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# VALCON 2021

## **Betting on the Unknowable: The Impact of COVID-19 Recovery Timing on Valuation and Restructuring Dynamics**

Sponsored by Pachulski Stang Ziehl & Jones

**John "Jack" Wm. Butler, Jr., Moderator**

*Birch Lake Holdings, L.P. | Chicago*

**Steven M. Abramowitz**

*Vinson & Elkins LLP | New York*

**Lorie Beers**

*Cowen Inc. | New York*

**David M. Hillman**

*Proskauer | New York*

**P. Kevin Smith**

*IAG Mobility and Electrification Fund I, LLLP  
Lauderdale-by-the-Sea, Fla.*

**J. Scott Victor**

*SSG Capital Advisors, LLC | Conshohocken, Pa.*



The banner features a dark background with diagonal gold and black stripes. In the top left is the American Bankruptcy Institute logo. In the top right is the AIRA logo. The main title 'VALCON 2021' is prominently displayed in the center, with 'VALCON' in white and '2021' in orange. Below the title is the subtitle 'Betting on the Unknowable: The Impact of COVID-19 Recovery Timing on Valuation and Restructuring Dynamics' in white. At the bottom, the dates 'MAY 5-13, 2021' are shown in large white letters.

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# VALCON 2021

Betting on the Unknowable: The Impact of COVID-19 Recovery Timing on Valuation and Restructuring Dynamics

MAY 5-13, 2021



This banner is a smaller version of the one above, featuring the same design elements: American Bankruptcy Institute and AIRA logos, the 'VALCON 2021' title, the subtitle, and the dates 'MAY 5-13, 2021'.

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AIRA

# VALCON 2021

MAY 5-13, 2021

## The Roundtable



Jack Butler, Moderator  
Birch Lake Holdings, L.P. | Chicago



Steven M. Abramowitz  
Vinson & Elkins LLP | New York



Lorie Beers  
Cowen Inc. | New York



David M. Hillman  
Proskauer | New York



P. Kevin Smith  
IAG Mobility and Electrification Fund I, LLLP | Washington, D.C.



J. Scott Victor  
SSG Capital Advisors, LLC | Philadelphia



## How COVID-19 Has Affected the U.S. Economy

- The COVID-19 pandemic created a devastating recession as the economy shrunk a record 31.4% in the second quarter of 2020
- Nationwide shutdowns closed businesses
- Workers who could do so worked from home, creating a demand for more living space
- Unemployment neared Great Depression levels, causing many to fear eviction
- The Fed lowered interest rates, which also boosted demand for housing
- Government stimulus totaled more than \$2 trillion, sending the deficit to record levels

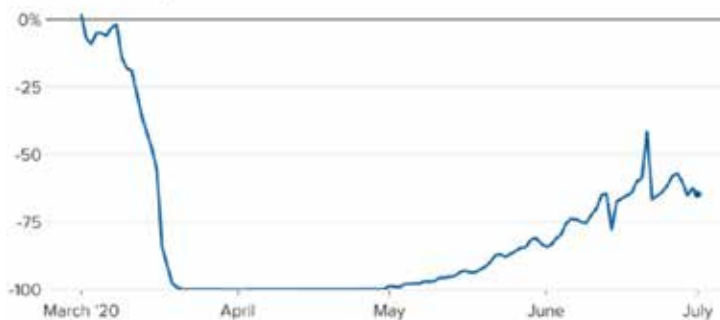
Source: "How COVID-19 Has Affected the U.S. Economy", Amadeo, Kimberly, *The Balance on U.S. & World Economies* (February 24, 2021).

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## U.S. Restaurant Bookings

Year-over-year change in seated diners at restaurants on the OpenTable network from March to July 2020

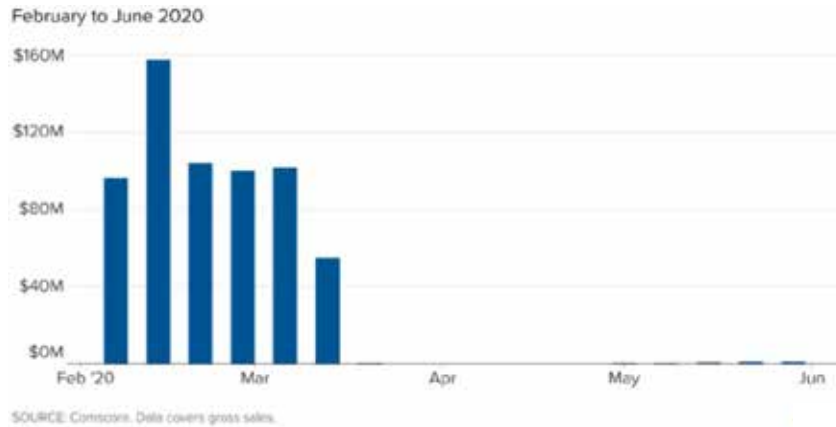


SOURCE: OpenTable. Only states or cities with 50+ restaurants in the sample are included. The drop and spike in year-over-year change in June is due to the Father's Day holiday occurring earlier in 2019.

