Drahi's Dilemma: How Altice is Fighting to Stay Afloat

Introduction

Altice, a multinational telecommunications and media conglomerate founded by Patrick Drahi in 2001, has developed into a diverse portfolio of businesses across telecommunications, broadband, media, and IT services. With operations spanning Western Europe, the US, Israel, and the Caribbean, Altice's growth has been driven by a series of bolt-on acquisitions, often funded through significant amounts of leverage. However, this debt-fuelled expansion has left the company with a lopsided balance sheet in a rising interest rate environment.

Facing over $60 billion in debt and mounting pressure from bondholders, Altice has pivoted to a series of aggressive measures to deleverage its balance sheet. Central to its strategy are large-scale asset sales and dropdown transactions, allowing Altice to reclassify subsidiaries and redirect sale proceeds away from creditors' reach as covered in our article about creditor on creditor violence. These moves, while providing short-term liquidity, have exacerbated tensions with bondholders, many of whom are now negotiating a discounted exchange on their debt.

Altice's recent asset sales, including stakes in UltraEdge, Altice Media, and BT Group [LSE: BT.A], are aimed at raising billions to stabilize its operations and meet debt reduction targets. Meanwhile, negotiations with creditors have become increasingly heated, involving offers of cash, amended and extended debt as well as equity stakes. This article looks at the role of these asset sales, dropdown strategies, and ongoing creditor negotiations, drawing attention to a situation many distressed debt hedge funds and special situations investors are keeping a close eye on.

Company Overview – Altice

Altice is a multinational telecommunications and media conglomerate, operating across Western Europe, the US, Israel, and Overseas Territories. Altice provides a variety of services, including telecommunications, mobile services and broadband, media services, advertising services, business IT management services and investments in fibre-optic infrastructure and data centres.

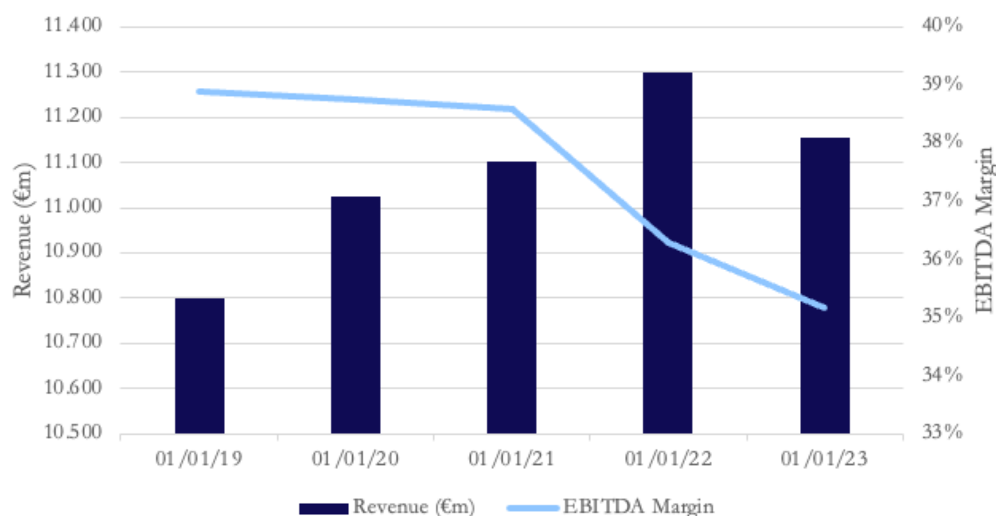
Altice has been split into different divisions based on regional operations. One is Altice USA, with a market cap of $1.1bn and roughly 5 million customers. It is its own separate entity, focusing on mobile services, broadband, proprietary content and advertising. Its most significant brands include Optimum, Suddenlink, Lightpath, AMS, News 12 Networks, and News 12 Varsity. According to the Altice USA Inc. form 10-K, filed on 24th Feb, for end of 2023, "Altice USA is controlled by Patrick Drahi through Next Alt, who also controls Altice Europe and other entities."

