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Companies Exiting Bankruptcy Up for Grabs

As the economy recovers, many companies are exiting bankruptcy. Some of these companies have been bought over by hedge funds (partly or entirely) who are now keen in making some ROI. Hedge funds like Paulson & Co, Avenue Capital and Silver Point Capital bought over control of many bankrupt companies and are now seeking to sell them at a profit.

This means many companies are expected to come to the market soon, according to investment bankers. The companies come from a wide range of industries like the auto, media, chemicals and technology industries.

Recently emerged from bankruptcy, Delphi Corp, with Silver Point and Elliott Management among its owners, is planning an initial public offering. Auto parts supplier Cooper Standard, exited bankruptcy in May 2010 under the control of hedge funds including Silver Point and Oak Hill Advisors. It is now shopping itself. Others that will follow suit in the next one or two years are Dura Automotive, in which Patriarch Partners has a majority stake, and Lear Corp, owned partly by Goldman Sachs.

According to one investment banker, "There are some great brand names that are being rehabilitated and re-purposed into healthier companies. There will be demand for them when they come off the shelf."

The same goes for media companies and direct marketing companies. Another banker said, "Some of the now-bankrupt media companies still have broad customer bases and strong franchises. Once that gets fixed and repackaged, these can be viable companies again."

Vertis Holdings (that exited bankruptcy with GE Capital and Avenue Capital), Source Interlink (that came out of bankruptcy with JPMorgan Chase), media company Charter Communications (partly owned by Apollo Management), ION Media Networks, RHI Entertainment and Young Broadcasting are some of the recently revived media and marketing companies set to consolidate and maybe enter the market.

There are also technology companies such as Satelites Mexicanos and MagnaChip Semiconductor Corp that have emerged from bankruptcy under hedge fund and investor control over the last two years and chemical companies such as Tronox Inc. who are also in a similar situation.

Hedge funds reorganize bankrupt companies by taking various forms of action like closing loss-making departments, shutting down manufacturing plants and negotiating with workers' unions. They usually push for quick solutions to turn bankrupt companies around with the least cost so that they can exit bankruptcy ASAP. Then they would sell the company or do some other thing to get returns on their investments.