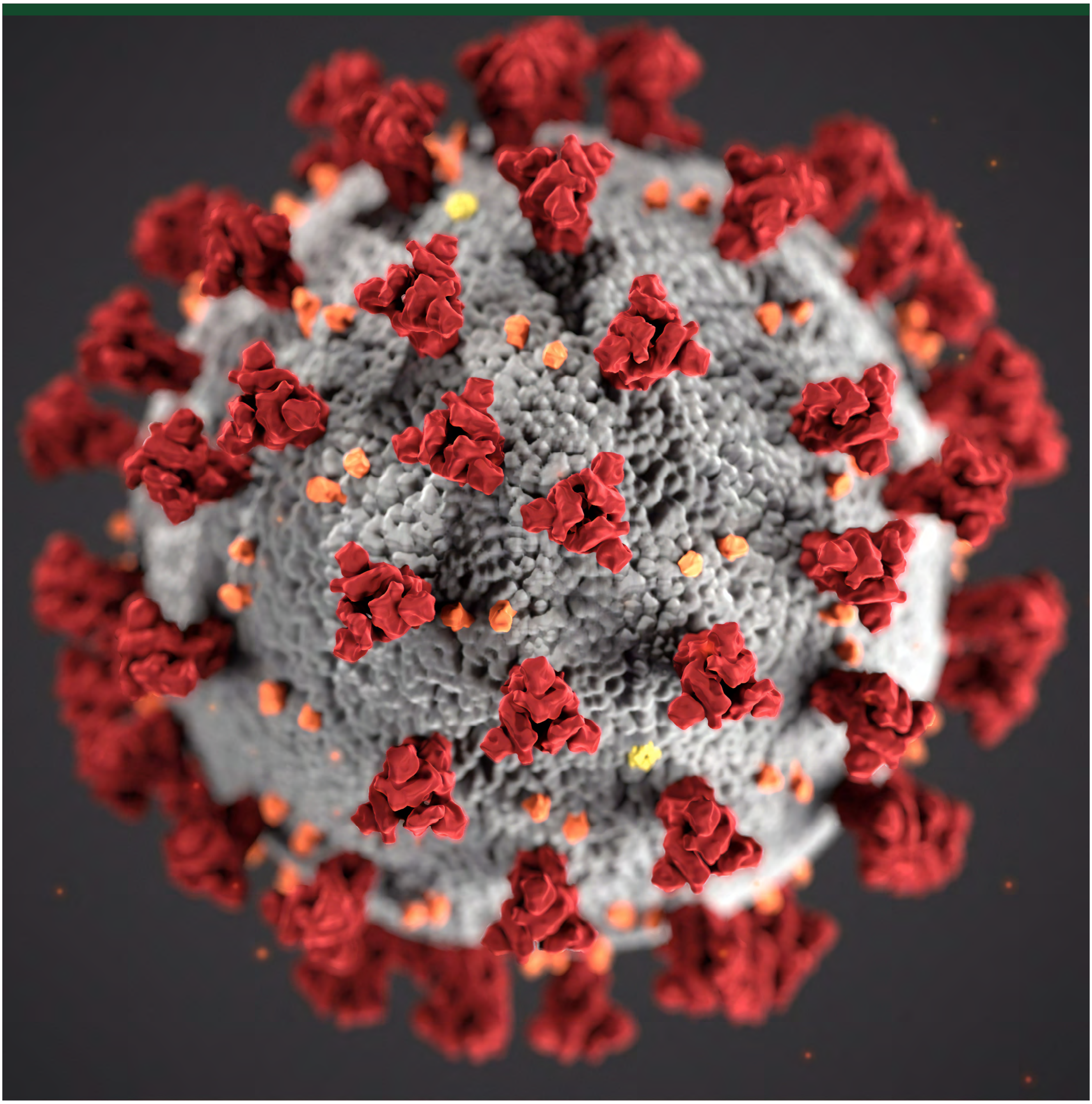
ALANTRA

POSSIBILITY IS IN THE ASCENT

Preparing for the unknown

Accessing liquidity and mitigating risk during the coronavirus crisis

MARCH 2020



Coronavirus crisis impact

Businesses across many industries foresee an inevitable impact on the demand for goods and services or on the ability to supply distributors and end customers due to exposure to global supply chains or a shortage of goods following the coronavirus outbreak. In addition, the knock-on effects of the squeeze on consumers and limitations on work are already having an effect. We know from speaking to our clients that companies are concerned about short-term and long-term financing, both for those negatively exposed to global production schedules – leading to goods being stuck in the production process – as well as those able to fill the gaps who are seeing an increase in demand.

Governments are working hard to fight the virus and health experts are trying to predict what will happen next. We believe businesses can take steps to mitigate the impact of this health crisis. There are long-term refinancing solutions available to help minimize the financial impact on sectors affected, including industrials, retail, and travel & hospitality.

Which industries are most affected and how?

Industrials

Industrial companies are deeply affected through their exposure to Chinese and Southeast Asian manufacturing where slowdowns or closures are impacting global production and supply chains. The accumulation of unfinished stock or overall lack of demand for these goods from end distributors means their working capital may deplete.

Retail

Fashion and technology are some of the hardest hit retail businesses which will have a knock-on effect on shopping malls. Both industries are dependent on Chinese manufacturing. With major ports and factories closed, they are facing significant export issues. The Winter 2020-21 season's production is already underway, and there are huge implications for seasonal stock distribution and therefore high streets around the globe.