Another division is Altice France Holding SA, which owns 100% of the capital of Altice France SA and is in turn owned by Altice Luxembourg SA. The ultimate controlling shareholder of Altice Luxembourg is Next Alt S.à r.l. ("Next Alt"), which is itself controlled by Mr. Patrick Drahi. Finally, Altice International, which Patrick Drahi indirectly owns 91.33% of. Altice France saw revenue for the six months ending 30th June 2024 decrease by 4.5% to €5.1bn. Adjusted EBITDA for the period was €1,711 million, a decrease of 7.0% compared to the six months

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

ending 30th June 2023. The EBITDA decrease was driven by a decrease in revenue and an increase in fibre-to-the-home costs. Net Debt for Altice France currently stands at around €24bn. Altice International operates in Portugal, Israel, and the Dominican Republic.



For the six-month period ending 30th June 2024, the group generated total revenue of €2,450m, a 2.4% decrease, when compared to the same period in 2023. For the six months to June 2024, Altice International's Adjusted EBITDA was €864.5 million, a decrease of 2.5% compared to the same period in 2023, largely driven by the decrease in revenues. Net Debt for Altice International stood at €9.2bn as of June 2024.

Patrick Drahi founded Altice in 2001, and it was valued at €6.4bn when he took it private in January 2021. The size of Altice can be attributed to Drahi's infamous acquisition strategy, where he purchased more than twenty struggling cable or mobile service companies, largely funded by debt.

Looking at Altice's expansion into the U.S. telecom market, in 2015, the company acquired both 70% of Suddenlink Communications, the 7th largest cable operator in the U.S. at the time, for $9.1bn and also bought Cablevision, the 4th largest cable company in the U.S., for $17.7bn. After both these acquisitions, Altice merged the companies to form Altice USA, positioning it as the fifth-largest cable provider in the country. In 2017, Altice USA was spun off and went public, valued at around $22bn, hoping to benefit from increased accessibility to funds.

In Europe, Altice expanded into the French telecom market and became a strong competitor. First, Drahi founded Numericable and then acquired SFR, the second-largest mobile service and internet provider in France, for just over €17bn, of which €13.5bn was paid in cash to the owner, Vivendi. A few years later, in 2014, Numericable, a subsidiary of Altice, purchased Virgin Mobile France, a mobile phone operator, for €325m.

Drahi also chose to expand into Israel, where Altice purchased HOT, the Israeli cable TV company, in 2012, in a deal valued at $1.4bn. He proceeded to found the international news program i24news. Lastly, in 2017, Altice

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

acquired Orange Dominicana, the second-largest mobile operator in the Dominican Republic, for around $1.4bn, marking Altice's integration into the Caribbean and Latin American market.

In June 2017, Altice USA went public and raised $1.9bn, with shares being priced at $30. At the time, this was the largest offering for a U.S.-listed telco company since 2000. The shares opened at $31.60. The deal valued Altice USA at more than $20bn. In January 2018, Altice NV announced that it would spin off the rest of its U.S. business and overhaul its European business. The restructuring resulted in Altice NV's 67% stake in Altice USA being spun off to existing shareholders. As part of this approval, a $1.5bn cash dividend was approved by the Altice USA board to be paid just before the split. They also approved a $2bn share buyback program once the business had been separated.

The deal structure enabled Patrick Drahi to remain the largest shareholder in both businesses and retain control of both companies. Being the largest shareholder meant he was also the largest recipient of the cash dividend and the share buyback. The immediate market reaction was Altice NV's share price up by +10.52%, and Altice USA's up by +14%. Altice NV stated it would use €625m of its €900m share of the dividend to early repay a portion of a corporate financing facility and keep the rest on the balance sheet. As a result of the spinoff plans, Altice NV managed to reduce its target leverage range. The spinoff was completed on 8th June 2018 through the "transferring of 0.4163 shares of Altice USA common stock for every share held by such shareholder in Altice NV's capital on the Distribution record date." The expected completion of the spinoff caused shares in Altice NV to gain 80% in the weeks prior to the completion.

