



October 2022

# Restructuring Debt in Uncertain Market Times

Exploring paths that lenders are taking to mitigate portfolio risk  
featuring findings from a recent SRS Acquiom and Debtwire study

# A Smarter Way to Run Deals Through the Entire Lifecycle

Since 2007, we have helped sophisticated deal parties reduce administrative drag, enabling them to focus on building great businesses and maximizing value.

**10%+**

of all U.S. M&A  
transactions served\*

**6,700+**

deals engaged  
on to date

**\$800B+**

aggregate deal value

**430K+**

Shareholders represented in  
more than 140 countries

**\$640B+**

in payments

**99%**

of shareholders are  
paid within 24 hours†

**530K+**

total shareholders  
paid to date

**1M+**







data room users‡

*\*Statistics contained herein are derived from publicly available sources; †Consideration given to those that have completed a Letter of Transmittal (LoT);*

*‡Data room technology, established in 2010, acquired by SRS Acquiom in 2021.*

# Comprehensive Suite of Solutions

SRS Acquiom delivers a smarter way to run deals, with solutions that reduce the administrative burden throughout the entire deal lifecycle.

Mergers & Acquisitions					Loan Agency
					
<b>Virtual Data Room</b>	<b>Enhanced Stockholder Solicitation</b>	<b>Payments</b>	<b>Escrows</b>	<b>Shareholder Representation</b>	<b>Loan Agency</b>

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# Agenda

1. Introduction
2. Exploring drivers of restructuring activity
3. Strategies for debt restructuring
4. The long-term view
5. Questions



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- Leads the loan agency product at SRS Acquiom
- 15+ years of Corporate Trust experience
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### Mark Gendler

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- Mark is a Director of Business Development for SRS Acquiom's Loan Agency business
- Prior to joining SRS Acquiom, Mark spent 14 years in the Corporate Trust space with Deutsche Bank & BNY Mellon
- Mark has a BS in Finance from the Pennsylvania State University, Smeal College of Business in State College, PA.



### Harrison Denman

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- Harrison Denman is a partner in the New York office of White & Case's Financial Restructuring and Insolvency Practice.
- His practice focuses on representing investors in distressed debt and equity in Chapter 11 proceedings and out-of-court restructurings.
- Prior to joining White & Case, Mr. Denman clerked for Judge James M. Peck of the United States Bankruptcy Court for the Southern District of New York.



### Daniel Guyder

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- More than twenty years of experience representing debtors, secured and unsecured creditors, creditors' committees, and ad hoc bondholder committees in numerous out-of-court restructurings, bankruptcy cases, and cross-border insolvency proceedings throughout the United States.
- Advises hedge funds and other entities on buying and selling distressed debt securities
- Served as a member of the “EU Cross-Border Insolvency Court-to-Court Cooperation Principles and Guidelines” project, sponsored by the European Commission and International Insolvency Institute (III)





### Rebwar Berzinji

*Managing Director, Global Head of the Restructuring and Recapitalizations  
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- Founder of Pericles Capital, a former boutique advisory firm, operating at Seaport Global under the trade name Seaport Pericles
- Manages a team focusing on advising clients on restructurings, recapitalizations, and related transactions in distressed or dislocated sectors
- Works closely with Seaport Global Asset Management (SGAM), supporting family offices and institutional investors interested in investing capital in select dislocated sectors
- 27 years of crisis management, financial restructurings and distressed investing

