



CRF August Meeting and Expo

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August 19, 2025



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Discussion Topics

- Market Views
- Macroeconomic & Credit Trends
- Liability Management Exercises
- Tariffs
- Bankruptcy Outlook

Market Views

Market Views

“Higher tariffs have begun to show through more clearly to prices of some goods, but their overall effects on economic activity and inflation remain to be seen.”

- Jerome Powell, Fed Chair (7/30/25)

“Fed should cut Rates by 3 Points. Very Low Inflation. One Trillion Dollars a year would be saved!!!”

- Donald Trump, President of United States (7/15/25)

“We may be at an inflection point. The headline number moved away from our target, not towards it... We’ve seen the highest increase in prices that we’ve seen all year. The price pressures are real.

- Raphael Bostic, Atlanta Fed President (7/16/25)

“Still early days for the effects of tariffs, which take time to come into full force. Although we are only seeing relatively modest effects of tariffs in the hard aggregate data so far, I expect ... tariffs to boost inflation by about 1 percent over the second half of this year and the first part of next year”

- John Williams, NY Fed President (7/16/25)

“The economy is on the precipice of recession. That’s the clear takeaway from last week’s economic data dump. Consumer spending has flatlined, construction and manufacturing are contracting, and employment is set to fall. And with inflation on the rise, it is tough for the Fed to come to the rescue.”

- Mark Zandi, Moody’s Chief Economist (8/3/25)

Market Views

“It’s no mystery why the economy is struggling; blame increasing U.S. tariffs and highly restrictive immigration policy. The tariffs are cutting increasingly deeply into the profits of American companies and the purchasing power of American households. Fewer immigrant workers means a smaller economy”

- Mark Zandi, Moody’s Chief Economist (8/3/25)

“I believe that the wait and see approach is overly cautious, and, in my opinion, does not properly balance the risks to the outlook and could lead to policy falling behind the curve.”

- Chris Waller, St. Louis Fed President (8/1/25)

“The Fed may in fact be more troubled by the fact that services inflation, which is more persistent, is running a little hotter.”

- James Egelhot, Chief Economist BNP Paribas (8/12/25)

“Consumers are going to start to feel a little more stretched over the next few months as we see more of the impact of tariffs passed through from businesses to consumers.”

- Gus Faucher, Chief Economist PNC (8/12/25)

“Some monthly variation in price changes is normal and it remains the case that prices have risen the most since January for goods that are primarily imported.”

- Samuel Tombs, Pantheon Macroeconomics (8/12/25)

Macroeconomic Overview

Multiple Geopolitical and Macro Headwinds Creating Risk (Including Potential Contagion Impacts)