Drahi acquired full control of Altice Europe and took the business private on 26th January 2021, where it was valued at €6.4bn. Initially, Drahi offered €4.11 per share, which was strongly opposed by shareholders, in particular, Lucerne Capital Management, which owned €94m worth of stock. As a result, Drahi increased his offer to €5.35 per share, which was approved on 7th January by shareholders, increasing his stake from 77.6% to around 92%, allowing him to take full control. The enterprise value of the European business when it was purchased was €35bn, at a 6.2x LTM EBITDA multiple.

The rationale behind privatising the company was so it could focus on long-term goals without having to worry about the regulations and pressures a public company experiences, such as stock market volatility. In particular, for Altice Europe, this meant it could focus more on improving its debt levels. This buyout was funded through a term loan credit agreement with BNP Paribas.

What brought us here – Asset Sales

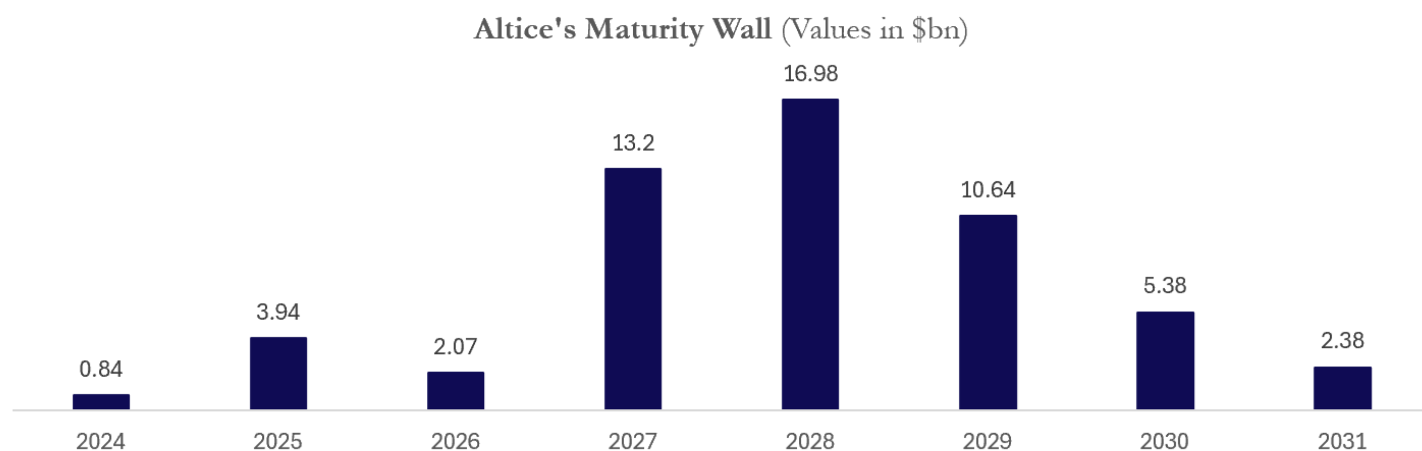
Over the past decade, Altice sprang from relative obscurity into a global media giant, supercharged by cheap debt during an era of rock-bottom interest rates. But in the year 2023, Patrick Drahi & Altice faced over $60bn of debt across all of his subsidiaries but in a much higher rate environment. July 2023 marked the start of what would become the most challenging two years of Patrick Drahi's career. Armando Pereira, co-founder and former chief operating officer of the telecommunications group Altice, was detained in Portugal for questioning as part of a sweeping investigation into alleged corruption, including tax fraud and money laundering. The situation worsened with the suspension of another executive, António Fonseca, which triggered a sharp sell-off in Altice bonds

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

maturing in 2028. The bonds dropped 7.1 cents on the euro to 56.8 cents, their steepest single-day decline since March 2020. Five people have been arrested in Portugal and the investigation even spread over to Altice France, the investigation threw Altice's supply chain into upheaval and even affected the groups credit rating.

