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Scott Greenberg, Stephen Silverman, and Matthew Roose Quoted by Debtwire

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Partners Scott Greenberg, Stephen Silverman, and Matthew Roose are quoted in Debtwire's (subscription required) "Gibson Dunn Sees Hardwired Hybrid A&Es Curbing Repeat Restructurings." The article noted that lenders are pursuing a more strategic approach to negotiations with borrowers that address future leverage issues without a full restructuring.

"If we're going to pursue these transactions, we'd rather see the next steps established upfront to avoid a costly repeat process and the added expense burden that comes with it," said Scott. "Lenders are looking for more from [sponsors], whether it's a hardwired change of control or, if you think about some of the deals in the market, subordination of sponsor-owned debt or new money. I think lenders are just pushing harder before they agree to lean in."

The publication highlights that the restructuring market is increasingly gravitating toward a hybrid amend-and-extend framework for out-of-court deals that blends elements of a recapitalization with a consensual prearranged transaction.

"It's not just extend and see what happens," said Stephen. "It's extend and you know what you're going to get at the end of the rainbow. And that could be a stock in the box or a hardwired change of control."

The article also said that with many hybrid transactions, creditors and sponsors pre-negotiate an outcome that could include mechanisms such as a "stock-in-the-box" conversion or a hardwired change-of-control transaction. Milestones may also be embedded, requiring a company to pursue asset sales or a broader strategic transaction to meet deleveraging targets.

"You have a backend transaction pre-agreed to. The result is not a co-op. It's an exchange agreement where everyone has pre-agreed to exchange their debt for equity of the company," added Matthew. "The lenders are signing, the sponsor is signing, and so if there's a default under the amended credit agreement or a breach of the milestone, there's an automatic flip into equity and everyone's pre-agreed to that transaction structure."

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