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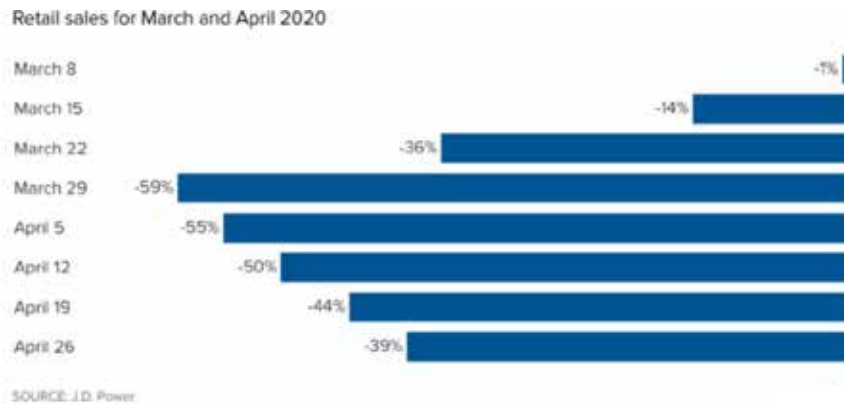
## U.S. Weekend Movie Box Office Sales



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## Weekly U.S. Auto Sales Compared to Pre-Pandemic Forecast

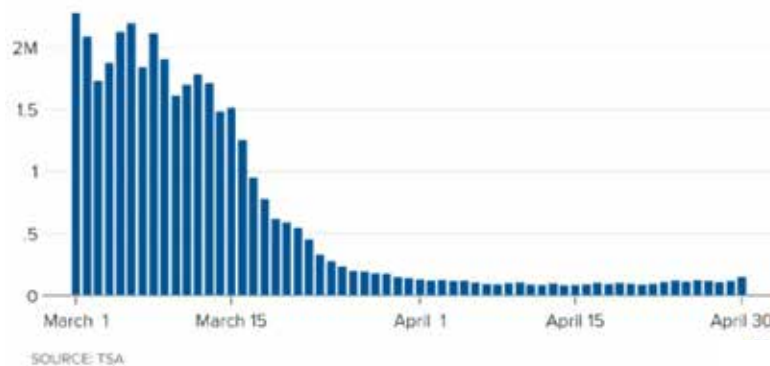


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## U.S. Air Travel

Daily travelers passing through TSA checkpoints in March and April of 2020

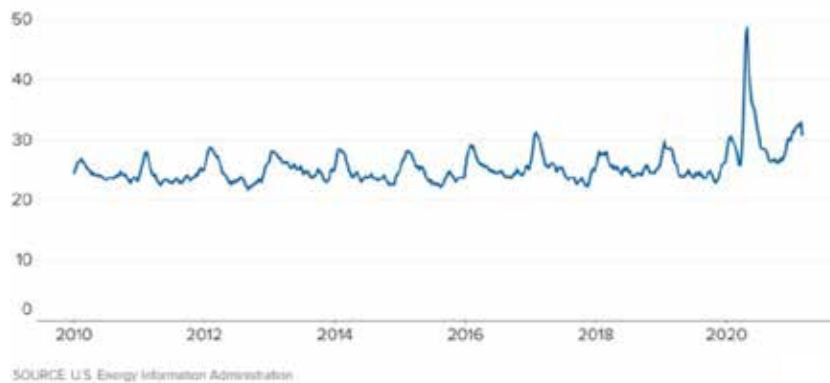


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## Days of Supply of U.S. Gasoline

