



SAS filing heralds fresh restructuring wave

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By Christopher Spink

With the economic outlook worsening, a looming wave of restructurings looks set to break in the second half of the year and some issuers are already getting ahead of the curve and launched processes early this month.

Many of the cases so far involve state-backed entities. On Tuesday, Scandinavian airline SAS filed for bankruptcy protection in the US under Chapter 11. The carrier, whose pilots are also on strike, had been in talks with its major shareholders, Sweden and Denmark, about raising capital.

Each state holds 21.8% of the shares and they have provided some debt financing too, but each had taken different approaches on the fundraising, with Sweden rejecting the calls but Denmark being more sympathetic. It remains to be seen how they will be treated in a US court.

Last week, German utility Uniper, which is majority owned by Finnish state company Fortum, also sought to raise funds from Germany in the wake of the energy crisis stemming from Russia's invasion of Ukraine.

France said it would fully nationalise EDF, which is already 84% owned by the government, as the electricity provider requires significant capital to overhaul its aging nuclear fleet. The rump stake is currently valued at €5bn.

State cash?

SAS chief executive Anko van der Werff said it had long planned to carry out its restructuring via Chapter 11, but said a strike by staff was responsible for bringing the date forward "because the company now needs to be prepared against further liquidity loss". The process could take up to a year.

Earlier this year, SAS said it wanted to raise SKr9.5bn (US\$900m) as well as convert US\$1.9bn of debt into equity. In its Chapter 11 filing, the company said it was in "advanced discussions" with potential lenders about a debtor-in-possession financing of up to US\$700m.

Normally, such finance providers end up taking a significant part of the equity when companies emerge from bankruptcy protection. That would dilute the governments' stakes, unless they were prepared to put in fresh money themselves.

The company's existing debts include hybrid notes and term loans from the states and hybrid notes and Swiss bonds from private investors, as well as aircraft lease liabilities and maintenance and other contract obligations.

Aerospace specialist Seabury Securities and SEB, together with FTI Consulting, are advising the company, together with Weil Gotshal & Manges as legal adviser.

Weil recently said travel and leisure formed the second most distressed sector in Europe after retail and consumer goods, largely because of the broad cost-of-living crisis affecting demand.

“If this upward trajectory continues, we would expect to see increased pressure on liquidity and further tightening across the credit markets, with some businesses struggling to access finance and ultimately facing defaults,” said Neil Devaney, restructuring partner at the firm.

So far this year, Weil has worked on some of the cases involving Russian borrowers following the imposition of sanctions. For example, it has advised convertible bondholders of search engine provider Yandex on the repayment of their notes, which was completed at the end of June.

The firm has also acted for London-listed Russian gold miner Petropavlovsk on restructuring its loans with Russian lenders, and it is acting for the administrators of VTB Capital’s London branch, once such a process is authorised by the UK authorities.

Devaney said the focus of work now will be on more consumer-facing sectors. “We are potentially going to end up with more mainstream European leveraged creditors suffering in a way they haven’t done for some time now,” he said.

He expects activity to pick up after second-quarter earnings are reported, which will show where the stresses are.

Aymen Mahmoud, partner at law firm McDermott Will & Emery, agreed. “There are many firms primed to move on special situations, but I don’t expect them to make those moves until September,” he said.

Crypto lender Voyager Digital also filed for Chapter 11 protection on Tuesday, with up to US\$10bn of liabilities. The company has more than 100,000 creditors. The largest is Alameda Research, which has unsecured loans of US\$75m. Moelis and Consello are financial advisers to Voyager.