

Liberating Value in a Deteriorating Business

DuraFiber Technologies



THE SITUATION:

COMPETITION VITIATES A COMPANY'S BUSINESS

DuraFiber Technologies (DFT) was one of the world's leading producers of industrial polyester fibers and fabrics for a variety of applications such as tires, seat belts, hoses, tarps, awnings and nautical rope. Since 2004, It had been a privately-owned portfolio company of Sun Capital Partners (SCP), a U.S. global investment firm. At its peak, DFT generated over \$900 million in annual revenue. However, after the 2007 – 2010 Great Recession, it began to struggle to compete with low-cost Asian producers. As a result, it required support to determine the best strategic path for its remaining six facilities in North America and Europe.

As DFT's revenue continued to decline, and its cash position deteriorated, its secured lender, JP Morgan Chase, requested SCP to engage a financial advisor to analyze its liquidity, providing a choice of three firms. SCP selected FTI Consulting to help manage DFT's liquidity constraints and improve the company's cost profile, in order to retrieve optimal benefits for the company, SCP and its lenders when SCP additionally determined that a sale would make sense.

FTI CONSULTING AND FTI CAPITAL ADVISOR'S ROLE: MANAGING A WIND-DOWN AND SALE

In November 2016, FTI Consulting and its investment banking subsidiary, FTI Capital Advisors, was engaged to begin the process of analyzing liquidity and selling both DFT's domestic and international facilities and operations. At the same time, FTI Consulting's Performance Improvement team began exploring cost-optimization strategies and supply chain improvements to stabilize the company's cash position, while FTI Consulting's Restructuring team monitored and advised all parties on the company's cash flow situation.

FTI Capital Advisors marketed the company to 43 strategic buyers and 142 financial buyers. Given that some of DFT's operations were more valuable than others, FTI Capital Advisors determined the best path for maximizing value would be to sell the business in multiple transactions to various parties.

As that process continued, the company's liquidity continued to deteriorate, and by June 2017 FTI Consulting's Restructuring team was asked by SCP to assume the role of Chief Restructuring Officer and charged with executing an out-of-court liquidation to



The [FTI Consulting] team integrated well within DFT. They were very professional and quick to understand the business and the key drivers of the activities. The most important factor to control and assess was the cashflow forecasting which FTI Consulting proved to handle rapidly and very accurately. They became a valued intermediary between the shareholders and third-party lenders, as well as a trusted consulting partner for the executives within the company.

— ERWIN BETTE,
former CFO
DuraFiber Technologies



CORPORATE FINANCE & RESTRUCTURING

create a bridge to one or more of the sales. Among other tasks, that included developing a weekly cash flow forecasting model, managing vendor relationships, and bringing DFT management into liquidity triage discussions. FTI Consulting also took a lead role in customer negotiations, working capital wind-down, and general financial and operational strategy and execution, managing a multitude of constituencies, including the senior secured lender and its advisors.

Additionally, FTI Consulting's Strategic Communications team assisted in the public presentation of the wind-down of the business, and the out-of-court liquidation of the company's inventory, including for example, WARN Act notifications to all the hourly employees at DFT's three U.S. manufacturing facilities.

OUTCOME: OPTIMIZING DEBT RECOVERY

The objectives of FTI Consulting's engagement were two-fold: recover the amounts owed to the senior lender and help SCP divest the company from its portfolio to minimize post-transaction risk.

FTI and FTI Capital Advisors successfully facilitated the sale of the most valuable of DFT's assets and concluded a Chapter 7 bankruptcy for the remaining portions of the company.

Five of the six DFT facilities were sold to three separate buyers.

The senior lender was made entirely whole, recovering 100 cents on the dollar of the first lien debt (\$22 million from the beginning of the CRO portion of FTI Consulting's engagement, with an additional \$1.6 million cash collateralization of letters of credit). SCP recovered 76 cents on the dollar, a \$17.8 million pay down, and second lien and equity holders are in process of recovering their investment through the Chapter 7 process.

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About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. www.fticonsulting.com

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