

USING DECISION ANALYSIS FOR DISTRESSED DEBT VALUATIONS

24 September 2019 | London
Legal Briefings

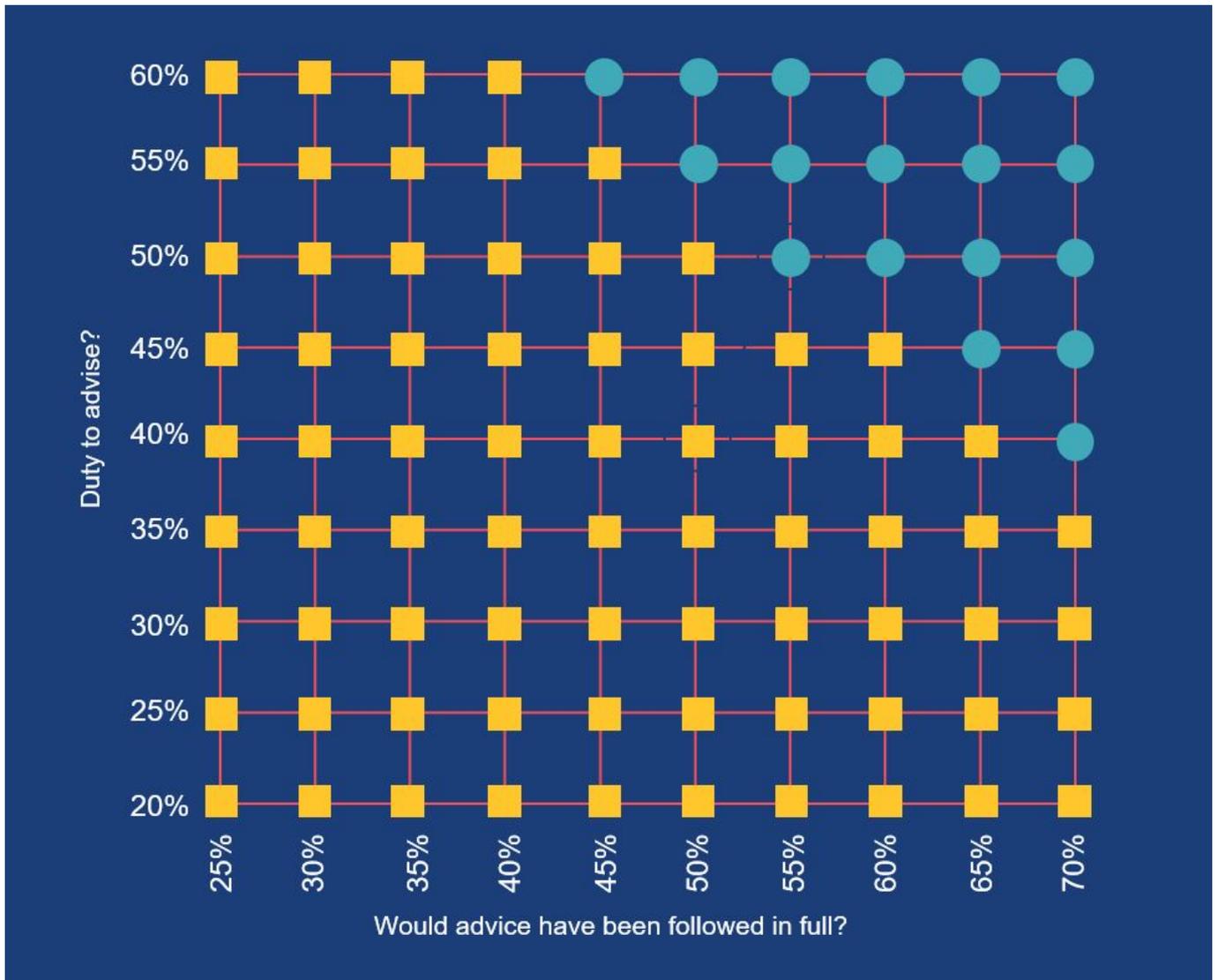
USING DECISION ANALYSIS FOR DISTRESSED DEBT VALUATIONS

This is the latest in our series of discussions about how clients have used HSF's Decision Analysis models as part of their strategy for disputes management.

This week, financial disputes specialist **Donny Surtani** describes its use in a **sell-or-hold decision** relating to a **distressed debt** holding:

Our client, a leading European bank, held a large distressed debt position in an overseas insolvent estate. There was a secondary market for the estate's debt, and a question arose within the client organisation as to whether to cash in the bank's stake at current prices, or continue to hold out for dividends as the liquidation proceeded. A key issue was that the estate was subject to a third party claim which, if successful, would greatly dilute all other creditors, dramatically reducing their cents-in-the-dollar recovery. The prospect of this claim had depressed the market price of the debt.

Working with the client, we took account of the overseas counsel's advice on the merits of the claim, as well as other points of economic uncertainty within the estate, to build a model showing the range of possible values for the debt in the near future. Using a variety of sensitivity tests, we were able to ascertain that only a very pessimistic view of a number of different inputs would justify selling the debt at the then-current market prices. We set out our approach and findings to the client's senior decision-makers in a focused 60-minute presentation.



Read Part 1 of our Decision Analysis Series - [Using Decision Analysis to evaluate a settlement offer](#)

Read Part 2 of our Decision Analysis Series - [Using Decision Analysis in settlement negotiations](#)

Read Part 4 of our Decision Analysis Series - [Using Decision Analysis for case management](#)

In this way, we were able to build a consensus within the client organisation to hold the debt pending the conclusion of the dispute. The client's senior distressed debt executive said the Decision Analysis approach was "a much clearer presentation of the legal risk than a typical legal memo would allow". It was especially useful for helping commercial decision-makers to follow and apply logic over an instinctive decision to sell.

[Read more on Decision Analysis](#)

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



DONNY SURTANI
CONSULTANT,
LONDON
+44 20 7466 2216
Donny.Surtani@hsf.com



ALEXANDER ODDY
PARTNER, LONDON
+44 20 7466 2407
Alexander.Oddy@hsf.com

LEGAL NOTICE

The contents of this publication, current at the date of publication set out above, are for reference purposes only. They do not constitute legal advice and should not be relied upon as such. Specific legal advice about your specific circumstances should always be sought separately before taking any action based on this publication.

© Herbert Smith Freehills 2019

SUBSCRIBE TO STAY UP-TO-DATE WITH LATEST THINKING, BLOGS, EVENTS, AND MORE

Close

© HERBERT SMITH FREEHILLS LLP 2019