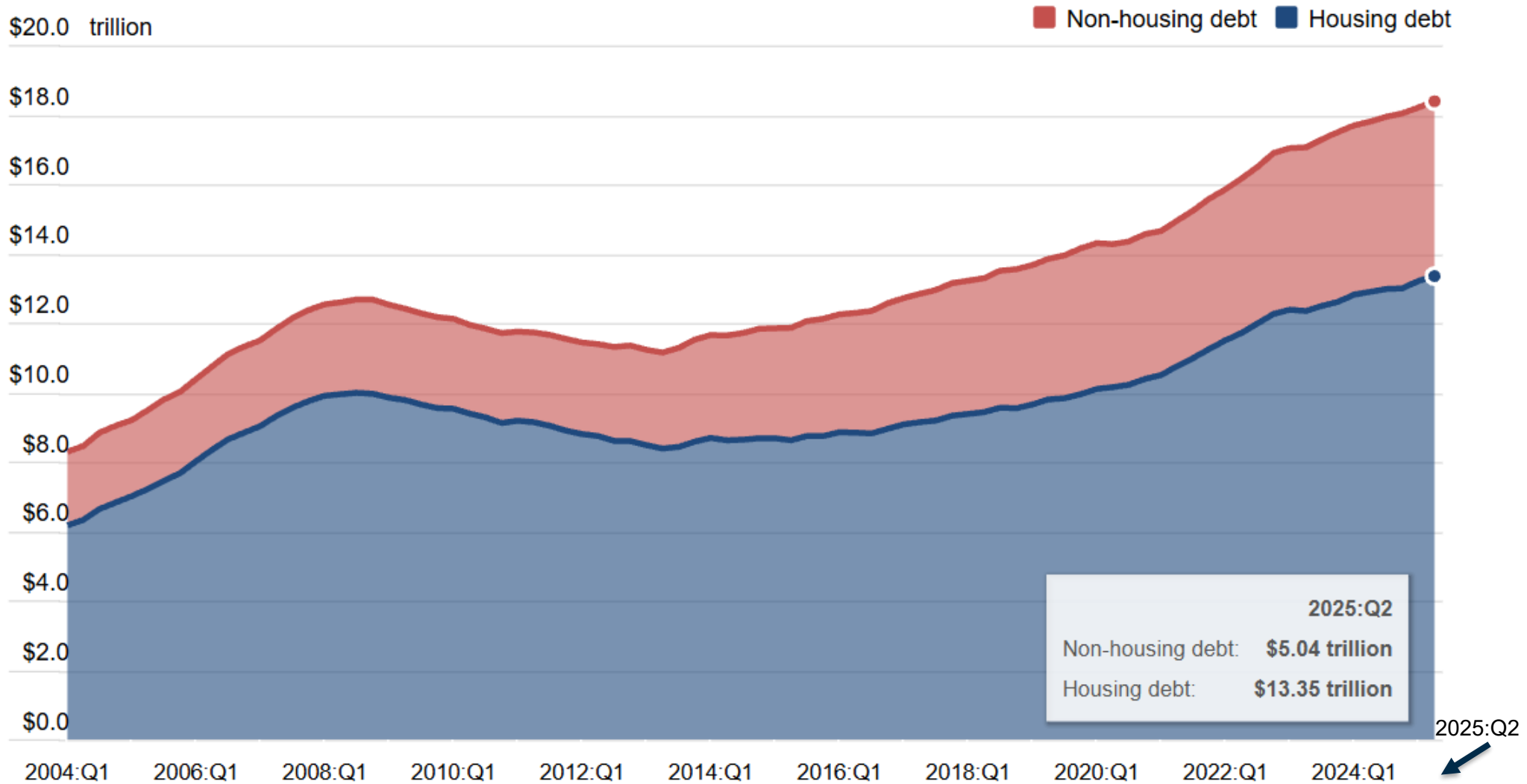
Americas	Europe	AMESA	APAC
Macroeconomic Stress			
<ul style="list-style-type: none"> • Will the Fed lower rates? How many times balance of year? • Potential for trade war • High financing costs and input price pressures persist • Commercial real estate distress lingers 	<ul style="list-style-type: none"> • Labor markets tight, public debt has risen, and productivity is low in many countries • European Central Bank easing policy with multiple rate cuts – though signaled that likely to hold steady for next ~ year • Vulnerable to trade related pressures 	<ul style="list-style-type: none"> • Türkiye saw multi-year low inflation of 33.52% after pivoting away from its unconventional monetary policy (bumped interest rates to 50%) • Egypt devalued currency and cut subsidies to combat foreign currency shortage and soaring inflation 	<ul style="list-style-type: none"> • A strong U.S. dollar is depressing Asian currencies, forcing the region's central banks to maintain high interest rates • Trade war with US will significantly impact China's recently recovered GDP
Geopolitical Volatility			
<ul style="list-style-type: none"> • Political polarization to lead to market volatility and policy uncertainty (delays CAPEX) • Likely protectionist policies (tariffs) to further fan inflation as countries hold elections • U.S. deportations could further pressure costs 	<ul style="list-style-type: none"> • Russia tensions – potential for further spillover impacts from conflicts in Ukraine and Gaza • EU disciplined France, Belgium, Italy, Hungary, Malta, Poland and Slovakia for running excess budget deficits 	<ul style="list-style-type: none"> • Conflicts (Gaza / Red Sea) continue to send shocks through the region and disrupt supply chains • New governments in Egypt, South Africa, and Türkiye confronting inflation and structural challenges 	<ul style="list-style-type: none"> • Recent election outcomes across the sector underline shifting economic, trade and defense policies • Ongoing South China Sea confrontation weighs on business confidence CAPEX
What Does The Future Hold?			
<ul style="list-style-type: none"> • U.S. default rate peaked in Q2, driven by consumer-facing sectors • Policy uncertainty in Mexico, Canada will subdue investment and CAPEX 	<ul style="list-style-type: none"> • Elevated risk of low growth from a myriad of headwinds • Few governments have sufficient fiscal space for counter-cyclical support for their economies 	<ul style="list-style-type: none"> • Rising defaults in Egypt amid poor economy, high inflation, tight monetary policy, and depreciating currency • High borrowing costs remain a key risk, with potential for liquidity shortfalls 	<ul style="list-style-type: none"> • Lenders could turn cautious, cut credit lines for weaker borrowers as credit stresses, recessionary obstacles mount • Trump tariffs a lose-lose for most of Asia, especially China and emerging economies

