

Schulte Roth & Zabel Releases 2013 *Distressed Investing M&A* Report

Study Reveals Distressed Investors Continuing to Eye Europe

New York, November 21, 2013 – Schulte Roth & Zabel ("SRZ") today announced key findings from its 2013 *Distressed Investing M&A* report, produced in association with Mergermarket and Debtwire. Most notably, the study reveals that distressed investors, who have traditionally focused on M&A opportunities in the U.S., are now increasingly taking advantage of the historically low valuations of target firms in Europe.

Based on a series of interviews with investment bankers, private equity practitioners and hedge fund investors, in the U.S. and Europe, the report provides insight pertaining to their experiences with distressed M&A activity and their expectations for the upcoming 12–24 months.

SRZ partners Peter J.M. Declercq, Stuart D. Freedman, Adam C. Harris, Jeffrey A. Lenobel, David E. Rosewater and Sonya Van de Graaff contributed to the report, which is being released today at SRZ's 2nd Annual Distressed Investing Conference. Mr. Rosewater, whose practice focuses on distressed investments and acquisitions, mergers and acquisitions, and private equity/leveraged buyouts, will present the study.

Additional findings from the report:

- Interest rates will have the greatest influence on U.S. distressed asset valuations, according to 68% of respondents.
- The political climate remains a top concern for 43% of respondents, but debt availability and rising interest rates have emerged as the leading factors affecting distressed pricing outside of the U.S.
- The biggest deterrent to pursuing distressed assets is the lack of predictability in terms of investment scenarios, according to 65% of respondents.
- According to a majority 77% of respondents, balance sheet restructurings remain the top targets for those purchasing distressed companies.
- The high volume of M&A activity in the U.S. energy sector is a primary driver for many investors as 79% of respondents in the U.S., and 55% of respondents outside the U.S., cite this sector as most likely to see the best opportunities for distressed M&A transactions. Second to energy, the real estate sector is the most valuable industry to distressed investors.

Click [here](#) for a PDF of the complete report.

Mr. Harris, chair of SRZ's business reorganization group and a member of the firm's executive committee, commented, "A steadily improving economy, coupled with a favorable financing environment, has resulted in a more limited range of distressed investment opportunities. Given the amount of money dedicated to this asset class, we expect prices to rise as a function of supply and demand."

The survey also probed participants on club deals, which are distressed-for-control deals formed among a bigger group of investors. While a minority (36%) of respondents took part in those deals, Mr. Freedman, SRZ M&A partner, commented, "In our experience in these settings, while governance and structuring issues require attention, they are generally readily resolvable. Debt-for-equity swaps resulting in control of operating businesses may pose more difficult issues, as investors may have significantly different cost bases and return expectations, leading to complex negotiations over governance and exit rights." Mr. Freedman focuses his

practice on mergers and acquisitions, private equity and securities. He represents various well-known U.S. and offshore money managers in connection with a variety of acquisitions and control and non-control investments, including of companies engaged in financial restructurings.

As noted in the survey, "The volume of distressed transactions in commercial real estate (CRE) will be enhanced over the next few years by the gap that will exist between the prolific amount of CRE mortgage loans that mature and the refinancing proceeds that borrowers will be able to obtain when these loans become due," said Mr. Lenobel, chair of the real estate group and a member of the firm's executive committee and operating committee.

Earlier this year, SRZ expanded its London office with the addition of Mr. Declercq and Ms. Van de Graaff, who focus on cross-border insolvencies, European restructurings, distressed mergers and acquisitions, and debt trading. "Schulte Roth & Zabel attorneys are known for our multidisciplinary approach to matters, which allows us to give comprehensive representation and advice to investors in all manner of distressed situations," commented Alan S. Waldenberg, chair of the firm's executive committee and chair of the tax group, who regularly represents clients in M&A transactions, restructurings and workouts in the U.S., Europe and Asia.

About Schulte Roth & Zabel

Schulte Roth & Zabel (www.srz.com) is a full-service law firm with offices in New York, Washington, D.C. and London. As one of the leading law firms serving the financial services industry, the firm regularly advises clients on corporate and transactional matters, as well as providing counsel on regulatory, compliance, enforcement and investigative issues. The firm's practices include business reorganization; mergers & acquisitions; distressed investing; bank regulatory; employment & employee benefits; environmental; finance; individual client services; intellectual property, sourcing & technology; investment management; litigation; real estate; regulatory & compliance; securities & capital markets; structured products & derivatives; and tax.

About Mergermarket

Mergermarket is an independent mergers and acquisitions (M&A) intelligence service, with the largest network of dedicated M&A journalists on the ground in 65 locations across the Americas, Asia-Pacific, Europe, the Middle East and Africa. This team focuses on gathering actionable proprietary intelligence, creating the only origination database of live targets and bidders. Mergermarket is also an unrivalled source of deal history. Public and private deals across a range of sectors can be searched using an exhaustive database. This proprietary intelligence and historical deals database is available to over 145,000 individual subscribers from more than 1,600 of the world's principal advisory firms, investment banks, law firms, private equity firms and corporates. Mergermarket is part of The Mergermarket Group, which has over 600 employees worldwide and regional head offices in London, New York and Hong Kong.

About Debtwire

Debtwire is the most comprehensive provider of actionable intelligence and research on fixed income markets across the globe. With a team of expert fixed income journalists and analysts stationed worldwide, Debtwire offers unparalleled coverage of companies in the high-yield, distressed debt and leveraged loan arenas, leading the market and mainstream media with its real-time updates on capital raises, ongoing restructurings and post-restructuring situations. This actionable intelligence enables professionals in the investment, trading and advisory communities to stay ahead of competitors and uncover new business opportunities. Debtwire is part of The Mergermarket Group, a Financial Times Group company. Visit: www.debtwire.com

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