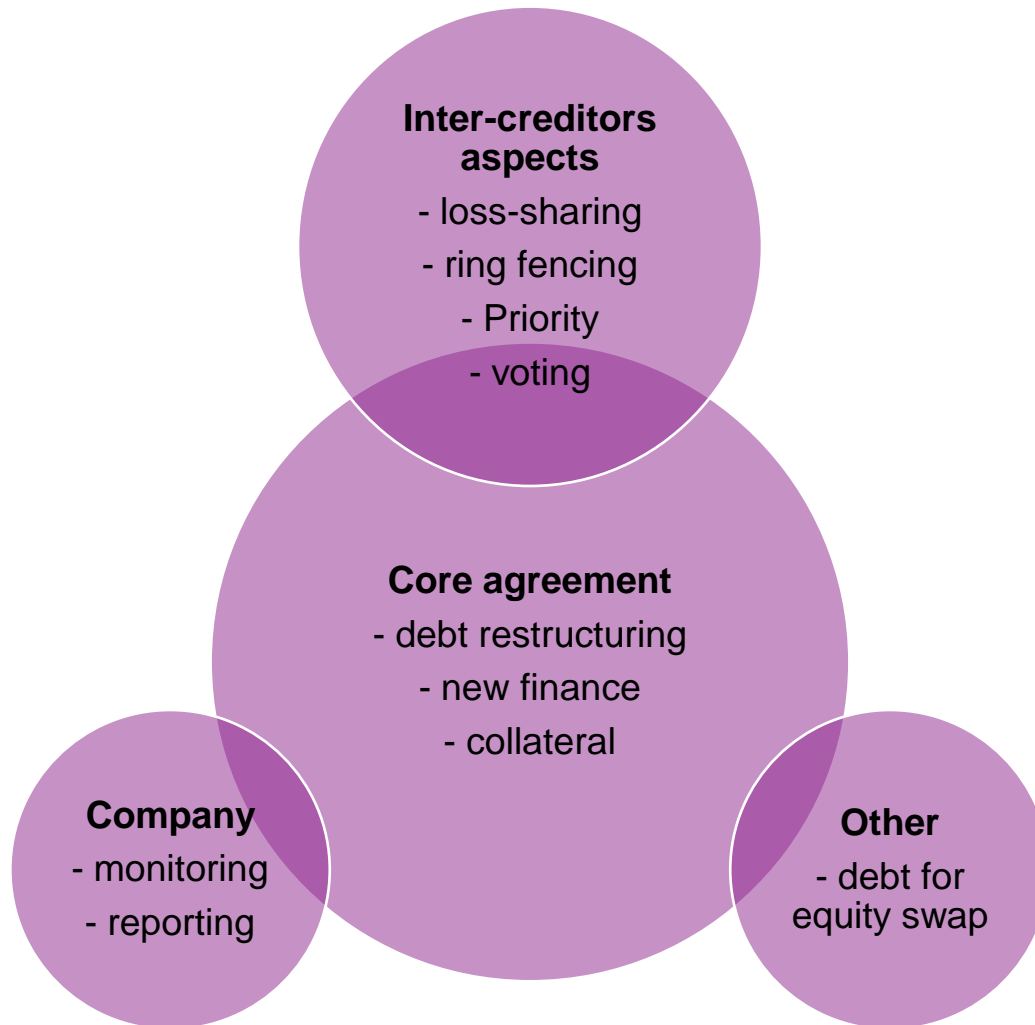
## General

- Commercial and “once and for all”
- Reduce debt to sustainable levels
- Restore confidence - trade creditors
- Restore balance sheet solvency
- Recognise current value of: senior debt, mezzanine, equity
- Taxation considerations
- Management motivation