Consumers Suffering From Economic Pressures

- **Prices stretched as inflation continues to linger**
 - Overall food prices ↑ 3.0% YOY (up 24% in 5 years)
 - **Menu and Grocery prices increased 3.8% YOY and 2.4% YOY, respectively**
 - Restaurant hiring cooling to late 2019 levels
 - **41% of operators reported negative foot traffic**
- **Cost pass-through sustains consumer staples**
 - Grocery and Food and Beverage stores both ↑ 1.5% YOY
 - Department stores ↓ 1.5% YOY while Pharmacies ↓ 1.0% YOY
- **Americans' collective debt ↑ to ~\$18T in Q2**
 - Credit card balances > \$1.21T (highest ever)
 - Savings rate ↓ to 4.5% (vs 8.4% on average) as consumers scramble to cover bills (1 in 5 adults dipping into savings to cover grocery bills)
 - Buy now pay later becoming popular method to cover essentials
 - In the first seven months of 2025, over 806,000 jobs were lost in the US, surpassing the total number of job losses for all of 2024
 - **Cost cutting becoming the norm – belt tightening rampant**

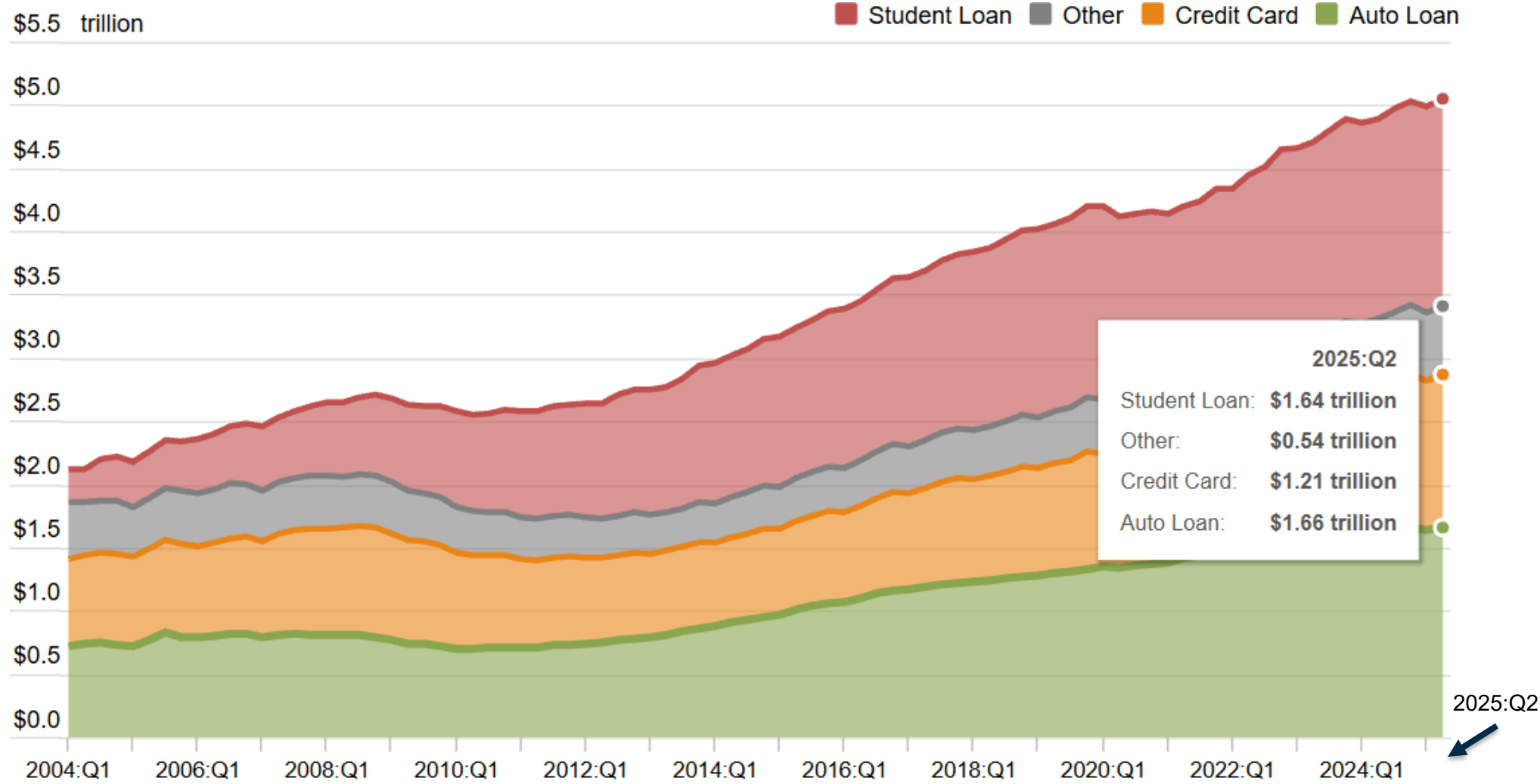
Household Debt at All Time Highs... And Climbing

- Total household debt up \$180B in Q2 to reach **\$18.39T**
- Mortgage balances up \$131B to \$12.94T, auto loans up \$13B to ~\$1.7T at EOY



