

## abiLIVE webinar series



# On Cruise Control or Approaching a Detour? Current Issues for Automotive Distress

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## Our Speakers

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Our speakers are some of the most experienced professionals in automotive restructurings, representing companies, suppliers, customers, vendors and financial institutions.



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## Webinar outline

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### On Cruise Control or Approaching a Detour? Current Issues for Automotive Distress.

- Why is the auto industry unique for restructurings?
  - » Liquidity enhancements and support options
  - » Lenders' concerns/issues
  - » Customers' reactions
- Current challenges/complexities
  - » Operational stress/industry transformation
  - » Global operations/entities
  - » Capital structure complexities
  - » Customer group interests
- Near-term outlooks and challenges
- Key take-aways



## Audience Poll #1

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What is your level of experience in automotive restructurings?

- A. Never been involved
- B. Occasional engagements
- C. Have done a lot of auto deals





## Audience Poll #2

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Are you currently involved in a distressed automotive supplier situation?

A. Yes

B. No



## Audience Poll #3

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What is your professional discipline?

- A. Attorney
- B. CRO/Financial Advisor
- C. Investment Banker
- D. Lender/Investor
- E. Other



## Understanding Auto Supplier Restructurings

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Why is the automotive supplier industry unique?

- Production is just-in-time
- Supply chain is largely single or dual sourced
- Historically, high customer concentrations; now more varied
- Long lead times for new revenue / contracts
- High fixed costs / capital requirements
- Dedicated machinery & equipment; tooling not owned by supplier



## Understanding Auto Supplier Restructurings

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Liquidity enhancements and support options for the Supplier

- Price surcharges / Price increases
- Funding of Supplier's expenses
- Direct payments to vendors
- Guarantees of A/R and inventory to increase Lender's advance rates under borrowing base formulas (enhance availability)
- Support for exit strategy
  - » Stand alone restructuring
  - » Sale
  - » New business / increased volumes / new pricing



## Understanding Auto Supplier Restructurings

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### Lenders' concerns and interests

- Protecting the value of the working capital
- Maximizing value of fixed assets
- Selling the enterprise if feasible
- Reducing overall exposure as the process continues
- Coordinating with other lenders and loan facilities
- Establishing clear agreements and expectations
- Avoiding information gaps and delay





## Understanding Auto Supplier Restructurings

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### Customers' concerns and interests

- Understand impact of supplier to customer production
  - » Number and type of parts / service
  - » Potential plants affected
  - » Status of programs / contracts
- Analyze protective options, including resourcing or bank build
- Analyze magnitude, severity of Supplier's situation and remedies
- Understand customer make-up and interests



## Audience Poll #4

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What do you think will be the primary cause of the next automotive industry downturn?

- A. Tariffs / trade wars
- B. Decreasing demand / Ride-share impact
- C. Transformations / Technology
- D. Labor costs / strikes
- E. Financial markets / recession



## Current Challenges with Auto Supplier Restructurings

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More stress on Suppliers' operations

- Capacity constraints
- Shorter program runs
- Capital expenditure requirements
- Industry transformation
  - » Rapid changes in technology
  - » Transition away from combustible engines
  - » Autonomous vehicles



## Current Challenges with Auto Supplier Restructurings

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Suppliers' global operations and entities

- Complexity not necessarily related to size of company
- Multiple jurisdictions
- Differences in laws and collateral protections
- Supply chain impact from tariffs, trade wars



## Current Challenges with Auto Supplier Restructurings

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More complex capital structures

- Multiple lenders, sometimes with different collateral pools
- Lending across multiple countries / jurisdictions
- New, additional regulation of traditional banks





## Current Challenges with Auto Supplier Restructurings

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### Complexities with Customers and Customer Groups

- When and how are Customer Groups formed?
- Examples of customer group complexities
  - » Plant locations and profitability
  - » Program timing
  - » Relative positions
  - » Supplier support or financing
- Lenders' interests and approach
- Options for success and supplier support vary significantly by situation and participants
- Small case challenges



## Automotive Industry Outlook

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What are the panelists' thoughts regarding near-term outlooks and challenges for the industry and auto supplier restructurings?



## Audience Poll #5

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Who do you think is most responsible for a successful automotive restructuring outcome?

- A. Company/Supplier
- B. Customers/OEMs
- C. Lenders
- D. Owner/New capital provider
- E. All of the above



## Final Thoughts

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What are the panelists' key take-aways that the audience should remember?



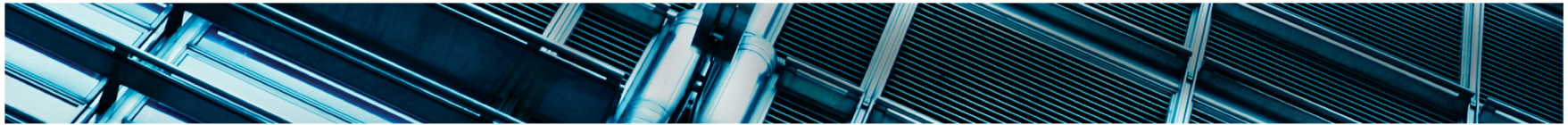
## Audience Poll #6

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Did you learn something new from this webinar?

- A. Yes
- B. Not really
- C. Too busy billing hours
- D. Is it over already?





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# Thank you for participating!

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