Rosehill Resources, Inc. (Nasdaq:ROSE)

Client: Tema Oil and Gas Co.

Role: Restructuring Advisory

Time: 2020

Industry: Energy

Seaport Gordian worked on behalf of the majority shareholder to negotiate for the retention of a meaningful equity position in a restructured and materially delevered Company.

Client Overview: The majority owner of a public company (Rosehill Resources, Inc.) that is an independent oil and natural gas producer with a focus on the acquisition, exploration, development, and production of unconventional oil and associated liquids-rich natural gas reserves in the Permian Basin. At the time of Seaport Gordian's engagement ("SGE"), the Company had more than 60,000 MBOE of proved reserves and was listed on the Nasdaq exchange under the ticker ROSE.

Situation: In early 2020 the Company was in a serious bind after a large acquisition in 2017 failed to meet expectations, liquidity began to dry up and it received a "substantial doubt about ability to continue as a going concern" opinion as part of its 2019 year-end audit. SGE was hired by the Company's majority shareholder ("Client") to advise on various strategic options with respect to dealing with the Company's creditors in the face of a capital structure and liquidity crisis.

As commodity market conditions deteriorated in the first quarter of 2020, the process quickly shifted to a contentious one as the parties could not agree on the terms of a consensual restructuring, leading to the possibility of a Chapter 11 bankruptcy adverse to the Client in which it could have been wiped out.

Outcome: SGE shepherded the majority shareholder through an unpredictable and contentious restructuring process in which Old Equity was deeply underwater in the capital structure. Together with the client and legal counsel (McDermott Will & Emery), SGE was able to develop and implement a strategy that created negotiating leverage with the Company's creditors, including an offensive strategy that used new money and credible valuation views. Through exhaustive recovery analysis and intense negotiations with the Company's creditor constituencies, SGE was able to help negotiate a structure in which the Client retained a meaningful equity position in a reorganized and materially delevered Company.

Undisclosed Energy Company

Client: Undisclosed Energy Company

Role: Restructuring and Debt Advisory, Capital Markets

Time: 2019/2020

Industry: Energy

Gordian advised the Company in resolving a four-year dispute that avoided a bankruptcy filing and maintained significant ownership for the founders. Our work provided both significant advantages for refinancing the debt and real operating flexibility to maximize enterprise value.

Client Overview: The Company is a large, closely-held player in the energy sector.

Situation: Market conditions caused a breach of the net worth covenant under its supply agreement (the "Agreement") with its provider ("Provider"). Over the next four years, Provider-mandated fees and limitations impaired the Company's operations, reducing profitability and forcing the Company to incur a substantial amount of revolving debt under the Agreement. With the Agreement set to expire in 2019, the Provider (a major energy conglomerate) required the Company to pay down half its debt (which had grown to about $100 million), "or else".

Gordian was retained to lead negotiations with the Provider and support the Company's existing investment bank in exploring both an M&A or capital markets solution.

Outcome: After negotiating an initial extension of the Agreement, Gordian worked closely with the Company and counsel (Akerman) to develop credible, non-consensual alternatives to create leverage in negotiations with the Provider. This effort was ultimately successful, with Gordian and the Company negotiating a restructuring of Provider's debt (with no pay down) into a subordinated obligation that included significant debt service relief (including an early repayment discount), contingent on effecting a successful supplier transition. Work began on finalizing negotiations with an alternative supplier.

However, after the alternative supplier backed out in early 2020, citing uncertainty around the impact of COVID-19 on operations, Gordian, counsel and the Company quickly pivoted to focus on both an alternative supplier and "encouraging" the Provider to be cooperative. A deal was then negotiated that maintained significant equity control for the founder, provided a capital infusion and transitioned the supply agreement to new operating partner, keeping the Provider's debt on advantageous terms for the Company.

Meanwhile, at the time of the July 2020 restructuring, the operations were already showing signs of improvement. And, since then, projections are being exceeded and such a continued trajectory will likely enable an early refinancing of the debt.

Undisclosed National Health and Fitness Company

Client: Undisclosed National Health and Fitness Company

Role: Restructuring Advisory

Time: 2020

Industry: Wellness and Lifestyle

Gordian Group orchestrated a restructuring strategy that saw debt reduced by 30% while preserving Old Equity's control. The Company also implemented a creative financial engineering strategy that helped protect the sponsor's new investment.

Client Overview: Company is an owner of health and fitness facilities. As of December 2019, the Company had revenue and EBITDA of over $100 million and $30 million, respectively.