Non-Housing Debt Balances Contributing To The Climb

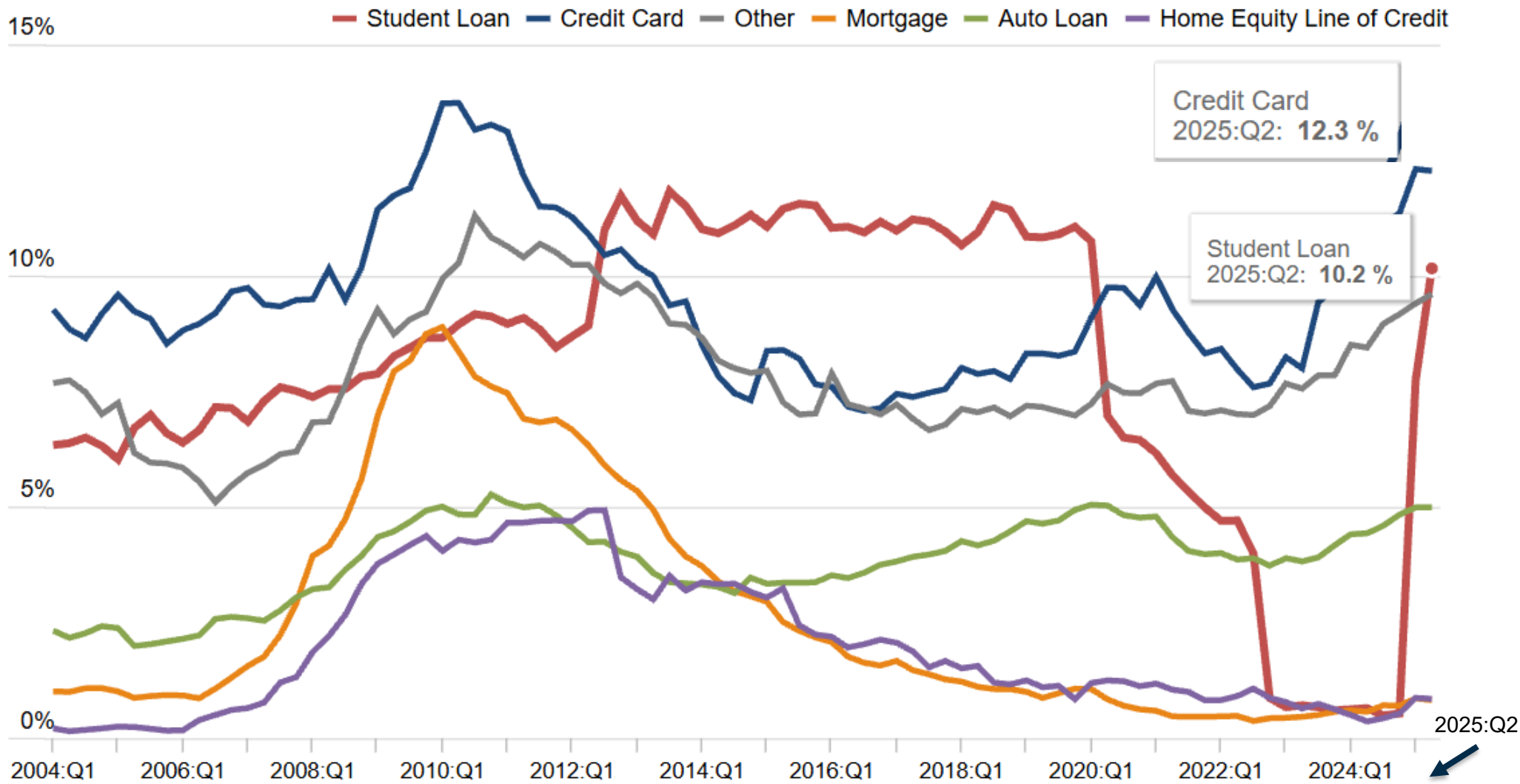
- Overall non-housing debt grew \$45B to \$5.04T, a 0.9% increase vs Q1 '25
- Credit card balances now \$1.21T, up \$27B in Q2 and ~6% higher vs prior year
- Student loan balances edged up \$7B and now stand at \$1.64T