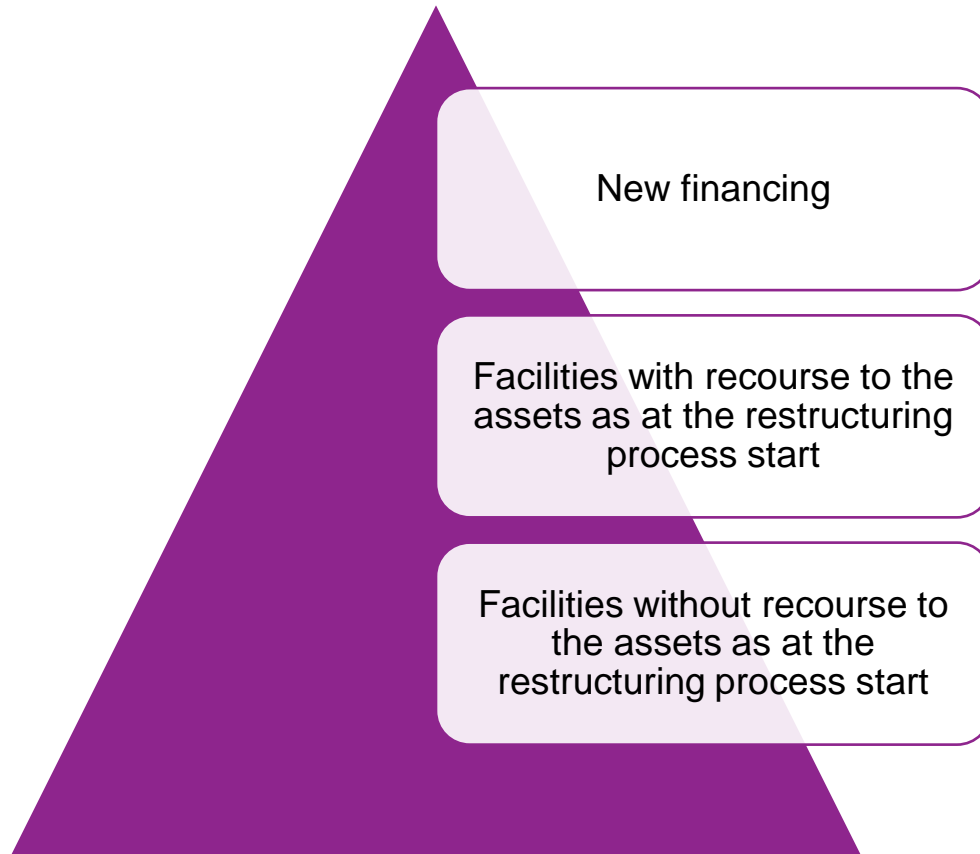
## Bank's specific

- Maximise returns
- Convert minimum debt
- Maintain priority of debt
- Effective monitorization
- Upside sharing

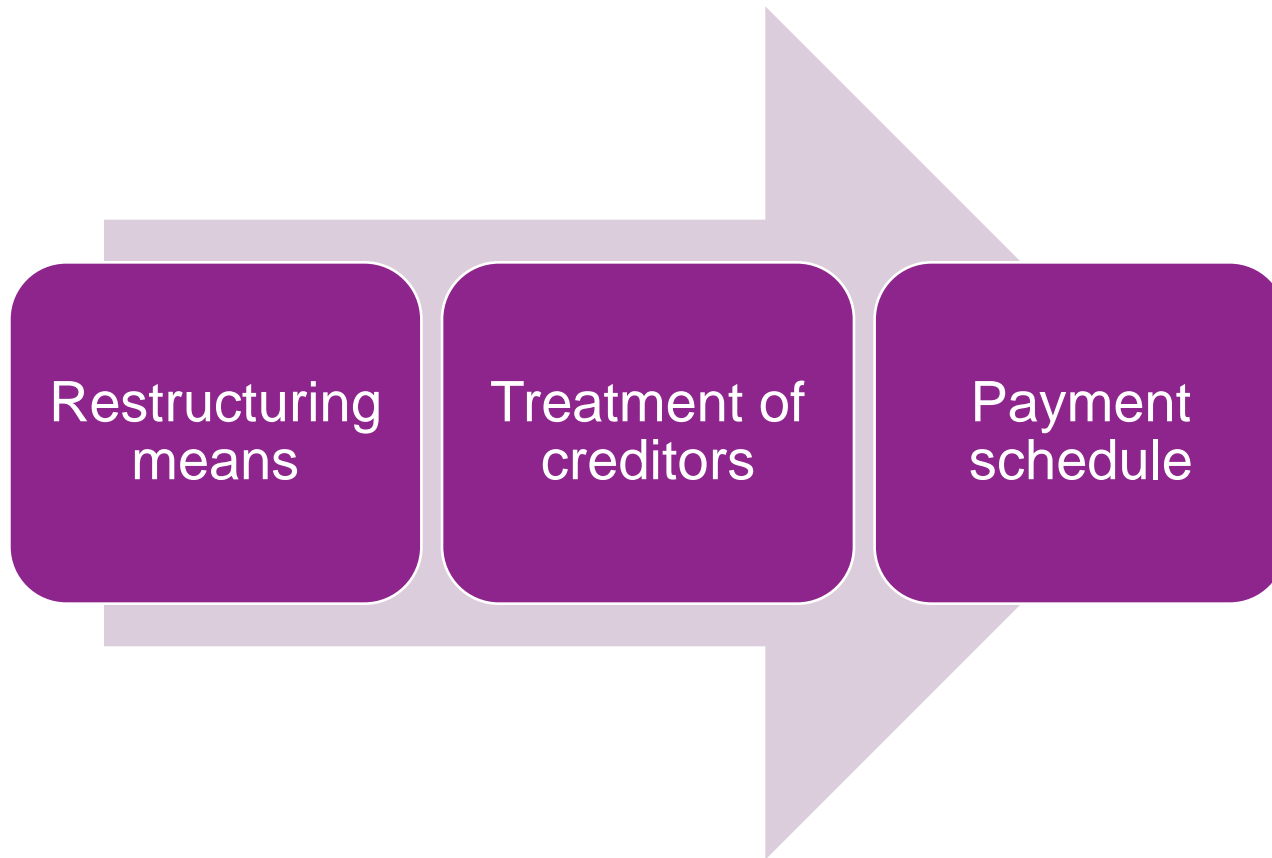
# The nutshell of the financial restructuring process