So now, Drahi is without his right-hand man (Pereira) and facing a war on two fronts between bondholders and the authorities. Drahi himself took a hit in net worth from a high of $22bn in 2015, to just under $5bn in 2023. The pressures from these heavy debts put Drahi onto the defensive but brought out his incredibly aggressive value extracting mentality, which characterize his recent moves up to today.



Source: Bloomberg

In the past Drahi has always managed to negotiate with bondholders to push back debts maturities giving Altice more and more of a lifeline, without stakeholders doubting Altice's long-term viability. In the chart above we see besides 2025, the French company faces two chaotic years owing more than $30bn in those 48 calendar months. Drahi needed realistic short-term solutions and he landed on selling assets & a series of Liability Management Exercises to (hopefully) make bondholders take some hefty haircuts.

In November of 2023 Altice began to conduct a quasi-back yard fire sale to free up as much investable capital as possible, in the following 10 months Altice sold 3 key assets. To meet his goal of de-leveraging the company to only five times debt over adjusted earnings he might need to raise as much as €3.5bn in asset sales.

On November 21, 2023, Altice France announced that it has entered into an exclusivity agreement to partner with Morgan Stanley Infrastructure Partners to establish the first nationwide independent distributed colocation provider in France through the sale of a 70% stake in UltraEdge. The company is to be formed as the result of a dropdown by Altice France. It would comprise of 257 data centres plus office space currently operated by SFR across France for an enterprise value of €764m. That is a multiple of about 29 times the company's 2023 earnings before interest, tax, depreciation and amortization of €26m. The deal is expected to close in the first half of 2024 and will include a "build-to-suit" agreement with French mobile operator SFR that is expected to generate about €175m over the next seven years. This deal was the first of the three and sent a strong notice to bondholders and the world, that pretty much everything could be for sale.

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

On March 15, 2024, Altice France announced that it has entered into an exclusivity agreement with the CMA CGM Group and Merit France, family holding, to sell 100% of Altice Media for a total cash consideration of €1.55bn. The transaction, which will be subject to customary condition precedent and regulatory approvals, is expected to be completed during the Summer of 2024. Prior to this announcement, Altice France designated Altice Media as an unrestricted subsidiary under its financing documentation. This transaction also comprised of a dropdown by Altice France, moving the company into an unrestricted subsidiary away from the covenants of the agreement from the bondholders, which will we soon dive in as to why this is important.

On August 12, 2024, Altice UK announced that it had reached an agreement with Bharti Global, the international investment arm of Indian billionaire Sunil Bharti Mittal, to sell a 24.5% stake in BT Group for an estimated total value of £3.2bn at the closing share price prior to the announcement. The transaction involves an immediate purchase of 10% of BT's shares, with the remaining 14.5% contingent upon obtaining regulatory approvals. Bharti Global, however, clarified that it has no intention of making a full offer for BT. This transaction, while representing a partial exit from BT for Altice, highlights Mittal's long-term strategic commitment to the UK telecom sector. Prior to this deal, Altice acquired the stake in BT incrementally beginning in 2021, financing it through bank borrowing and derivatives to offset potential valuation risks, a detail we will later discuss for its broader implications on Altice's financial strategy and debt burden. This deal also underscores Mittal's growing presence in the global telecom sector.

This a short summary of the sales on assets took by Drahi over the world:

Asset	**Entity**	**Deal**
SFR Data Centers	Altice France	Sold 70% stake in November to Morgan Stanley Infrastructure Partners for €535 million
Altice Media	Altice France	Sold in March to the Saade Family, owners of shipping firm CMA CGM, for €1.55 billion
XpFibre (50.01% stake)	Altice France	Bids received were deemed too low, so did a dividend recap instead and Altice France has €1 billion in cash from that
La Poste Telecom (49% stake)	Altice France	Bouygues Telecom signed an exclusive agreement in February to buy the company for €950 million
Teads	Altice International	Sale announced on Aug. 1 to Outbrain Inc. for $1 billion including preferred equity
BT (24.5% stake)	Altice UK	Sale agreement announced on Aug. 12 to Bharti Global for an undisclosed amount. Stake was worth £3.2 billion at last closing price before the announcement
Cheddar News	Altice USA	Sold in December 2023 to media company Archetype for an undisclosed amount. Altice USA will collect up to $50 million in the future if Cheddar meets certain performance targets, according to CNBC

Source: Bloomberg

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

Attack on the Bondholders

On March 20th, 2024, Drahi and the Altice management team announced aggressive debt reduction targets and raising the prospect of impairments to achieve them.

