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OPERATIONAL RESTRUCTURING SERVICE

DeSilva+Phillips' Operational Restructuring Group addresses challenging company performance issues and capital market structures, approaching each assignment with a team of senior bankers possessing in-depth, real-world expertise in finance, mergers and acquisitions, valuation and operational restructuring. D+P investment bankers are uniquely qualified in that we have worked as line operators and senior executives with many of the major media companies, both public and private, B2B and consumer.

The DeSilva+Phillips approach is to:

1. Assess the company's performance and capital structure in the context of current industry conditions and capital market dynamics;
2. Explore all possible strategic, tactical and operational alternatives simultaneously;
3. Recommend a range of operational performance improvements, their process timeline and their impact on financial results; and
4. Recommend the optimal longer-term strategy to maximize company value and meet future challenges.

The development, integration and implementation of digital strategies and tactics receive a special focus.

Underlying our recommendations is our comprehensive review and analysis of the subject company's business – including the identification of revenue enhancement and cost savings opportunities, operating efficiencies, incentive compensation plans, investment savings, and evaluation of strategic and tactical alternatives. We benchmark the company's performance against industry standards and D+P's considerable database of media company metrics.

D+P also advises on the financial aspects involved in finding solutions, including divesting assets as required, restructuring of existing debt and/or equity and raising capital.

Typically, our operational restructuring clients face many of the following challenges:

- Changing industry conditions – including changes in customer base, competitive threat and technology;
- Declining operating performance and cash flow;
- Liquidity issues that hamper management's ability to capitalize on business opportunities;
- Total debt exceeding enterprise value;
- Covenant and/or payment defaults on debt instruments;
- Conflicts between the various constituents that hold competing claims or interests;
- Potential for losing key members of management;
- Senior lenders failing to support legitimate management plans and actions and restricting access to capital;
- Limited access to new capital; and
- The commencement, or threat, of bankruptcy proceedings.

Companies often need the special services of the Operational Restructuring Group even though they may already have an investment banking relationship.

Current Knowledge of the Seller's Industry – The speed required to identify and implement operational restructuring actions does not allow an investment bank to spend weeks or even months learning about the seller and applicable industry issues. An effective advisor must have in-house senior-level bankers who have a deep understanding and hands-on experience in the media industry and who can immediately identify operational improvements while simultaneously identifying strategic buyers and equity sponsors that may wish to make an acquisition in the client's field.

Sometimes our recommendations involve a sale of all or a portion of the business portfolio in an efficient and orderly way that preserves going-concern value. In many cases, however, a sale is not the best answer. A business restructuring and turnaround plan with debt covenant relief may represent the best option.

Deal Execution – When considering the sale of a distressed company, many aspects of the process may seem familiar. An investment bank must contact buyers and facilitate due diligence, just as it does with the sale of a healthy company. But other aspects of the process are quite different and demand a very specialized kind of investment banking expertise.

To manage a distressed company sale process effectively, an M&A banker must:

- Have the relationships, credibility and experience to effectively influence and/or negotiate with numerous, and often frustrated, parties who have a stake in the transaction's outcome, including secured creditors, key suppliers, shareholders, directors and management;
- Work within the abbreviated timeframes imposed by limited liquidity and manage the process so as to avoid irreversible deterioration;
- Comprehend and articulate distressed company valuation issues to the company's constituents and to prospective buyers;
- Harness less-than-perfect assumptions about future earning capacities into analyses and projections that are both credible and can result in a purchase price that reflects the company's true value; and
- Effectively work with the other specialized principals and professionals involved in distressed transactions, including crisis managers, bankruptcy lawyers, bank workout groups, bondholders and distressed investors. This work involves keeping communications lines open, understanding the differing goals of these disparate groups, and leveraging their expertise and influence to obtain the optimal result.