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Trends in Workouts &
Restructurings – A Hotel Case Study

Manuel Bremont

APRIL 5-6, 2022



Manuel Bremont

MANAGING DIRECTOR, ANKURA CONSULTING
DALLAS, TX

- Over 18 years of experience in hospitality, tourism and other leisure products across the US, Latin America, the Caribbean and Europe.
- Broad range of advisory expertise spanning from market and feasibility analysis, strategic planning, operational diagnostics, interim/asset management, due diligence, restructuring, litigation support and M&A.

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A Hotel Case Study

Lower Number of Hotel Restructurings/Workouts During Pandemic vs. Great Recession

Common Denominator – Uncertainty

- “Wait-and-see” approach vs. Foreclosing

Case Study Subject

- +300-room, full-service branded hotel located in Manhattan
- Lender’s debt position: +\$50M
- On-going +\$10M PIP

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A Hotel Case Study

- In April 2020 the borrower defaulted on its debt service obligations and communicated to lender its intention to provide a DIL
- Construction activities were halted
- Borrower submitted a loan restructuring proposal which required the lender to reduce the loan balance by ~40%
- Lender commissioned evaluation of exit scenarios and prospective value conclusions
- Forbearance agreement was successfully negotiated
- Construction activities in connection with the PIP resumed

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- RFP process was conducted in order to evaluate and select a new third-party management company
- Engaged in discussions and negotiations with ground lessor
- Three-month forbearance extension was executed to allow further time to negotiate a restructuring between the parties
- Lender began making protective advances to avoid a potential tender by the borrower
- Two subsequent Three-month extensions were executed. Lender prepared for imminent ownership take over

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- Lender was required to assume existing franchise agreement which carried a \$3M key money note. A new franchise agreement with a key money waiver was successfully negotiated
- After 12 months from the initial default by the borrower, the bank ultimately took possession of the hotel.
- Parties were seeking to buy themselves time, but prevalent uncertainty did not provide visibility on the prospects for the recovery of the industry
- Lender waited until well into the second round of immunizations to take ownership. With the industry on a continued recovery trajectory, this may yet be a trend waiting to unfold.



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www.ankura.com
manuel.Bremont@ankura.com
(469) 862-3621

Thank you!