Travel & hospitality

Businesses in travel and tourism are already experiencing negative impacts with customers canceling holidays and optional business travel, as well as holding back on booking summer holidays as they wait to see what happens next with the virus. Again, medium-term working capital issues will need to be addressed as revenues diminish.

MUSA SÖNMEZ

CO-HEAD OF EUROPE, PARTNER

“

We are currently experiencing an extraordinary public health crisis which is accompanied by unprecedented volatility in the global capital markets. The containment measures will undoubtedly lead to earnings losses and liquidity needs for private companies across Europe. At Oak Hill Advisors (OHA) we have a long term and partnership driven approach and are able to offer flexible solutions to private companies to meet their capital needs irrespective of the current turmoil in the capital markets

JÖRG MUGRAUER

PARTNER

“

We are very pleased to have secured a sustainable and well-structured financing package for IPSEN for the next years, which also included a dividend payout. The Alantra team has done a great job structuring this deal in light of the complexity of global scale business in Europe, US and Asia.

Positive solutions: financial control

Debt funds are willing to deploy capital in these circumstances through alternative lending

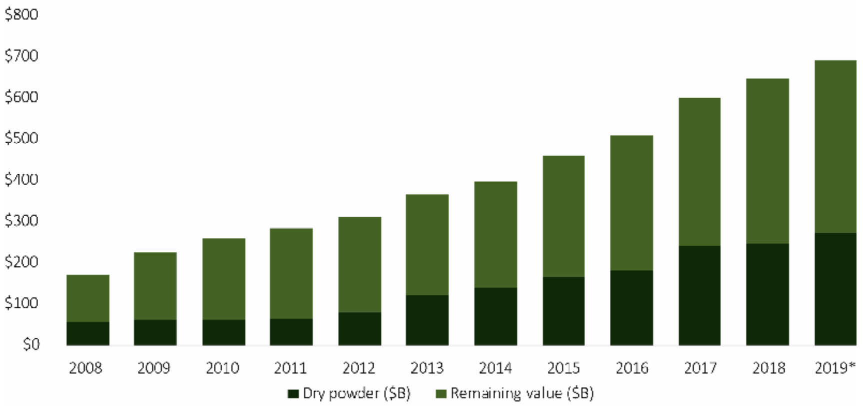
At Alantra we have spoken to many clients in the past few weeks wanting to mitigate the immediate and potential financial risks posed by coronavirus. We believe it will be possible for companies to selectively use the debt markets even during these difficult times and that there are many options to access liquidity in the short-term to address shortages in working capital as well as financing inventories, shortfalls, and increased demands.