# Creditors priority ranking

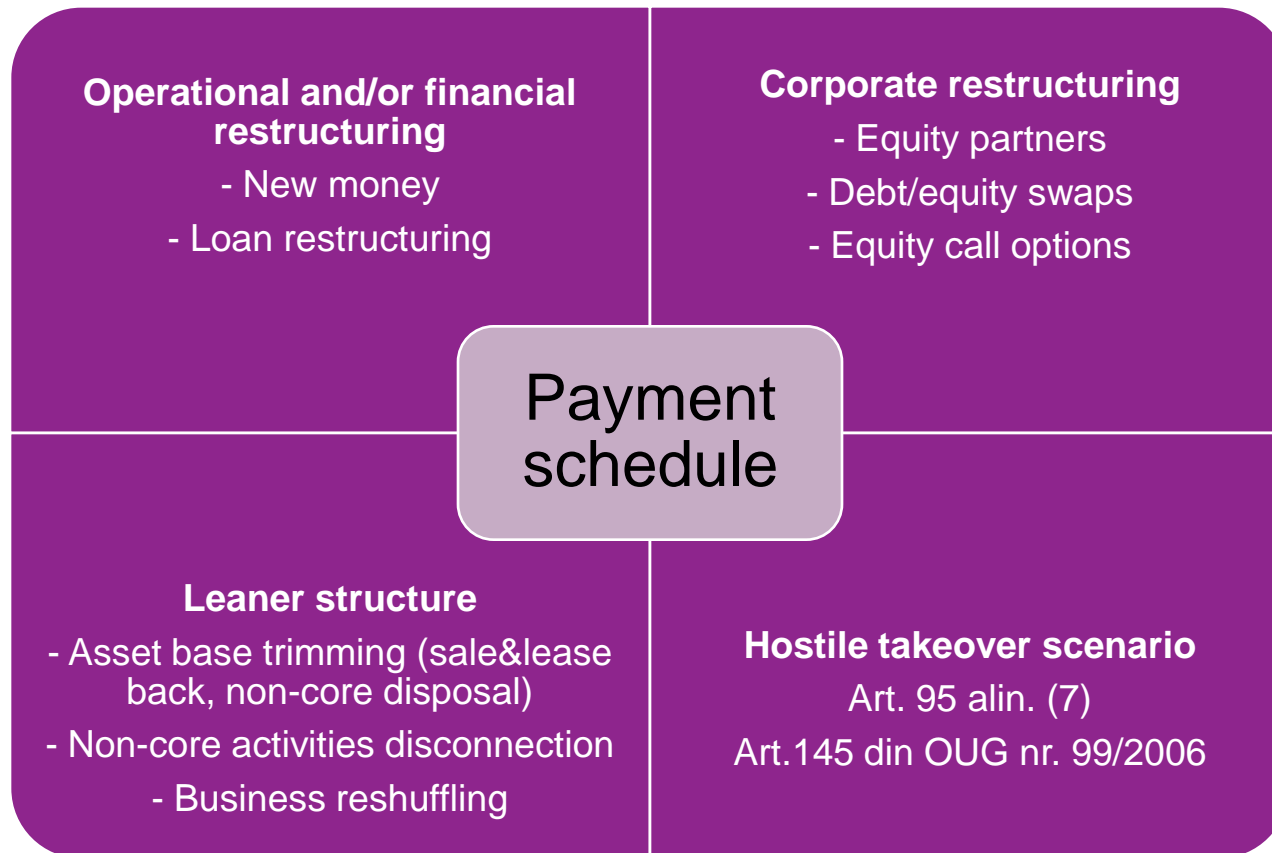


# Compulsory content of reorganization plan





# Reorganization plan means and structure



# Thank you

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