Source: New York Fed Consumer Credit Panel / Equifax

Percent of Balance 90+ Days... Also Climbing

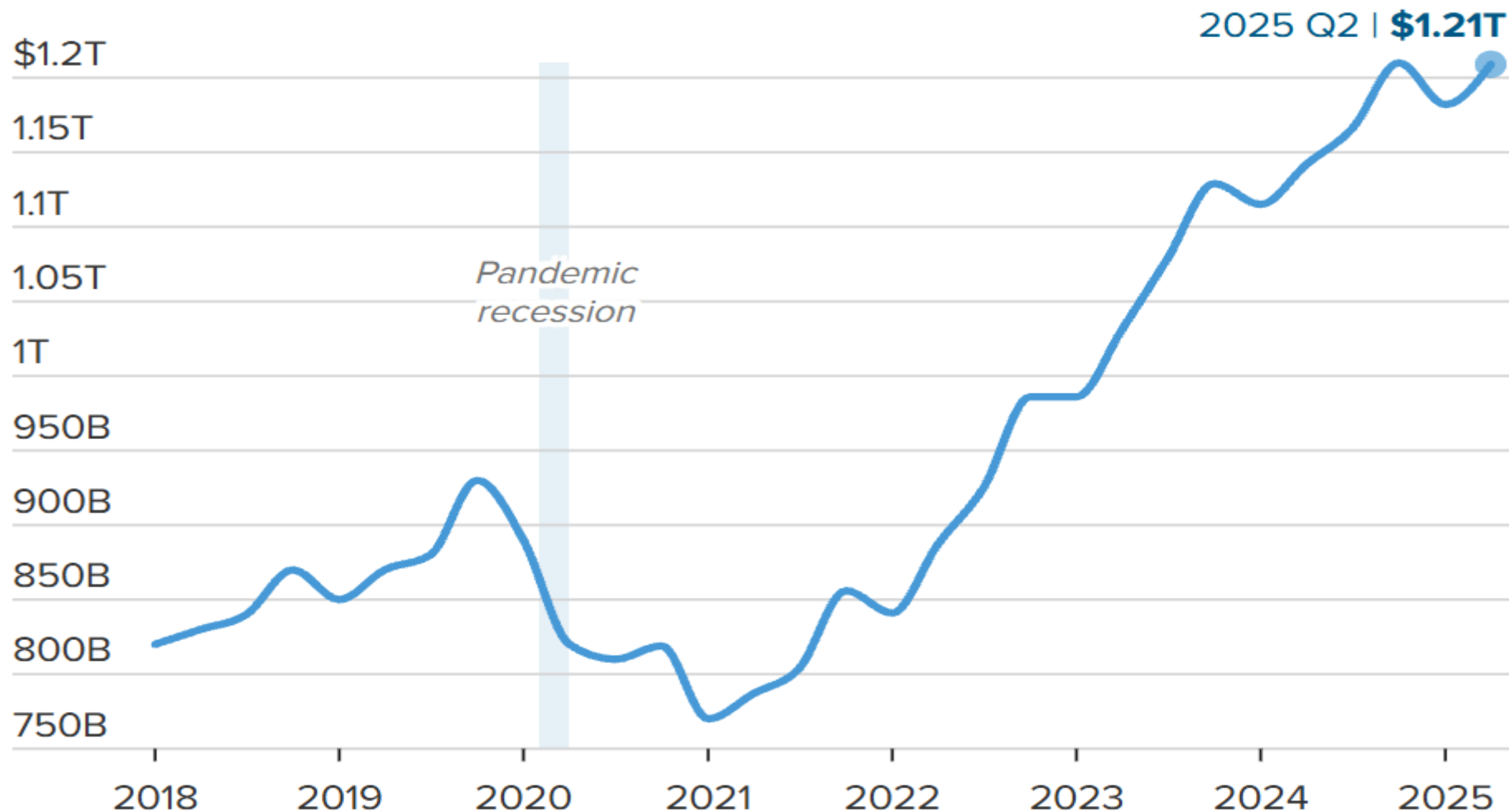
- 4.4% of all household debt in some stage of delinquency (\$809.2B past due)
- 2.91% now seriously delinquent, or 90+ days (\$535.1B past due)
- 90+: 12.3% of \$1.21T Credit Cards and 10.2% of \$1.64T Student Loans



Credit Card Debt at All Time Highs – Signals Distress

- “There’s a growing K-shaped split in the consumer landscape, with subprime borrowers falling behind,” Tom O’Neill, market pulse advisor at Equifax
- Credit card balances jumped \$27B in the 2nd quarter and are 2.3% higher than prior quarter