Weekly values since 2010



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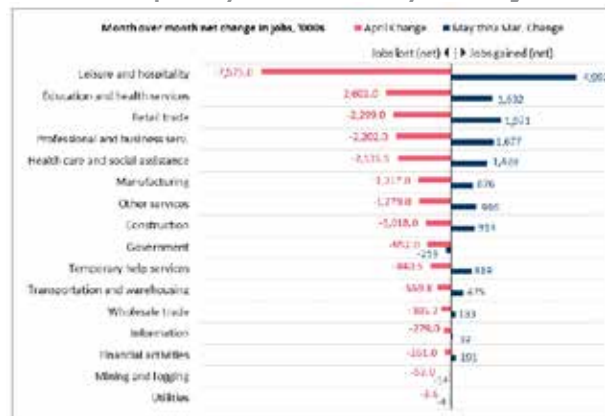
## Industries Most Impacted by COVID-19



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## Change in U.S. Employment by Major Industrial Sector

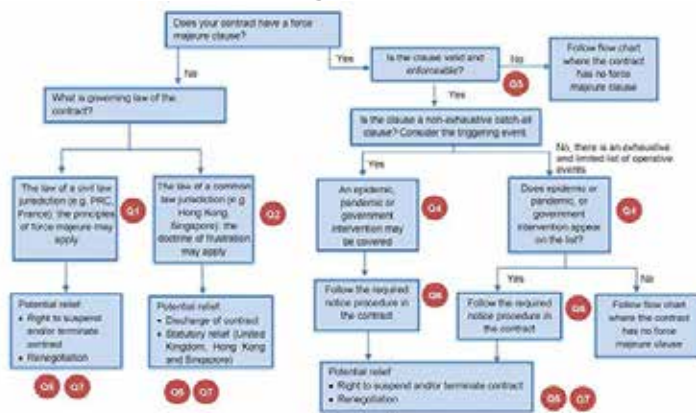


Source: The Employment Situation, Bureau of Labor Statistics, various months 2020 and 2021. Created by CRS.

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## Force Majeure Clause

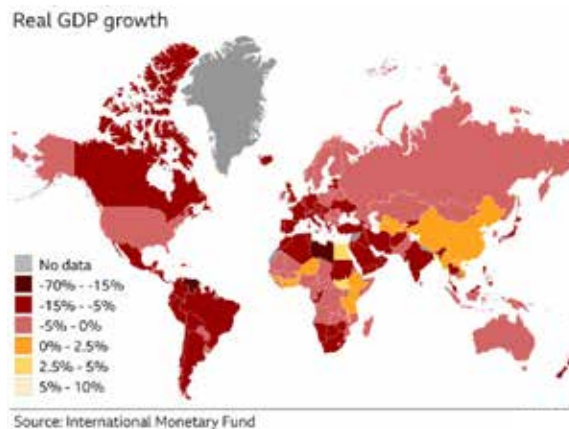


Source: "The Legal Consequences of COVID-19 on Your Contracts: Force Majeure in Different Jurisdictions and Industries, and Some Practical Guidance," *K&L Gates* (March 2, 2020).

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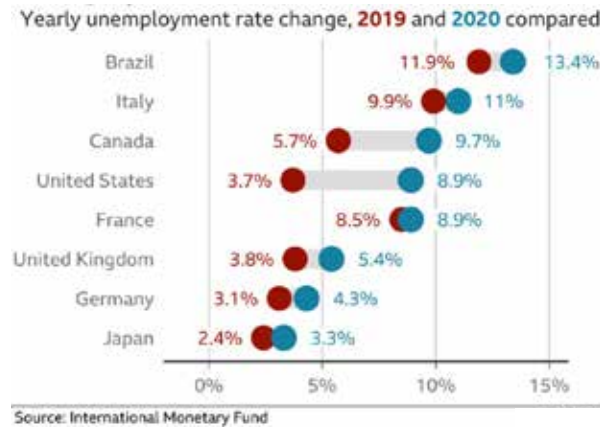
## Majority of Countries in Recession



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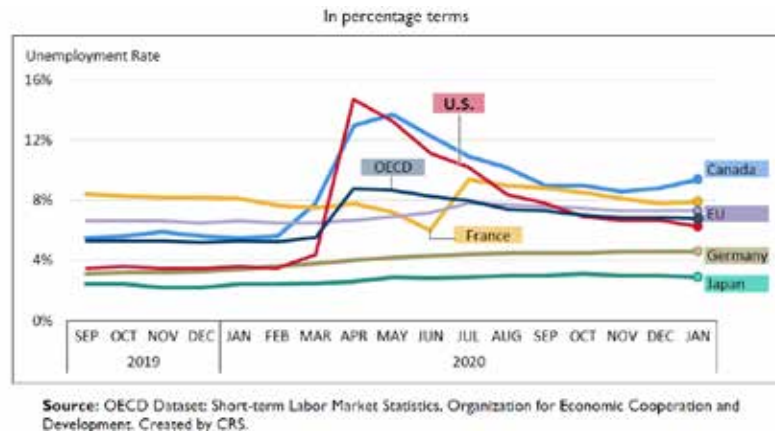
## World Economies Struggling with Rising Unemployment