Situation: However, the Company's financial position began to deteriorate due to a change in consumer demand and preferences; in the midst of efforts to address this change in demand, the COVID-19 pandemic threw the Company into a liquidity crisis. Shelter-in-place laws caused franchisees to shutter almost all locations and the Company was facing an imminent cash crisis and was unable to make debt service payments.

Gordian and counsel (Kirkland & Ellis) were subsequently retained by the Company to effectuate a long-term restructuring solution to right-size the balance sheet and provide Client with the liquidity runway and operational flexibility to navigate through the uncertainty of the COVID-19 crisis.

Gordian and counsel advised the Company to drive towards a solution that gave the business liquidity and covenant "runway" while also rightsizing the capital structure and maintaining old equity's control position. We designed a credible chapter 11 strategy aimed at bringing the Lenders to the table, constructively, by making it clear that the Company preferred a consensual resolution but that stakeholders were also prepared to pursue more draconian strategies that could be implemented unilaterally without lender consent should a consensual deal not be available.

Outcome: Because of our creative and aggressive credible threats, together with the Sponsor's willingness to make a new investment pursuant to a global 'fix', the Lenders agreed to (i) a 30% debt write-off; (ii) material debt service reductions for 18 months and (iii) the suspension of financial covenants for almost two years. The parties also agreed to a Gordian-created financial engineering structure that protected the new money investment should the COVID crisis have a lasting impact.

Undisclosed PE-Backed B2B Media Company

Undisclosed PE-Backed B2B Media Company

Client: Private Equity Sponsor

Role: Restructuring Advisory

Time: 2020

Industry: B2B Media

Gordian Group advised the Private Equity Sponsor to effect a consensual restructuring with new capital and a materially deleveraged capital structure in the face of unprecedented market headwinds.

Client Overview: The Sponsor of a Company that publishes trade various industry materials together with B2B marketing services.

Situation: In early 2020, the Company began to feel the effects of the COVID-19 pandemic as marketing budgets were slashed across industries. As contract cancellations came flooding in and the Company's cash balance began to evaporate, the Company found itself staring in the face of an imminent liquidity crisis, with only a few weeks' cash runway before missing payroll. To make matters worse, the Company's lender became extremely truculent, as it began to realize the effects of the global pandemic would affect the Company's ability to service its debt.

The Company's lender made clear during initial discussions that it was seeking to take over the equity. It was around this time that the Sponsor engaged Gordian to advise on strategic options related to dealing with the lender.

Outcome: Through several weeks of intense back-and-forth discussions, Gordian advised the Sponsor on its range of options, including an assessment of the downside to the lender under certain more draconian alternatives. Using the classic Gordian "carrot and stick" approach, we were able to then negotiate (together with Sponsor counsel, Gibson Dunn) multiple lender forbearances and ultimately a global restructuring that included the elimination of a meaningful portion of existing debt together with a new money facility from the lender that gave the Company the runway it needed to survive the liquidity crisis and carry on as a going concern – all with the Sponsor remaining in control.

Undisclosed PE-Backed Marketing Services Company

Client:	Undisclosed PE-Backed Marketing Services Company
Role:	Restructuring Advisory, Financing
Time:	2020
Industry:	Marketing / Advertising

Gordian, within several months, effected a consensual, out-of-court restructuring that resulted in a significantly delevered balance sheet, additional capital to stabilize the business, several-year debt service and covenant relief and the retention of control by the Sponsor.

Client Overview: A Sponsor-backed industry leader that provides marketing and other services to an industry indirectly related to the events sector.

Situation: With the outbreak of COVID-19 pandemic, the Company's markets faced widespread disruption in activity, rendering the Company unable to conduct its normal business operations. The Company experienced a significant loss of revenue and projected that it would not generate any positive free cash flow over the next two years. As a result, the Company found itself with approximately $150 million of debt and preferred and a now overleveraged balance sheet, limited operating flexibility, depleting liquidity and in default with its Lenders.

Gordian quickly identified and analyzed the capital structure options available to the Company and the relative merits of such options, including the credibility of – and leverage created by – certain non-consensual alternatives. Following this initial period, Gordian worked closely with the Company and counsel (Kirkland & Ellis) to develop a credible negotiating strategy, and despite the Lender groups trying to present a united front, we were able to divide and conquer, negotiating first with the senior Banks to create pressure on the junior Lenders – who were at odds with the Sponsor over economic splits and governance control.

Outcome: Following several months of negotiations, a consensual restructuring was ultimately negotiated, with 100% of the critical stakeholders, that avoided a bankruptcy.

