

**Case Study**

**Identification of Potentially Distressed Firms for a  
Restructuring Team**



# Case Study

## Identification of Potentially Distressed Firms for a Restructuring Team



### About the Client



- Leading Europe-based advisory firm; one of its arms specialises in selling corporate restructuring services

### Client Objectives / Goals



- Increase sales by pro-actively identifying firms that require restructuring services
- Sector: Healthcare
- Firm type: Public
- Geographic focus: US, Canada and Europe

### Approach and Methodology



- Implemented our proprietary RocEye Distressed™ risk assessment approach to identify hidden targets
- Leveraged databases, such as Bloomberg, to extract a list of 1,600+ companies in the target sector and region, along with the companies' financial details
- Analysed shortlisted companies on 17 financial parameters such as EBIT margin, EBITDA/CFO, stock price/CFO, interest coverage ratio, ROE, total debt/equity, quick ratio, cash conversion cycle, total debt/(EBITDA-CAPEX), total debt/total assets, CFO/current liabilities, etc. Compared the performance of the target company with its peers
- Filtered companies based on the aggregate number of distressed areas
- Triangulated financial analysis with qualitative news triggers (lay-offs, liquidity crunch, debt restructuring, etc.) to perform forward looking analysis
- Created investment thesis on prioritised targets for client's internal evaluation
- On-going quarterly updates, including newsletter and risk profiles of companies, are provided to the client

### Sample Output



Company Name	Q2 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Abbott Laboratories	Moderately Distressed	Moderately Distressed	Highly Distressed	Moderately Distressed	Moderately Distressed	Slightly Distressed
Bayer Corp	Moderately Distressed	Highly Distressed	Moderately Distressed	Slightly Distressed	Moderately Distressed	Slightly Distressed
Becton Dickinson and Co	Slightly Distressed	Moderately Distressed	Highly Distressed	Moderately Distressed	Moderately Distressed	Highly Distressed
Boston Scientific Corp	Moderately Distressed	Slightly Distressed	Moderately Distressed	Moderately Distressed	Highly Distressed	Moderately Distressed
Inuitive Surgical Inc	Slightly Distressed	Slightly Distressed	Slightly Distressed	Not Distressed	Not Distressed	Not Distressed
Baxter International Inc	Moderately Distressed	Slightly Distressed	Moderately Distressed	Moderately Distressed	Moderately Distressed	Moderately Distressed
Zimmer Biomet Holdings Inc	Moderately Distressed	Moderately Distressed	Moderately Distressed	Highly Distressed	Highly Distressed	Highly Distressed
Edwards Lifesciences Corp	Slightly Distressed	Moderately Distressed	Slightly Distressed	Slightly Distressed	Slightly Distressed	Moderately Distressed
St Jude Medical Inc	Highly Distressed	Slightly Distressed	Highly Distressed	Highly Distressed	Highly Distressed	Moderately Distressed
CR Bard Inc	Moderately Distressed	Slightly Distressed	Moderately Distressed	Moderately Distressed	Moderately Distressed	Slightly Distressed

  

Ticker	Short Name	Country	Industry	Latest Period	Business Distress	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
ABBYY	ABBYY Software	US	Software	2016-06-30	Not Distressed	100	100	100	100	100
ABBV	Abbott Laboratories	US	Pharmaceuticals	2016-06-30	Moderately Distressed	85	85	85	85	85
ABC	ABC	US	Technology	2016-06-30	Not Distressed	100	100	100	100	100

### Results / Value-add



25% increase in visibility of distressed companies as potential sales targets

Assistance in creating sales pipeline to the tune of €200mn+

128 target companies (highly or moderately stressed) identified from a list of 1,600 companies

1,000+ analyst hours saved in target identification