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## Unemployment Rates Among Major OECD Countries

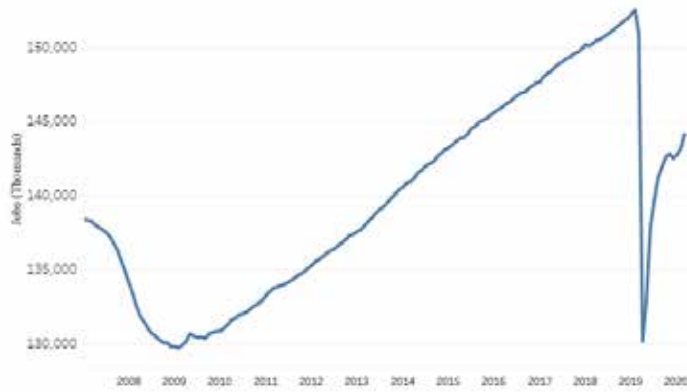


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## Total Jobs, January 2008 – March 2021

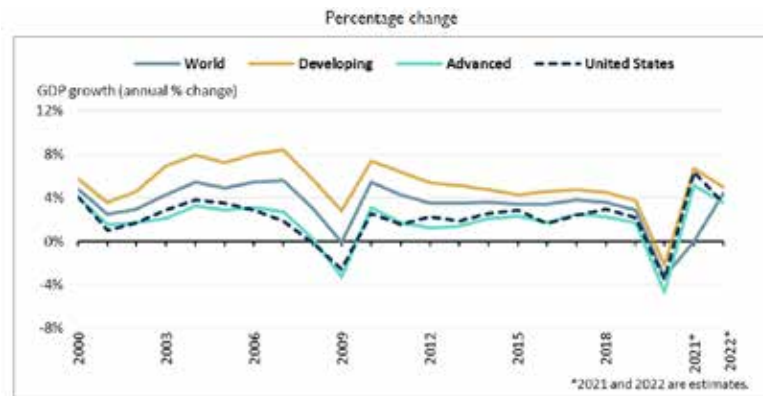


Source: "COVID-19 Economic Crisis: By State," Ettlinger, Michael and Hensley, Jordan, *University of New Hampshire Carsey School of Public Policy* (April 16, 2021).

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## Forecast, Gross Domestic Product

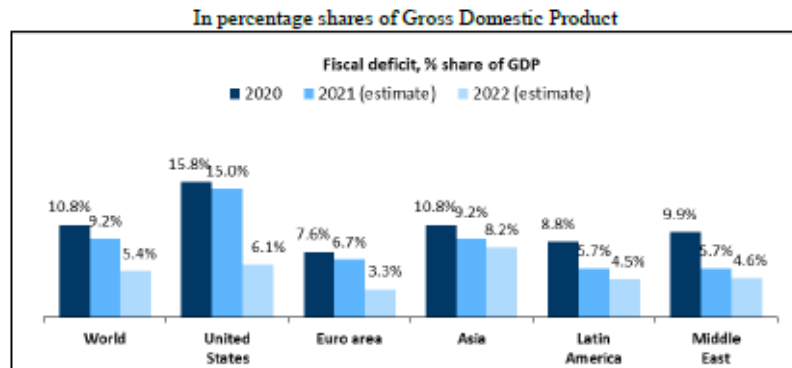


Source: World Economic Outlook, Update, International Monetary Fund, April 8, 2021. Created by CRS.

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## IMF Projected Government Fiscal Deficits Relative to GDP



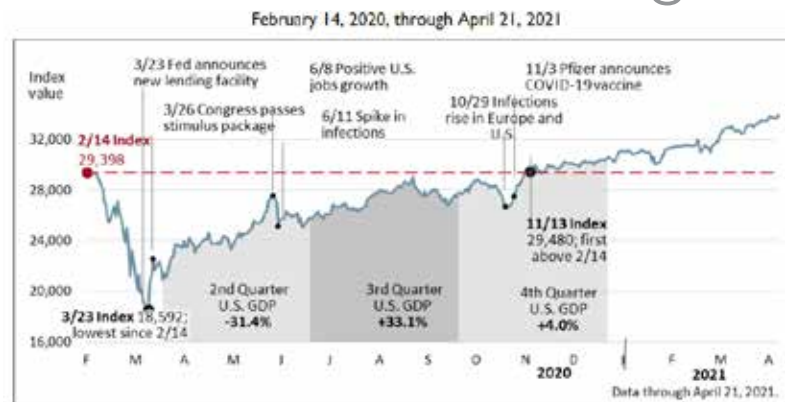
Sources: Fiscal Monitor, International Monetary Fund, April 2021. Created by CRS.