The transaction resulted in a restructured balance sheet that (i) significantly reduced debt through the elimination of all junior debt and preferred equity (i.e., more than 1/3rd of all obligations senior to the Sponsor), (ii) extended out the maturity date of the debt, (iii) eliminated cash debt service for as much as 3+ years through the use of a "springing interest" construct (click here for details), (iv) eliminated or otherwise favorably reset financial covenants, (v) raised additional equity capital and (vi) put in place a strong Management Incentive Plan – all while allowing Sponsor to maintain majority ownership and governance control.

Undisclosed PE-Backed Services Provider

Client: Undisclosed PE-Backed Services Provider

Role: Restructuring Advisory

Time: 2020

Industry: Business Services

Gordian Group orchestrated a financial restructuring strategy that provided the Company with significant cash debt service holidays and 18 months of covenant relief.

Client Overview: Sponsor-owned, the Company is a leading provider of services to consumer-facing industries indirectly relating to the Events sector. Prior to the COVID-19 pandemic, the Company had annual revenues and EBITDA of over $250 million and $25 million, respectively.

Situation: The Company's operations and financial position were severely impacted by the COVID-19 pandemic. 2Q 2020 revenues were materially off budget, and consistent monthly EBITDA generation became meaningful losses almost overnight. The Company was going to be in violation of its leverage covenant by August 2020 and was also facing an imminent liquidity crisis in 4Q 2020 under its then-current capital structure.

Gordian was retained to negotiate a long-term solution to enable the liquidity runway, debt service relief and covenant flexibility to navigate through the recovery of the Company's end-markets, the timing of which was uncertain. The Sponsor was unwilling to commit additional capital to support the Company absent obtaining the necessary runway and Lender concessions. Complicating matters, the Sponsor did not want to "blow up" the relationship with its creditors.

Prior to Gordian's retention, initial discussions with Lenders yielded no results beyond offers of short-term forbearances that did not address the Company's long-term issues. To bring the Lenders to the table constructively, Gordian and counsel (O'Melveny) designed a credible cram-up strategy that was presented to the Lenders alongside a consensual deal that included Sponsor capital.

Outcome: The Company and its Lenders quickly reached a consensual resolution that provided significant debt service relief, as well as covenant runway into 2022. The Sponsor contributed minimal new capital and old equity maintained its 100% interest in the Company.

VitalPet, Inc.

Client: VitalPet Inc.

Role: Investment Banker

Time: Dec ‘19 – Mar ‘20

Industry: Veterinary Practices

Gordian Group acted as investment banker to the Company, including running a market-test for DIP financing and effecting a successful sale in bankruptcy that saw all creditors paid in full and distributions paid to equity holders, all in the face of the COVID crisis.

Client Overview: Veterinary Care Inc. dba VitalPet, was an operator of 24 veterinary hospital practices in seven states, primarily in Texas and New York..

Situation: While historically profitable, VitalPet made several acquisitions in 2017 and 2018 (funded by debt) that dragged down operating performance to the point that corporate EBITDA was breakeven, cash flow was negative and VitalPet was in default of its credit agreement. Eventually, the relationship between VitalPet’s founder/CEO and senior lender (also an equity investor) deteriorated and the lender attempted to remove the CEO and appoint a new management team. While the CEO regained control of VitalPet through an injunction, an involuntary chapter 11 petition was filed against VitalPet in October 2019.

In November, the Debtors consented and filed a voluntary petition. Doug Brickley of the Claro Group was appointed CRO to guide the business through the bankruptcy process and Okin Adamas was retained as counsel by the Debtors.

Gordian was subsequently retained by the CRO to (i) run a marketing process for DIP financing; and (ii) assist in maximizing value for all stakeholders through either a Plan of Reorganization (“Plan”) or a sale of the Company’s assets (a “363 Sale”).

Outcome: Due to liquidity constraints, VitalPet had to accept a coercive interim DIP loan from its pre-petition lender. Under severe time constraints, Gordian then obtained more favorable DIP terms from a third party that lowered costs and loosened restrictive covenants in the interim DIP. This provided the Debtor the freedom to follow a value maximizing path.

Concurrently with the DIP outreach, Gordian ran a broad marketing process to identify a buyer or Plan sponsor. Gordian contacted 80+ parties (strategic and financial). The process resulted in the sale of VitalPet’s assets to Destination Pet, LLC for $47.5mm against LTM EBITDA of just $200,000. Pre-COVID, the sale was meant to close in April 2020, but as the COVID crisis ramped up, Gordian was able to accelerate the close to mid-March (when the world was becoming “frozen”) at a purchase price reduction of just 1.5%.

The process is expected to satisfy all claims and provide a recovery to certain preferred equity holders.