



CASE STUDY

Debt Service Coverage Analysis for a Transaction

As part of an acquisition, a holding company (the “Company”) was facing a technical default on its bond. FTI Consulting experts were hired by the Company to advise on its continued ability to service its bond post-transaction, leading to the principal paying agent to waive the default.

SITUATION

The Company, a leading international holding company with assets consisting of large stakes in public and private companies and alternative investments, intended to execute a transaction that would trigger a technical default on the company’s bond.

A leading Swiss bank (“the Bank”) was principal paying agent of the bond and could waive the default. The Company, requested a report from the FTI Consulting team that analyzed the Company’s continued ability to service the debt post-transaction. The acquisition took place shortly after the onset COVID-19 pandemic, which potentially further limited the holding Company from servicing its obligations.

OUR ROLE

The FTI Consulting team forecasted the Company's cash flows until the maturity of the bond, which primarily consisted of dividends from its investments.

We reviewed the underlying investments to assess the potential impact due to the COVID-19 pandemic. We analyzed the impact of the pandemic on each investment's business and on expected future dividends.

We further estimated the dividends that each investment would pay using the market's estimate based on the derivatives market and using historical analysis (e.g. historical stress periods, trend). We evaluated our forecasts under multiple scenarios due to uncertainty caused by the pandemic.

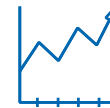
Using the forecasted cash flows, the experts at FTI Consulting created pro forma financial statements for the Company and evaluated its ability to service the bond after the restructuring.

We summarized our results in a report that was made available to all bondholders.

OUR IMPACT



The FTI Consulting team concluded that the Company would be able to meet its obligations to its bondholders.



The Bank granted the bond default waiver after reviewing our report. The client was appreciative of FTI Consulting's expert help in reaching this satisfactory outcome.



The FTI Consulting team facilitated the successful completion of the transaction.

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