Some sectors are anticipating a decline in revenues and cash flow generation during the first half of the year due to the coronavirus effect. This will impact firms' ability to face amortization schedules within long-term bank financing structures. Alternative financing can provide innovative solutions that can coexist with bank financing. Many restructurings will take place during 2020 with a combination of alternative lenders and traditional bank financing.

This is where the most creative solutions come in. Debt funds are willing to deploy capital in these circumstances through alternative lending providers, which are seeing an all-time high in levels of fundraising with over $600bn of assets under management as of June 2019. We have first-hand experience with these funds. We know all the players involved in alternative lending solutions, having interacted with over 250 private debt funds and insurance companies in the last four years and completed over 100 transactions with them.

Given the unpredictable impact the new virus will have on businesses and supply chains, if companies refinance by leveraging longer-term debt products with a maturity period of two to three years then they are in a good position to mitigate financial and business risk for the coming months. For this to happen, business owners simply need access to the right products and need to find tailored solutions that are right for them. If liquidity is available today at flexible terms through a variety of product types from debt funds, then we believe businesses should leverage it as an immediate solution or a precautionary measure. That leaves businesses free to focus on the day-to-day necessities during this challenging period.

Private debt dry powder



*As of June 30, 2019 - Pitchbook Research. Geography: global.

CARMEN ALONSO

HEAD OF IBERIA

TIKEHAU CAPITAL

Given the nature of our committed capital and large levels of dry powder, we continue to evaluate new investment opportunities even in the current volatile environment. We have resources, flexibility and agility to offer capital to quality businesses undergoing short-term liquidity issues and the culture to accompany the companies we invest in over the long term.

JUAN NAVARRO

CFO

Fertiberia

Having gone through a refinancing process with Alantra, I am convinced that their involvement was key for its success. You need support from someone that has the right capabilities and speed of execution to prepare all the information, structure the transaction and get in touch with the right people that will ultimately be able to deliver the investment.

Recent debt advisory deals

Client	Deal type	Counterparty	Amount
Foster + Partners	DEBT RESTRUCTURING		N/A
MECALUX	HOLDCO/ OPCO FINANCING		€265M
QUADRIGA CAPITAL	DEBT REFINANCING	Ipsen	€140M
atlasformen	SENIOR/MEZZANINE LBO FINANCING		€107M

Alantra Global Debt Advisory team

We advise privately owned companies, private equity-backed businesses, large privately owned corporate groups and public companies on raising and refinancing debt capital.

Miguel Hernández
Managing Partner, CEO of Investment Banking
miguel.hernandez@alantra.com

Javier Garcia-Palencia
Managing Partner, Spain
javier.garcia-palencia@alantra.com

Robert von Finckenstein
Managing Partner, Germany
rvf@alantra.com

Andrew Shellard
Managing Partner, United Kingdom
andrew.shellard@alantra.com

Maximilian Rohardt
Managing Director, Germany
maximilian.rohardt@alantra.com

Pierre-Louis Nahon
Managing Director, France
pierrelouis.nahon@alantra.com

Scott Hadfield
Managing Director, United States
scott.hadfield@alantra.com

Roberto León
Managing Partner, Spain
roberto.leon@alantra.com

ALANTRA

POSSIBILITY IS IN THE ASCENT

Austria & CEE
Belgium
China
Denmark
France
Germany
Greece
India
Ireland
Italy
Latin America
Mexico
Netherlands
Nordics
Portugal
Spain
Switzerland
United Kingdom
United States

Alantra is a global investment banking, credit portfolio advisory and alternative asset management firm focusing on the mid-market with offices across Europe, the US, Latin America and Asia.

alantra.com