



CASE STUDY

# Evaluating a Global Mining and Metal Processing Company's Liquidity, Hedging and Financing Strategies

A global mining and metals processing company (the “Company”) was sued by certain minority shareholders after a restructuring diluted their investment. Experts from FTI Consulting were engaged by the Company to review the events that led to its restructuring.

## SITUATION

The Company, leader in its market, faced a liquidity crisis at the end of 2018. The Company received financing from one of its largest shareholders (the “Shareholder”) to enhance its cash position. The Shareholder had a longstanding and extensive commercial relationship with the Company.

In 2019, the Company successfully restructured its balance sheet. As a result of the restructuring, the Shareholder became the Company's majority owner. Following the restructuring, certain minority shareholders initiated litigation against the Company and its board of directors, alleging that the Company's actions had ultimately led to the liquidity crisis and that the Shareholder unfairly benefitted from the restructuring.

## OUR ROLE

FTI Consulting experts were engaged to produce an expert report that analyzed the complex factors that eventually led to the restructuring.

We reviewed the Company's industry, including the historical cyclical nature of supply and demand and pricing for its key commodities, and its competitive position.

FTI Consulting experts reviewed the Company's operational and financial performance, capital structure and financing agreements, which included bonds, working capital and trade finance facilities. As part of our analysis, we:

- Benchmarked the Company's financing facilities against comparable firms;
- Analyzed the cost and availability of alternative sources of financing; and
- Evaluated the effectiveness of the Company's mitigating actions ahead of and during the liquidity crisis.

We reviewed the Company's transactional and strategic derivatives hedges across metals, FX, and power. We benchmarked its hedging strategy with those of comparable firms and assessed the adequacy of the Company's hedging disclosure.

FTI Consulting experts assessed the strategy and M&A process regarding the acquisition and divestment of several mining assets and delivered an independent valuation of these assets.

## OUR IMPACT



FTI Consulting experts provided in-depth analyses and conclusions on the Company's actions to protect its liquidity, its hedging strategies, and the value achieved for the sale of its mining assets. We appraised the types, structures and pricing of financing facilities secured by the Company to address its liquidity needs, which led to a successful restructuring of its balance sheet.



FTI Consulting's expert report was used by the Company as an essential component of its defense strategy in the litigation.



The client expressed their satisfaction with the extent of FTI Consulting's expertise and the depth and quality of the expert report, stating that FTI Consulting's experts produced a "very high calibre report which should prove to be very helpful in the current litigation."

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