# Smarter Navigation

## Loan Restructuring Study 2022

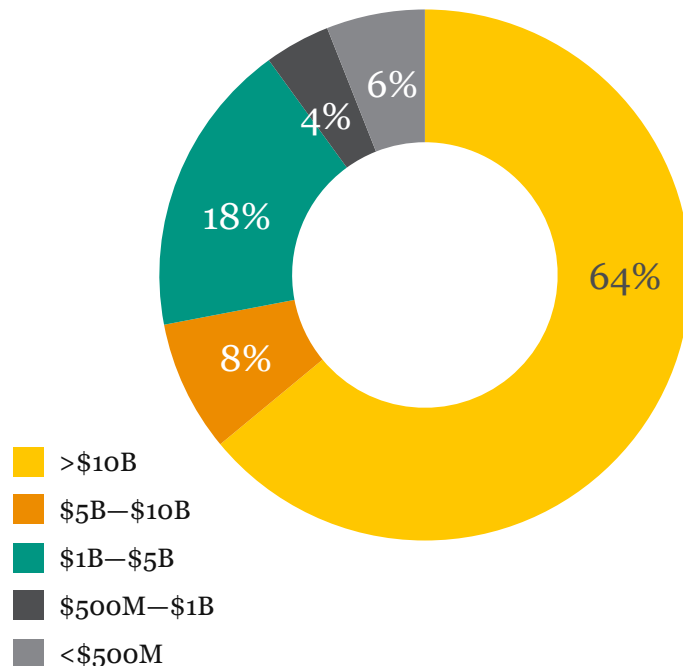
# Study Overview

## A Study to Help Lenders Prepare for the Loan Restructuring Wave

In 2Q22, SRS Acquiom commissioned *Debtwire* to survey U.S. financial executives for their market views and measures they are taking to prepare for shifting market conditions

*Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22*

### Respondent Profile



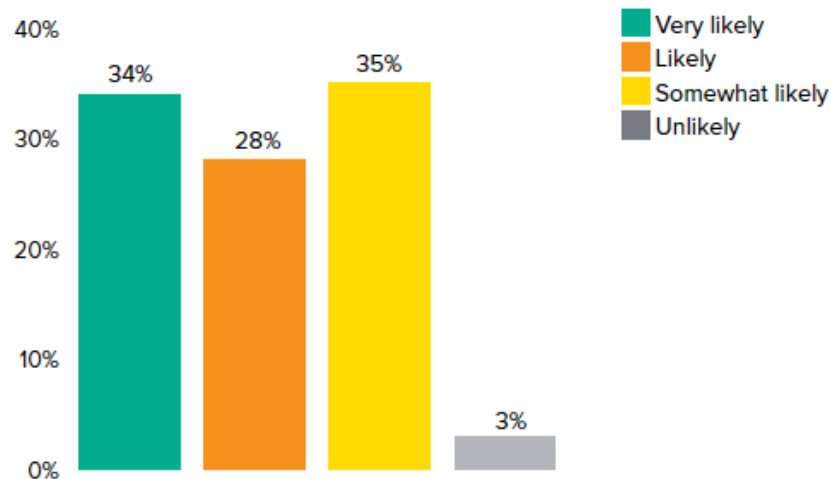
## Market Context

- U.S. inflation rates are rising
- Russia's invasion of Ukraine is disrupting fuel (and other) supply chains
- The U.S. Federal Reserve is tightening monetary policies
- Consumers are spending less and business investment is constricting
- Pandemic-related Federal financial support is expiring
- Borrowers are facing loan renegotiation, default, and bankruptcy
- Most survey respondents anticipate loan restructuring activity will rise in the coming year

*Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22*

## Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q 2022

How likely is a wave of loan restructuring activity in the next 12 months? (Select one)



# Restructuring Activity Drivers

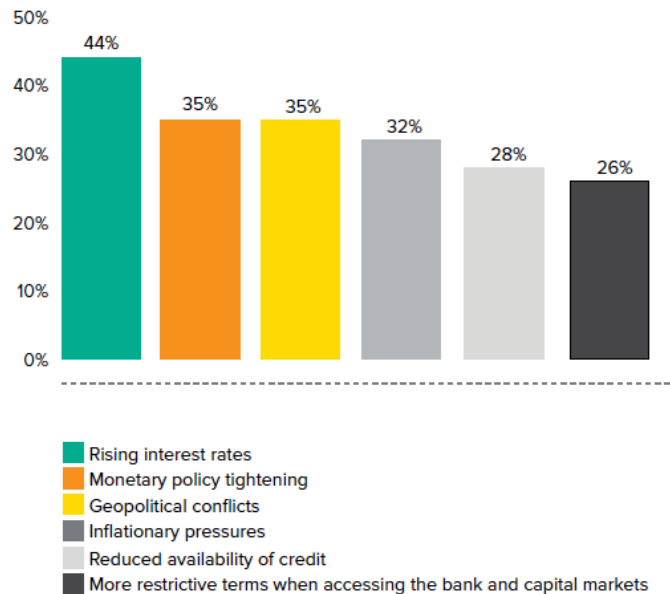
# Loan Restructuring Drivers

## Systemic Effects on a Global Scale

- Rising U.S. interest rates (44%) operating in the context of tightening monetary policies (35%) are the most widely cited drivers
- Geopolitics (35%) is another commonly cited cause, especially for European lenders
- Inflationary pressure (32%) is also top of mind

*Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22*

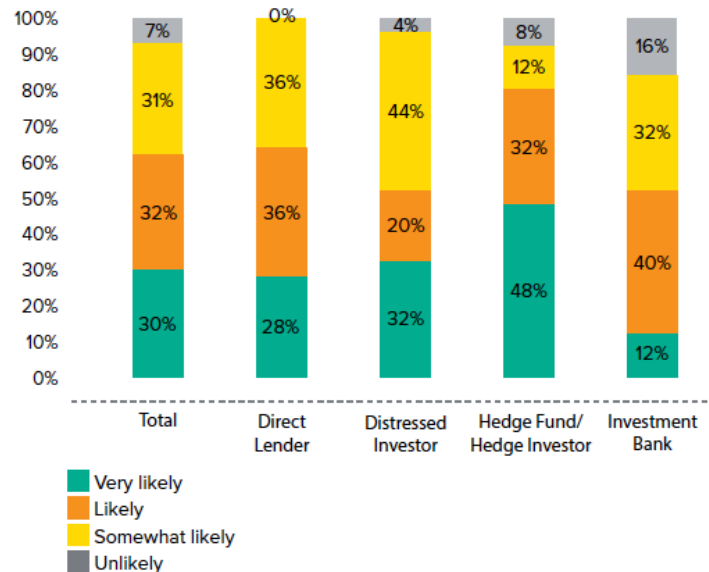
**Which factors are most likely to drive a loan restructuring wave next year?** (Please select top two)



## Interest Rates: The Main Driver

- The market is absorbing the effects of four interest rate increases in 2022 with additional increases anticipated in 3-4Q
- More than half (62%) of respondents think it is very likely or likely that a new wave of bankruptcy filings will occur because of increased interest rates
- Hedge funds, in particular, (48%) see this outcome as very likely
- Yet only 12% of investment banks surveyed report this is the case

Do you expect interest rate hikes to cause a new wave of bankruptcy filings? (Select one)



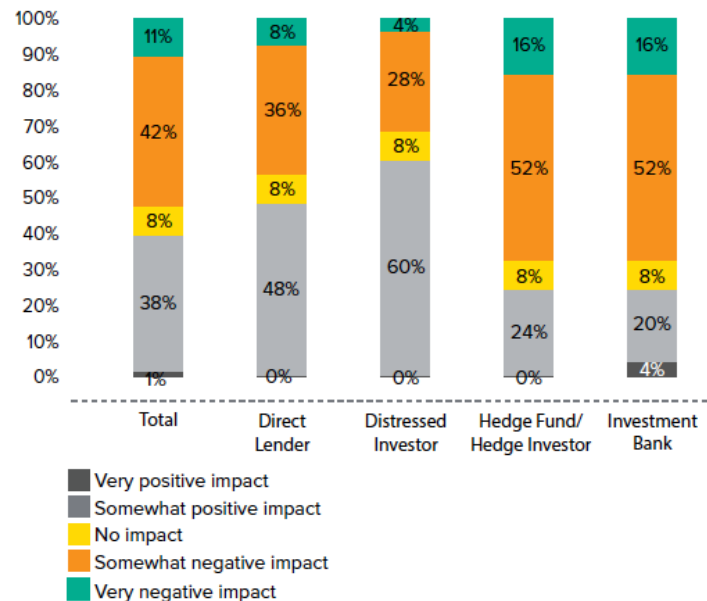
Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22



## Raised Rates: Mixed Impacts to Lenders

- More than half (53%) of respondents believe raised rates will hurt their portfolio, with 11% saying this will be very negative, reflecting anticipated defaults
- However, almost half (48%) of direct lenders believe increased rates will have a somewhat positive impact
- 60% of distressed investors say that higher rates will have a somewhat positive impact on their portfolios

If you have a portfolio, what will be the impact of rising interest rates on that portfolio? (Select one)



Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22

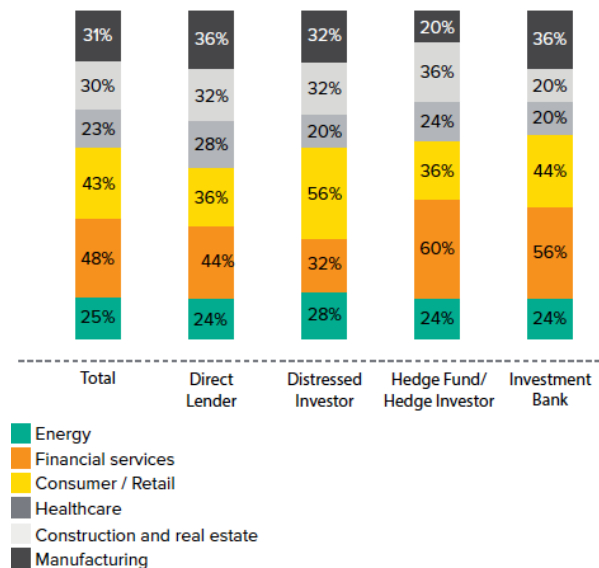
# Impacted Industry Sectors

## Rising Interest Rates Affect All Sectors

- Respondents believe that Financial Services (48%) and Consumer/ Retail (43%) sectors will be most impacted by rate hikes
- More than half of hedge funds (60%) and investment banks (56%) see that Financial Services will be most impacted by rate increase effects
- Construction and Real Estate sectors are anticipated to show the least effects (23%), but no sector goes unscathed

Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22

Which sectors would be the most negatively impacted by rising interest rates (and subsequent tightening of funding) in terms of accessing credit through banks or the capital markets? (Please select top two)



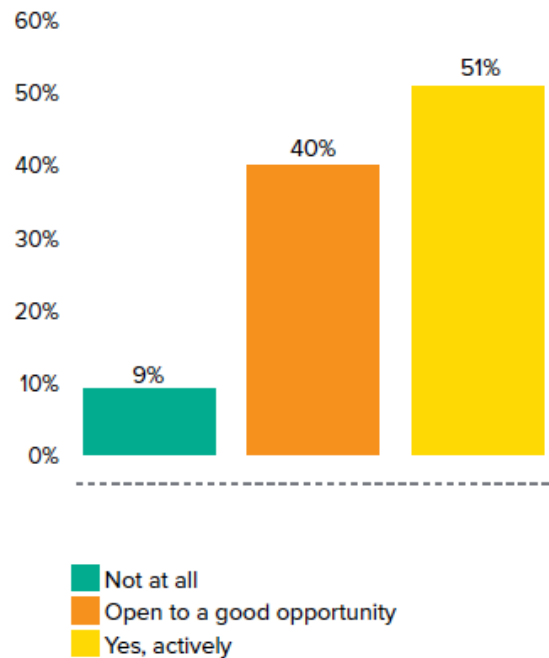
# Strategies for Restructuring Debt

## Lenders Are Active

- 51% of respondents reported that companies in their portfolios are actively seeking new lending opportunities

*Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22*

**Are companies in your portfolio looking for new lending opportunities?** (Select one)



# Options to Restructure Debt Financing

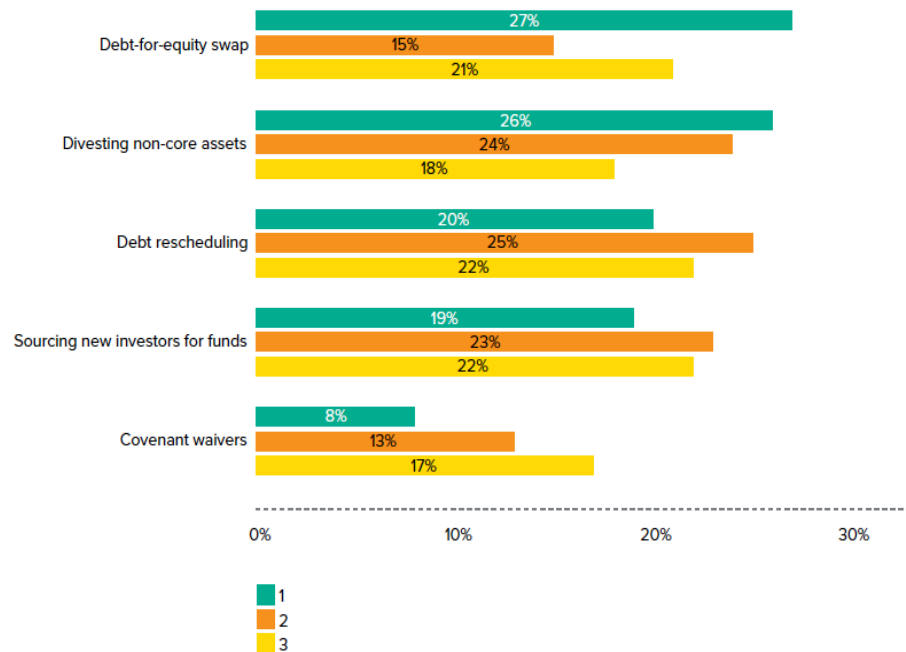
## Exploring Creative Solutions

- Debt-for-equity swaps are the most likely course of action, according to 27% of respondents
- 26% see the divestment of non-core assets as the number one short-term response to a distressed debt situation
- Debt rescheduling (extending maturity dates) rounds out the top three responses (20%), particularly for businesses in good standing