Total Credit Card Balances in the U.S.: Q1 2018 – Q4 2024



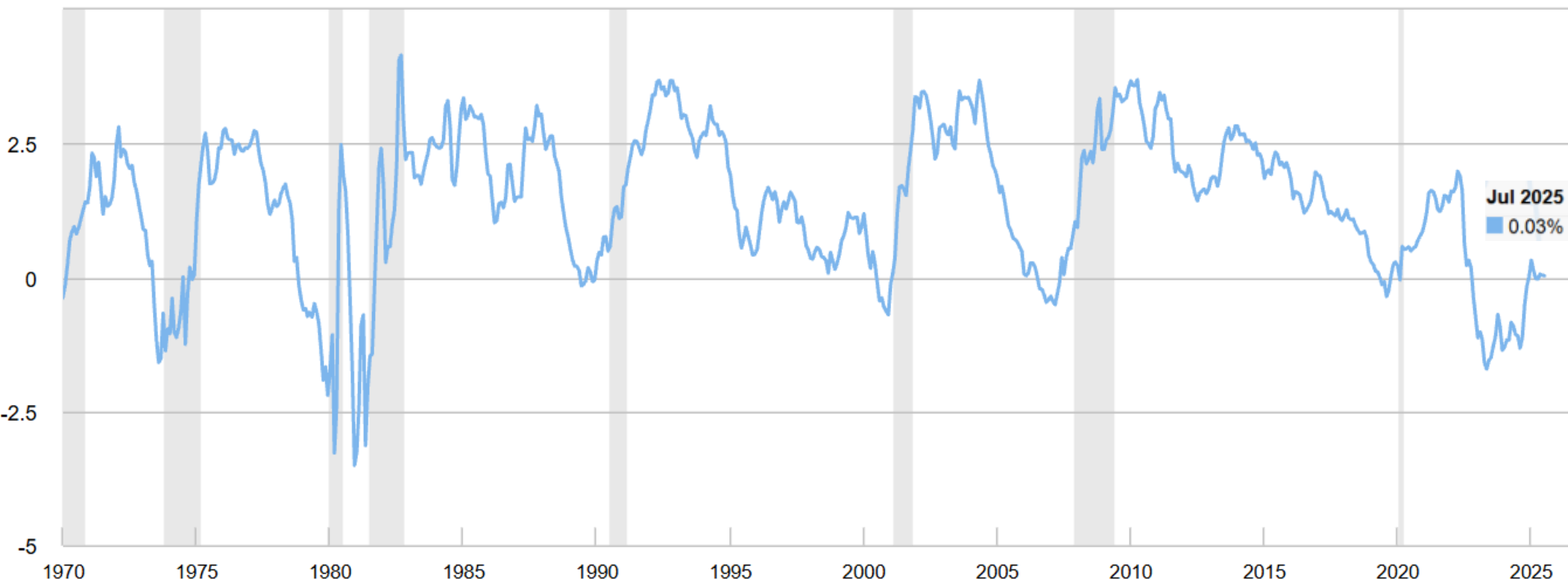
Recession Indicator

Inverted Yield Curve

- Historically, the best leading indicator of a pending recession is the inversion of the 10-year and 3-month treasury yields
- Just experienced the longest inversion of yield curve in history. While yield curve spread barely positive, most recessions begin after yield curve resumes positive status

Treasury Term Spread: 10-Year Bond Rate Minus 3-Month Bill Rate

Percentage points (monthly average)



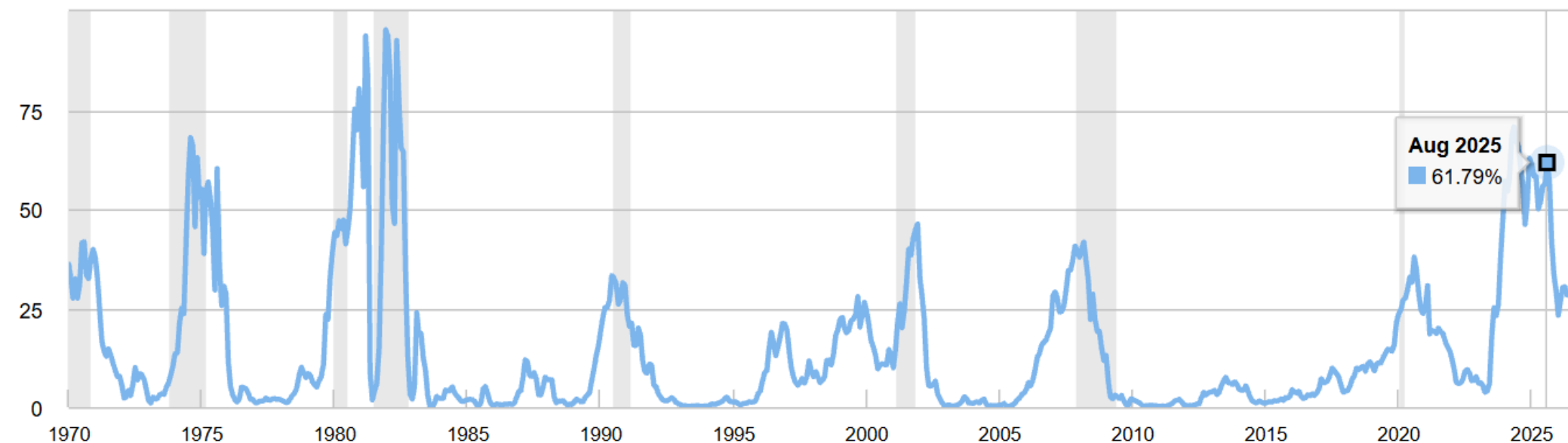
Recession Indicator (cont.)