At the announcement Drahi discussed the fact that Altice France designated Altice Media as an unrestricted subsidiary under its financing documents. He also discussed that Ultra Edge was designated as an unrestricted subsidiary upon the sale, but what does this mean? Altice France successfully completed a dropdown transaction for these two assets upon sale, this transaction allows a company to move assets that bondholders could have been collateral or were included in debt convents away from any contracts. In this case specifically it means that Altice is allowed to use its assets without needing to comply to ratio debt incurrence test (a covenant in debt agreements that states that the company needs to be under a certain level of leverage to perform certain transactions, which Altice is not). The dropdowns also mean that Drahi can use the proceeds from the sales to divert the money away from the reach of bondholders. Typically, if Altice hadn't done the dropdown the money raised from the sales would be used to paydown debt and potentially help the bond rally a little putting the creditors in a better position. Although, that's not what Drahi decided to do. Instead, he can do whatever he likes with the capital and the money hasn't gone to servicing any debt as of yet. In this case Drahi gains leverage in the form of negotiating power. Recontribution of unrestricted subsidiaries and their sales proceeds leaves secured debt covered, while the Holdco debt largely underwater, this can gear up Drahi to convince creditors to take haircuts on their debts, reducing the debt burden at no expense.

Altice France has an estimated investment capacity of €18.6bn which after the dropdowns of Altice Media and UltraEdge leaves about €16.9bn, which can be used for restricted investments without complying with the 4x leverage test otherwise applicable the basket.

The company also notified investors on the call that it revised its deleveraging commitments made. Aiming to delever well below 4x (from 6.2x net leverage as of Q4 2023), initially the company had aimed to reduce net leverage to 5x. The goals signal necessary inorganic actions and potential participation of investors in discounted debt repurchase transactions. The company has stated its intention to hold back disposal proceeds until it is able to assess all options that can be taken to accomplish its new deleveraging target. Effectively, the management team stated they wanted creditors to take haircuts on their debt and participate on "discounted transactions". On the afternoon of the call the bonds sank.

The price of Altice France's unsecured bonds fell more than 20 percentage points during the bondholder call, to trade at less than half their face value. $2bn of debt linked to the firm traded hand over the week after the call and Goldmans Sachs [NYSE: GS] alone handled over $1bn of that volume over the days. Some Bonds fell to 50¢ on the euro. But trading hasn't all been one way. On Monday the 25th the notes recouped some of their losses, with Altice France making up seven of the top 10 performing securities in the European high-yield market.

March 20, 2024: Altice France held a bondholder call where management announced a new leverage target of "well below 4x," indicating that achieving this goal would require "creditor participation in discounted