Notes: Data for 2021 and 2022 are estimates.

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## Dow Jones Industrial Average Index

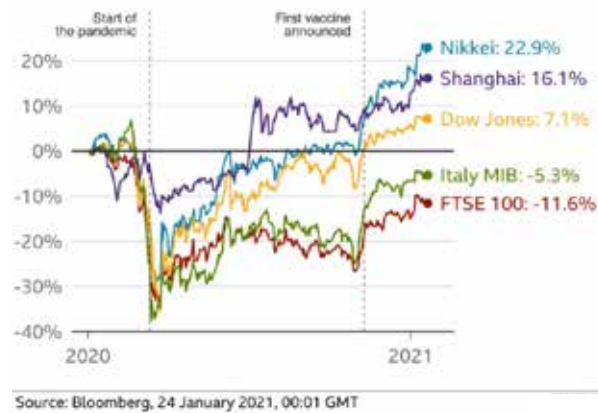


Source: Financial Times. Created by CRS.

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## Impact on Stock Markets



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## Historical Global Bond Issuance & Forecast

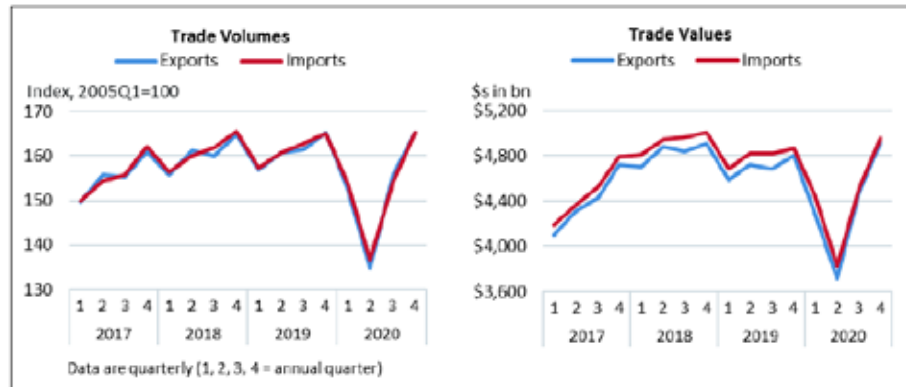


\*Full-year forecast. §Structured finance excludes transactions that were fully retained by the originator, domestically rated Chinese issuance, and CLO resets and refinancings. Sources: Green Street Advisors, Refinitiv, and S&P Global Ratings Research.  
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## WTO Estimates of Quarterly Global Exports and Imports, Volumes and Values

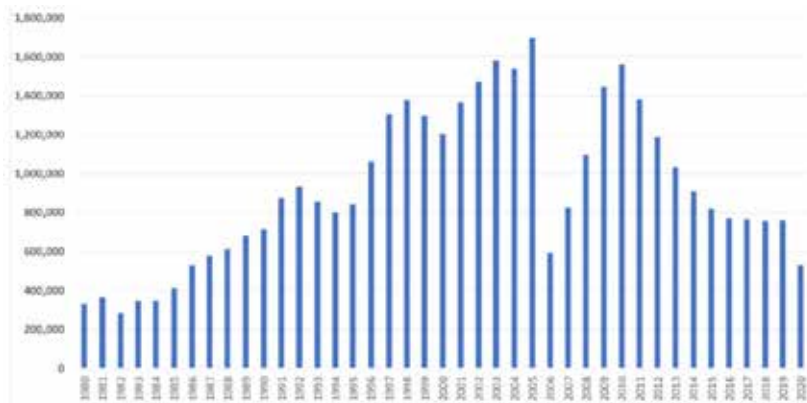


Source: World Trade Organization, March 31, 2021. Created by CRS.