Smarter Navigation: Loan Restructuring Study 2022, SRS Acquiom and Debtwire, 2Q22

## How do you expect debtors to respond to their debt becoming distressed in the short term?

(Please rank from 1 to 3 where 1= most important)



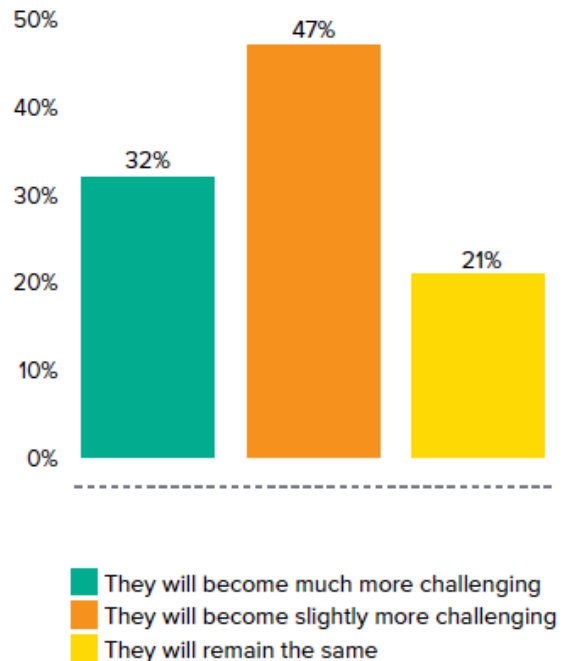
# Longer Term View

## Financing Trends

## Lenders Are Not Optimistic on Financing Conditions

- Just about one-third (32%) of respondents expect financial conditions to become much more challenging in the next 12 months
- 47% say they will be slightly more challenging
- Only 21% of respondents think financing conditions will remain the same

How do you expect financing conditions to change in the next 12 months, compared to 2021? (Select one)





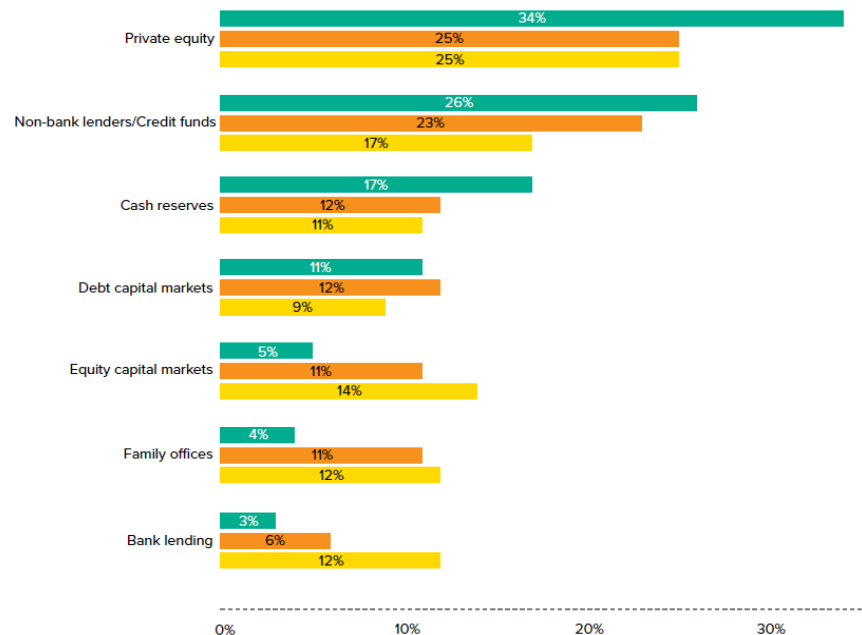
# Primary Funding Sources for Debt Restructuring

## PE Leads the Funding Pack

- PE and private credit funds emerge as leading suppliers of financing for companies amidst macro volatility
- More than one-third (34%) of respondents indicate that PE will emerge as the primary funding source in the months ahead
- 26% say the same of non-bank lenders and credit funds

## What do you believe will emerge as the primary sources of financing in the next 12 months?

(Rank the top three primary sources where 1= most important)



Thank you.  
Questions?