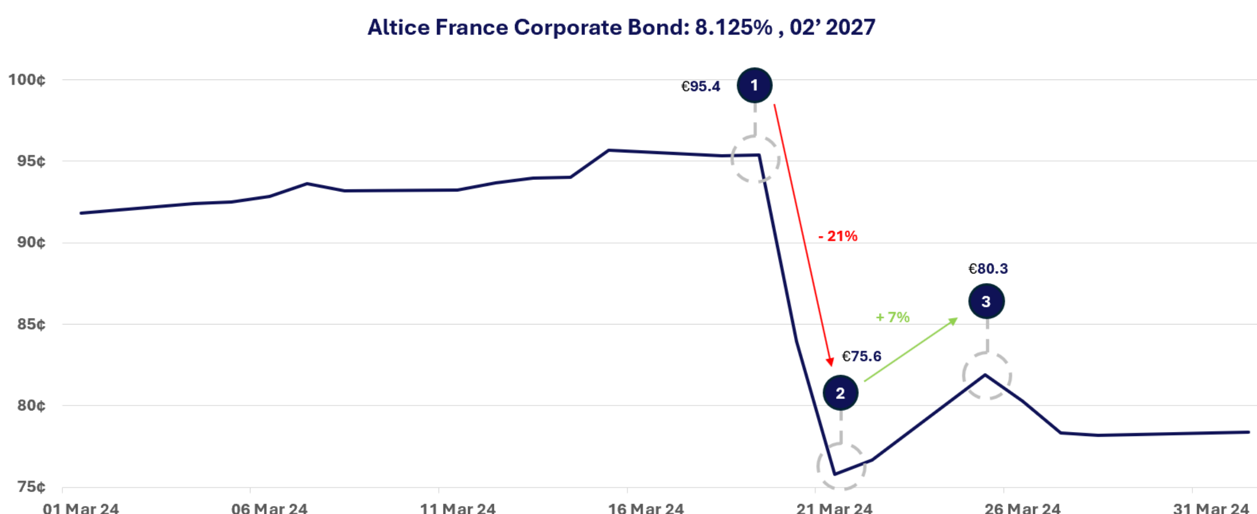
All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

transactions." This announcement led to a sharp decline in the company's unsecured notes, with some falling over 20 points to trade below 50 cents on the dollar.

March 27, 2024: Moody's downgraded Altice France's credit rating from B3 to Caa2, highlighting the company's financial pressures and increased leverage expectations. This downgrade placed Altice France's credit rating among the lowest tiers, reflecting heightened concerns about its financial stability.

March 28, 2024: Following the downgrade, Altice France's bonds experienced a partial recovery. This rally was likely driven by bargain hunting from distressed debt investors and improved sentiment in the high-yield bond market. Despite the rebound, the fundamental risks associated with Altice France's financial situation remained, keeping volatility high.



Source: FactSet

Some say Altice "torched" bond prices for extra leverage in negotiations with creditors. People involved in the creditor group said it had been set up prior to the bondholder call, why? The answer is once again negotiating power. Torching the price of what the bonds trade at gives Drahi even more leverage over the bondholder, since a 20¢ haircut on bonds doesn't seem too bad if you could only sell that bond for 50¢ on the market.

The Negotiations

At latest during the bondholder call in March 2024 it became clear that there was need for a financial restructuring of Altice. With its highly convoluted capital structure and different interests between different classes, between debtholders within the same class and even between debtholders of the same bonds depending on their entry prices, the negotiations are among the most complex currently underway in European finance. With more than 25 pieces of debt outstanding, the interest groups can roughly be split into the debtor advised by Lazard, the senior secured lenders advised by Rothschild and the senior unsecured lenders advised by Houlihan Lokey. As another complicating matter, maturities of the bonds range from January 2025 to October 2029, meaning that some

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

debtholders hope on full repayment before a potential bankruptcy or financial restructuring and consequently, there is an added level of immobilization across stakeholders.

Based on the LTM reported EBITDA of €3,392m as of 06/30/2024, the €20,398m first-ranking senior secured debt represents 6.0x leverage and the second-ranking unsecured debt represents an additional 1.3x taking total leverage up to 7.3x with only slightly lower net leverage of 7.2x. Valuation estimates for the group range from 5.0x to 6.0x multiples, based on peers. Furthermore, there is significant value to be found in subsidiaries that are not part of the restricted group. However, it is likely to be contested in court whether all the transactions with the unrestricted subsidiaries were legally allowed, providing some upside potential to recovery values in case of bankruptcy. Altice has communicated to target leverage below 4.0x over the medium term.

Type	Amount in €m as of 06/30/2024	x EBITDA as of 06/30/2024
Senior Secured Debt	20,398.0	6.0x
Senior Unsecured Debt	4,301.0	7.3x
Total Debt	24,699.0	7.3x
Cash & Equivalents	(326.0)	(0.1x)
Net Debt	24,373.0	7.2x

The senior secured lenders have been the target group of Altice's restructuring proposals as they represent the much larger share of debt compared to the senior unsecured group and have much higher bargaining power due to their secured status. The secured lenders are represented by a steering committee comprised of PIMCO, Elliott Investment Management, Anchorage Group, BlackRock and Fidelity among others. Most secured lenders have signed a cooperation agreement that has recently been extended until January 2026 with 94% creditor support to prevent participation in lender-on-lender violence that has become a common phenomenon in the US. About 50% of the unsecured group have also signed a cooperation agreement among themselves.