Inverted Yield Curve

- The slope of the yield curve, or “term spread,” can be used to calculate the probability of a recession in the U.S. 12 months ahead
- Below, the probability of a U.S. recession between now and July 2026 is now ~29% (term spread = difference between the 10-year and 3-month Treasury rates)
- JP Morgan sees ~40% chance, Moody’s believes “economy is on the precipice of recession”

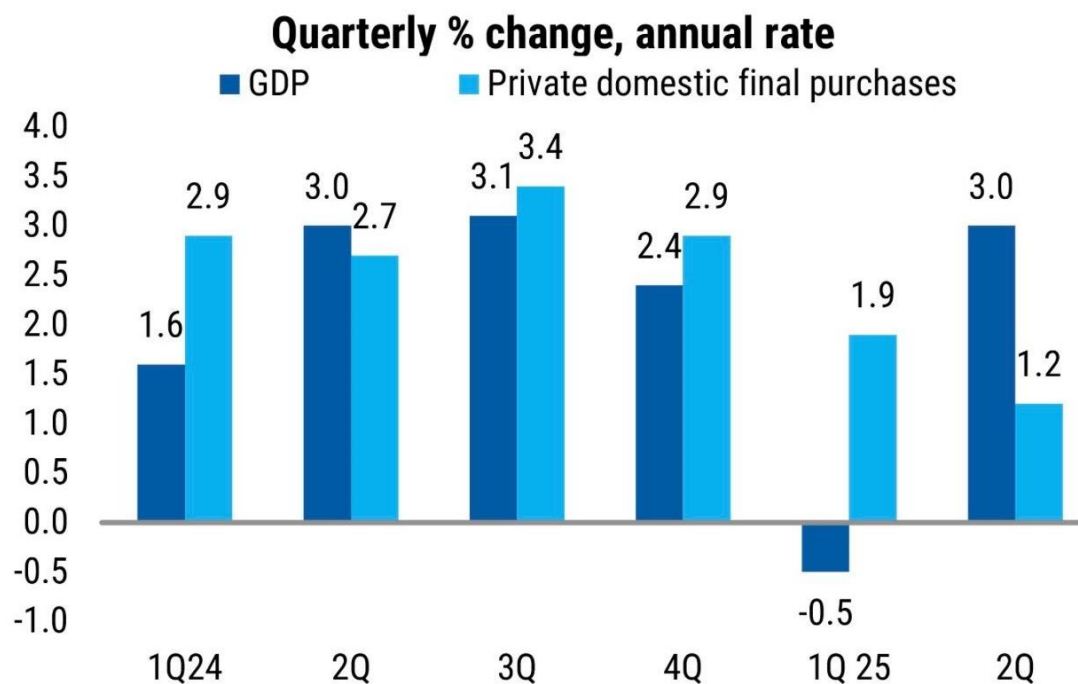
Probability of U.S. Recession, 12 Months Ahead of Term Spread Readings

Percent (monthly average)



