

## Case Study C : *Advice to Sponsor on Debt Restructuring with DB Scheme*

- Company C is a branded consumer goods company majority-owned by a private equity group with a UK defined benefit pension scheme
- Prior to the debt restructuring, it had leverage of >10x EBITDA
- The recession impacted performance and Company C breached its banking covenants
- The private equity sponsor made a number of proposals to the lenders which were rejected
- The lenders therefore led the restructuring. Their starting point was:
  - They would only support Company C without the Scheme;
  - The Scheme must close to future accrual; and
  - There will be no funding towards the scheme specific funding deficit.
- Lincoln successfully advised the private equity group on a deal whereby:
  - **Solvent Restructuring:** the debts were restructured outside an insolvency process and the Scheme was kept with Company C and not put into the PPF
  - **Benefit Redesign:** the Scheme remained open to future accrual but with modified benefits – all stakeholders took an appropriate “share of pain”
  - **Scheme Specific Funding Contributions:** the lenders provided headroom to enable agreed payments to be made going forwards under the agreed Recovery Plan
  - **TPR / PPF Discussions:** there were extensive discussions with both TPR and PPF as part of the process

### Restructuring Proposal