The first restructuring proposal by Altice was made in June in form of a voluntary liability management exercise (LME) aimed at the secured lenders involving a c. 20% haircut to their holdings. This offer was rebuffed at a very early stage and did not state anything about the planned treatment of unsecured creditors.

The steering committee has made a counteroffer in September: Collateralized loan obligation (CLO) lenders should receive so-called takeback debt (repriced and extended previous debt), and the other lenders would agree on a haircut in exchange for convertible debt that potentially represented a significant equity stake. This could have meant that secured creditors were going to be able to take ownership from Drahi depending on value at conversion. The offer has become more concrete during the ongoing negotiations and its "final version" involves 13.3% recovery from a cash payment of €2.6bn, 73.7% of recovery from €14.4bn new secured debt at 7.5% weighted average cost of debt and an equity component of either 34% in common equity or c. €2bn of preferred equity convertible into 20% of common equity. Total day one recovery would thus come in at 87%.

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club

Altice has reacted to that with yet another "final counteroffer", at better terms for the creditors than its initial one but with a significantly lower equity stake compared to the Steering Committee's offer. While the cash payment of €2.6bn is the same as in the secured creditors' offer, the new secured debt would give 3.5% less recovery and be priced 1 percentage point lower. The equity stake offered is significantly lower at 18% common equity. Altice's proposal thus means a day one recovery of 83.5%. In addition, the offer involves various "soft factors" such as improved documentation especially regarding tightening negative covenants to prevent future dropdown transactions, enhanced collateral and improved governance rights.

Terms	Altice Offer	Secured Creditors Offer
Cash Payment	€2.6bn (13.3% of par value)	€2.6bn (13.3% of par value)
New Secured Debt	€13.7bn (70.2% of par value) repriced to 6.5% weighted average cost	€14.4bn (73.7% of par value) repriced to 7.5% weighted average cost on EUR debt and equivalent credit spread on USD debt
Equity Stake	18% in common equity	34% in common equity or c. €2bn in preferred equity convertible into 20% of common equity

At the same time as the negotiations, Altice is in talks with possible new financing providers – Apollo was circulated as the top contender - that could lend secured by collateral moved out of scope of the existing lenders as part of the dropdowns. Such a transaction would potentially hurt existing lenders and improve the bargaining power of the debtor. Ever since the bondholder call in March, Altice was accused of depressing bond prices to force lenders to accept a lower recovery.

Conclusion

With Drahi's reputation as a "wizard of debt" and his rather aggressive liability management exercises slowly snatching collateral away from the reach of creditors, it will be interesting to see how creditors will retaliate in the forthcoming negotiations. With the like of savvy credit hedge funds, such as Arini, in the mix, we can expect the lenders to continue playing hardball as the situation develops. Whilst the secured creditors seem to be gunning for a controlling equity stake should the situation require it, it seems unlikely that Drahi will forfeit the keys to his empire so easily. Considering the aggressive nature of the dropdown transactions and the potential of litigation on the horizon, it will be interesting to see how this restructuring will play out over the next year or so. In any case, this will likely go down as one of the marquee restructurings in Europe of recent time.

TAGS: Restructuring, Altice, Telecommunications, Credit

All the views expressed are opinions of Bocconi Students Investment Club members and can in no way be associated with Bocconi University. All the financial recommendations offered are for educational purposes only. Bocconi Students Investment Club declines any responsibility for eventual losses you may incur implementing all or part of the ideas contained in this website. The Bocconi Students Investment Club is not authorised to give investment advice. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by Bocconi Students Investment Club and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. Bocconi Students Investment Club does not receive compensation and has no business relationship with any mentioned company.

Copyright © 2024 BSIC | Bocconi Students Investment Club