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## Annual U.S. Bankruptcy Filings (All Chapters)



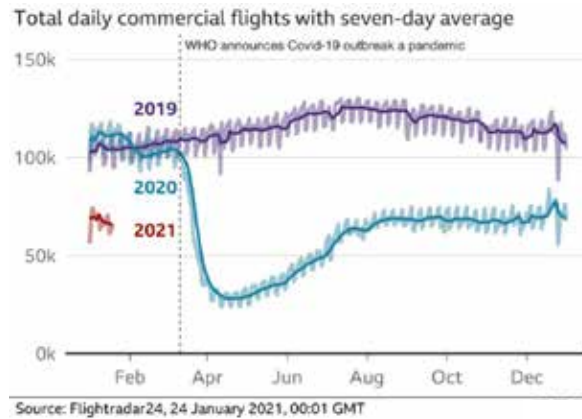
Source: "Annual U.S. Total Bankruptcy Filings, 1980-2020", American Bankruptcy Institute (January 8, 2021).

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## Commercial Flights Remain Well Below Normal Levels



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## Brent Crude Oil Price Per Barrel in Dollars

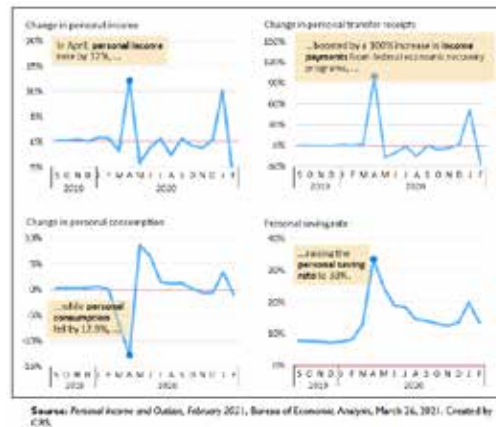


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## Personal Income, Consumption and Savings



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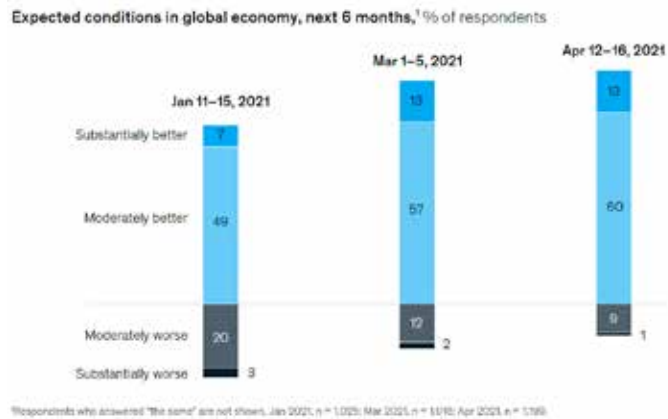
## Impact on Valuations and Debt

- Valuations of legal entities, businesses and intangible property
  - Forecasted cash flows
  - Required rate of return
  - Documentation of intercompany transactions
  - Assessing impact of COVID-19 and anticipating “return to normal”
  - Assessing impact of The American Rescue Plan
  - Assessing potential impact of The American Jobs Plan
- Impairment concerns
- Review of deferred tax assets and valuation allowances
- Worthless stock deductions
- Debt considerations

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## Economic Recovery

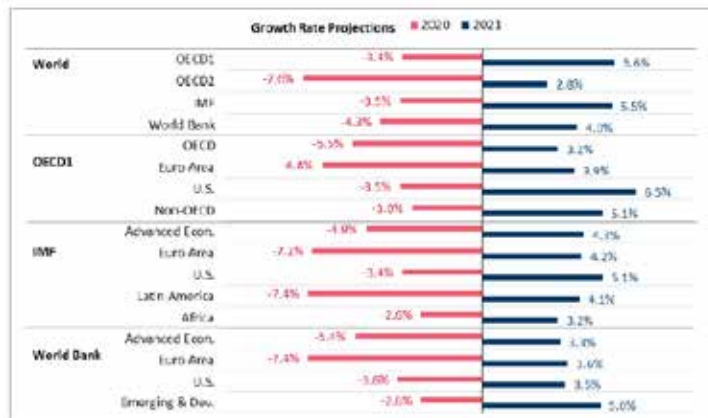


Source: "The coronavirus effect on global economic sentiment," *McKinsey & Company* (April 2021).

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## Major Economic Forecasts by Region



Source: OECD Economic Outlook, March 2021; Organization for Economic Cooperation and Development; March 2021; World Economic Outlook, Update, International Monetary Fund, January 24, 2021; Global Economic Prospects, World Bank Group, January 2021; Created by CRS.

Notes: The OECD estimated rates of growth as a result of two scenarios, indicated as OECD1 and OECD2. The first scenario assumes there is a single wave of infections from COVID-19, while the second scenario assumes the effect of a two-wave scenario.

