FTI™ CONSULTING

# RESTRUCTURING COMMUNICATIONS

## A PROCESS, NOT AN EVENT

EXPERTS WITH IMPACT™

# Restructuring Communications

**One of the most common mistakes organizations make when preparing for a restructuring is to view it as an event, rather than a process. In reality, there are a number of milestones and risk factors preceding a Chapter 11 filing that can negatively impact customer relationships, cash flow management, employee retention and management credibility.**

Equally important, media coverage and new legal filings are likely to keep restructuring-related issues top of mind throughout the duration of a case once it has filed. Failing to acknowledge these developments—and to use them as opportunities to demonstrate continued progress toward the organization's stated objectives—gives others space to tell the story as they see it, eroding confidence over time.

The following timeline provides a high-level overview of strategic communications considerations at each stage of the restructuring process.

# Restructuring Communications

## Pre-Filing


The overarching goals in restructuring communications are to maintain continuity for all of an organization's stakeholders and allow the organization to continue to implement its strategy uninterrupted. Absent public confirmation of a chosen path, communications are a careful dance of mitigating rumor and speculation while maintaining credibility of senior leadership and other key relationship managers in any potential outcome. There are many potential changes in a restructuring, so the best advice is not to take any option off the table and to instead reinforce management's—and the Board's—commitment to securing the best possible future.

Leading up to a filing, there are two key lenses through which communications strategies should be developed:

### 1. Planned Announcements and Events:

Earnings calls, forbearance agreements, ratings agency decisions, and formal announcements of a review of strategic alternatives and/or sale process all establish precedent for filing messaging. Standing employee town halls, industry events, customer meetings and other events raise expectations for more comprehensive updates. Getting the proactive messaging right at each of these critical inflection points is only the beginning. Organizations must also be prepared for the inevitable questions that follow—wherever they may arise—to ensure the message is consistent and no one is overstepping by making promises the organization won't be able to keep.

### 2. Market Rumor and Speculative Coverage:

Whether sparked by a competitor trying to gain an advantage, an advisor looking to accelerate negotiations, an enterprising reporter pursuing a story or a vendor who notices that payment terms have been contracted, bankruptcy rumors can escalate at any time. It is critical to have a plan in place to ensure rumors are quickly elevated to those in a position to craft an appropriate response. The response team should also be aligned in advance in how risks to the organization will be evaluated and an appropriate response approved in a timely manner. The best leak strategies establish these criteria and have statements and other stakeholder materials ready to go, if needed.

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## Filing

Journalistic principles dictate that announcements lead with the news, and the natural inclination is to make the filing the news, i.e., XYZ company today filed for Chapter 11 protection. In reality, the filing is not the news—it is a tool an organization uses as it heads down a chosen path. The decision the Board has made about its chosen path—and what that will allow the organization to achieve—is the more effective lede. The focus of the "story" then becomes the path forward, with the filing as a bridge between all the efforts taken to date and how the organization will ultimately emerge as a financially stronger organization, well positioned for the future.

With this messaging in place, attention shifts to how critical information will reach all stakeholders in real-time to allow audiences to hear from the organization first-hand and to immediately understand how the organization has worked to protect their unique interests. Stakeholders will not hear what an organization is trying to achieve until their immediate questions have been answered. An experienced communications advisor can help anticipate these concerns, provide proactive reassurances that still give proper deference to the Court process ahead, and ready the organization for the inevitable follow-on questions that will come.

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## First Day Motions Through Confirmation


Effective communication with all key stakeholders helps organizations return more quickly to normal operations—but that doesn't mean anxieties disappear entirely. Moreover, the ongoing cadence of hearings, objections, filings and legal notices mailed to groups including suppliers, customers, investors and—in some cases—employees can reignite the rumor mill and/or new waves of media coverage.

### Questions to Consider:

- **Why did I receive the formal notice of commencement?**
- **Why was I not included in key employee retention or incentive program? How were amounts determined?**
- **How can I be included in the critical vendor motion?**
- **Do I need to file a proof of claim form?**
- **Why should I vote for this plan? How do I vote? Am I bound by the vote?**
- **What's a cure notice? Why is my cure amount lower than my claim?**

As a rule, the best defense is a strong offense. Rather than waiting for questions, use hearings and filings to demonstrate momentum toward the stated objectives for the case and proactively work to demystify new concepts and terms. Create a reputation for transparency that rebuilds trust over time.

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## Emergence


As emergence approaches (sometimes punctuated by a successful sale process), those closest to the case start to see the light at the end of a very long tunnel and breathe a sigh of relief, but for others, the completion of the restructuring transaction(s) simply raises a new series of questions: How will the organization capture the new opportunities promised at the time of filing? How will individual employees benefit? Will new owners—potentially including lenders who have taken a new or larger ownership stake—take the organization in a new direction? Will austerity measures continue? Are we going to market in the same manner (and with the same branding) used prior to the filing? Will day-to-day management change? The list goes on and on.

A newly restructured organization has a unique opportunity to reposition its value proposition for customers, employees and potentially investors, as well, and there is only one chance to get it right. Whether it's a formal rebranding, website refresh, celebratory event, roadshow, or some other strategy, employees will take their cues from the first communications, and their confidence (or lack thereof) will transfer to other stakeholder relationships. In most situations, a simple email won't do much to build enthusiasm. Organizations must walk the talk.

## A Final Word

While there are certainly best practices to be leveraged, there is no template for restructuring communications. Situations—and thus, messaging—are nuanced, and an organization must always be thinking ahead to anticipate and mitigate potential concerns at each step in the process. Experienced communications advisors understand it's a journey and can help see around the next curve to protect continuity and value through the process and beyond.

**Shannon Stucky**
Senior Managing Director
+1 212 850 5755
shannon.stucky@fticonsulting.com

**Rachel Chesley**
Managing Director
+1 212 850 5681
rachel.chesley@fticonsulting.com

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## About FTI Consulting

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