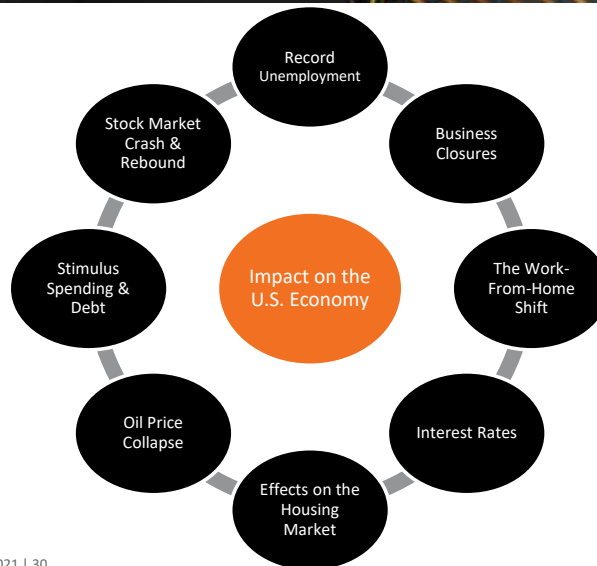
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## Rise in Pharmaceutical Companies



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# Faculty

**Steve M. Abramowitz** is a partner in the Reorganization and Restructuring Group in the New York office of Vinson & Elkins LLP. His principal areas of practice are restructuring, bankruptcy, leveraged finance, creditors' rights and acquisitions (with an emphasis on transactions involving leveraged or distressed entities). In addition to experience in a variety of industries, including restaurants, shipping and financial services, his recent matters include representing asset-acquirers and joint-venture partners in the chapter 11 cases of several E&P companies and the chapter 15 debtors of an oil field services company. Mr. Abramowitz received his B.S. from the Wharton School of the University of Pennsylvania and his J.D. from Columbia Law School; he is also a member of the board of directors of the Columbia Law School Association.

**Lorie R. Beers** is a managing director and head of Special Situations & Restructuring with Cowen Inc. in New York. She has 28 years of professional experience that encompasses the full spectrum of restructuring. Previously, Ms. Beers was managing director and head of Restructuring at StormHarbour Securities and served in a senior-level capacity at such firms as Variant Capital Advisors, Seabury Group, KPMG Corporate Finance and Gordian. Most recently, she received the 2019 M&A Advisor Leadership Award. Ms. Beers began her career as a bankruptcy attorney and ultimately became a partner in the Bankruptcy Group at Kasowitz, Benson, Torres & Friedman. She also served as Chief Restructuring Officer and Chief Operating Officer for a middle-market marketing and branding organization. Ms. Beers helped develop ABI's Complex Financial Restructuring Program. She is a frequent speaker on valuation, solvency, distressed and "story" M&A transactions, and private placement in challenging environments. Ms. Beers is a former member of ABI's Board of Directors and is a member of the Turnaround Management Association. She received her B.A. in economics from Dickinson College and her J.D. from the University of Pittsburgh.

**John "Jack" Wm. Butler, Jr.** is the CEO of Birch Lake Partners, L.P., a Chicago-based merchant bank, and its investing, consulting and advisory business units. He has been one of the principal architects of restructuring solutions for companies across a diverse range of industries, including Delphi Corp., Kmart Corp., Masonite International Inc., Per-Se Technologies Inc., Rite Aid Corp., Sprint Corp., Warnaco Group Inc., Xerox Corp. and on behalf of creditors in the American Airlines' reorganization and merger with US Airways Group, Inc. Mr. Butler co-founded the corporate restructuring practice at Skadden, Arps, Slate, Meagher & Flom LLP, where he was a practice leader for 23 years and previously served on the executive leadership team at Hilco Global. His recent transactions at Birch Lake include leadership of merchant banking relationships in the food and legal tech industries, among others. Mr. Butler is a member of the *M&A Advisor* Hall of Fame and the Turnaround, Restructuring and Distressed Investing Industry Hall of Fame. He is also a recipient of the prestigious Ellis Island Medal of Honor, which is awarded to Americans who exemplify outstanding qualities in both their personal and professional lives. In 2016, Mr. Butler received the Harvey R. Miller Outstanding Achievement Award for Service to the Restructuring Industry. A founder and past chairman of the Turnaround Management Association, he has served in leadership positions for many other industry organizations, including ABI, American Board of Certification, Commercial Finance Association and its Education Foundation, INSOL International and the New York Institute of Credit. He is also a Fellow in the American College of Bankruptcy and International Insolvency Institute.

Mr. Butler received his A.B. *magna cum laude* from Princeton University in 1977 and his J.D. from Michigan University in 1980.

**David M. Hillman** is a partner with Proskauer Rose LLP in New York, co-head of its Private Credit Restructuring Group and a member of its Business Solutions, Governance, Restructuring & Bankruptcy Group. He has spent nearly 25 years of experience with an emphasis on representing private credit lenders, private funds, sovereign wealth funds and other alternative lenders and distressed investors in special situations and restructurings both in and out of court, whether the lender is secured or unsecured, unitranche or structured preferred. Mr. Hillman has experience in every phase of restructuring and distressed investing, including credit bidding sales under § 363, debt-for-equity swaps, chapter 11 plans, out-of-court restructurings and foreclosures, and navigating intercreditor issues involving the relative rights of majority and minority lenders. He also litigates the issues facing private credit lenders, including issues involving plan confirmation, solvency, valuation, intercreditor disputes, financing and cash-collateral disputes, fraudulent transfers, equitable subordination, re-characterization, breach of fiduciary duty and similar disputes. Mr. Hillman was listed as a “leading individual” in bankruptcy/restructuring by *Chambers USA* and as a leader in his field by *New York Super Lawyers* as well. A member of ABI, he speaks frequently on bankruptcy-related topics, including recent decisions affecting secured creditor rights and preparing creditors for bankruptcy risks. Mr. Hillman received his B.A. *cum laude* from the State University of New York at Oneonta and his J.D. *cum laude* from Albany Law School, where he was associate editor of the *Albany Law Review*.

**P. Kevin Smith** is the chairman and CEO of IAG Mobility and Electrification Fund I, LLLP in Lauderdale-by-the-Sea, Fla. He has experience with commercial and public-sector ventures and has travelled extensively throughout the Americas, Asia, Europe, the Middle East and North Africa; growing start-up ventures; driving revenue for various Fortune 100 companies; and implementing solutions and strategies for numerous public and private sector entities such as Accenture and Computer Sciences Corp. Previously, Mr. Smith had joined the founding team of LTU technologies (in 2005) and grew the company’s revenue from nascent start-up to significant annual sales and profitability, ultimately leading the company to acquisition by JASTEC, Inc. He is a presenter and participates in various advanced leadership and training programs at the University of Pennsylvania and the Massachusetts Institute of Technology. He also is regularly cited in business trade journals. Mr. Smith is a member of the Urban Land Institute ([www.uli.org](http://www.uli.org)). He received his B.A. from Morehouse College.

**J. Scott Victor** is a founding partner and managing director of SSG Capital Advisors, LLC in Conshohocken, Pa., and has more than 30 years of experience representing companies in bankruptcy proceedings and out-of-court workouts. He has completed over 200 sale, refinancing and restructuring transactions in North America and Europe for companies facing operational and/or financial challenges. He is also an expert in the restructuring, refinancing and sale of middle-market companies and has testified as an expert witness in bankruptcy courts throughout the U.S. Prior to his transition to investment banking in 2000, Mr. Victor was a partner and a senior member of the bankruptcy and restructuring department at Saul Ewing LLP. His clients include publicly traded, privately held, private-equity-sponsored and family owned businesses across many industries. He has conducted over 200 presentations globally on bankruptcy and insolvency law, distressed mergers and acquisitions, restructurings and special situation financing issues, and is frequently called upon by the media for his expertise. Mr. Victor is a Fellow of the American College of Bankruptcy. He is also a past



chairman of TMA Global for 2016, was global president in 2015 and has served in many senior volunteer positions in the Turnaround Management Association locally, regionally and internationally. He is also active in ABI and served on the Board of Directors from 2009-15. Mr. Victor has served as co-chair for multiple conferences, including TMA Annual, TMA Distressed Investing Conference, ABI Complex Financial Restructuring Conference, VALCON and M&A Advisor Distressed Investing Conference. He also serves on the Board of Directors for the New York Institute of Credit. Mr. Victor has published multiple articles for several publications and currently serves as an examiner for the *Wall Street Journal* in its Bankruptcy Beat blog. He received the TMA Global Outstanding Individual Contribution Award (2013), M&A Advisor Leadership Award (2015), M&A Advisor Hall of Fame Award (2015), Global M&A Top 100 Restructuring Advisors Award (2014-17) and New York Institute of Credit Leadership Award (2017). Mr. Victor received his B.A. from the University of Pennsylvania and his J.D. from the University of Miami.