Summary of 2025

1st Half 2025 GDP is running at ~1.2%, a slowdown from 2024



Source: Bureau of Economic Analysis, Morgan Stanley Research

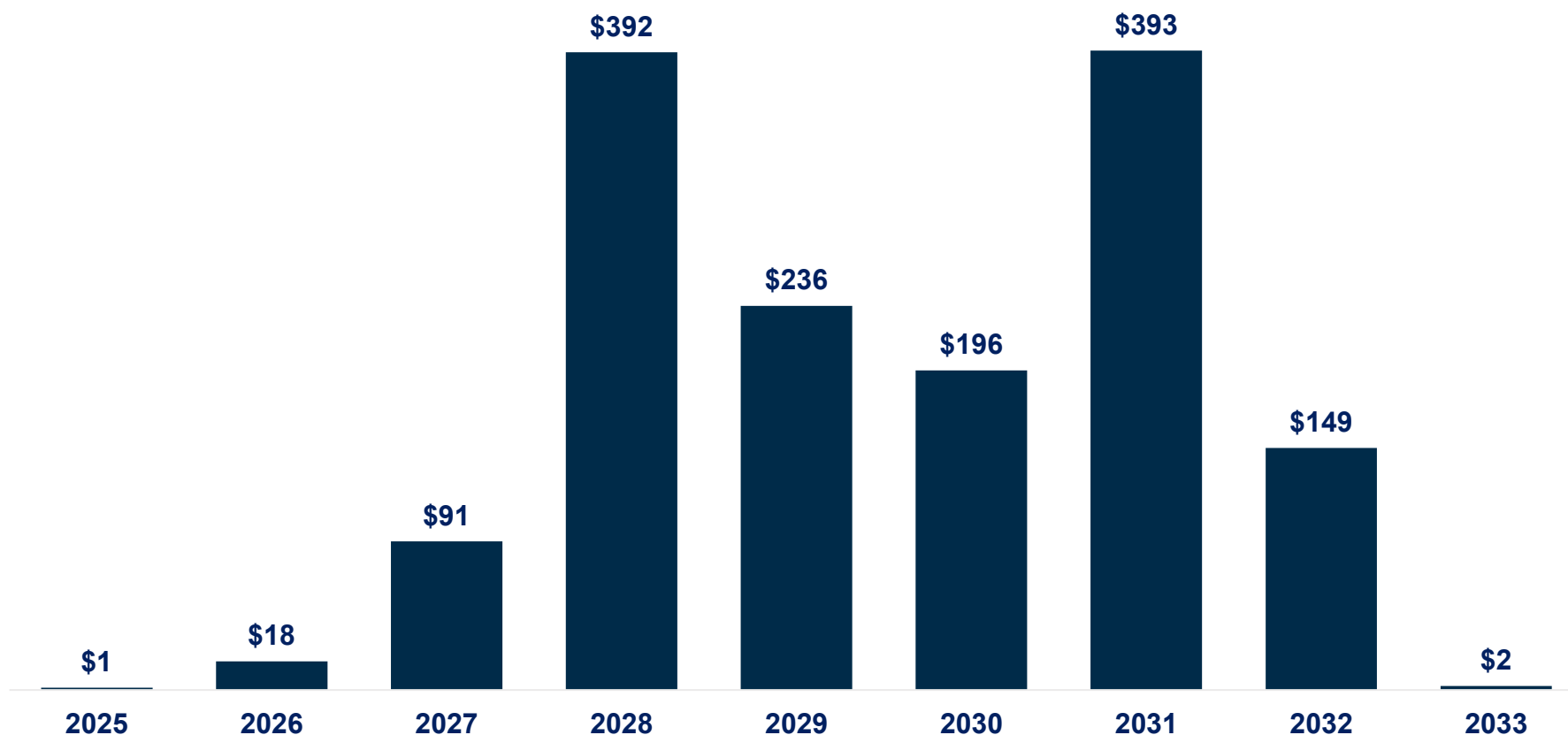
- Q1 2025 GDP was negative (-0.5%) as companies purchased inventory to get ahead of upcoming tariffs
- Q2 2025 GDP surged by 3% as the economy benefited from the outsized inventory purchases in Q1 2025
- Price Inflation Index is now steady at 2.5%
- Fed Chairmen Powell will likely lower rates later this year, which will help him preserve his legacy since he was slow to increase rate
- By next May we will have a new Fed Chair

Credit Market Trends

Credit Markets Trends

The “Maturity Wall” has become less of a wall and more of a wave that never breaks. The 2028 and 2031 are driven by outsized leveraged loan refinancing in 2024 and 2025

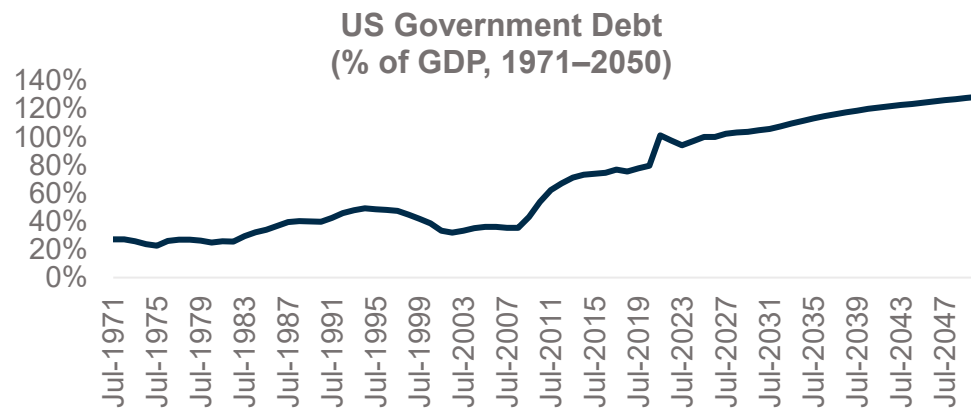
Leveraged Loans Outstanding Maturity Profile (\$B)



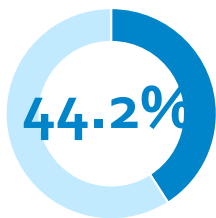
As of July 2025
Source: Pitchbook LCD - US Leveraged Loan Maturity Wall Breakdown

Debt Summary

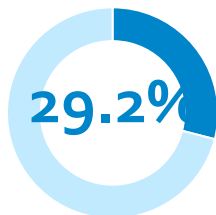
The Government Accountability Office warns that rising interest rates and growing debt will push the national debt to unsustainable levels, with the US government spending ~\$3 billion daily on interest



- GAO has warned that, under current fiscal policies, the national debt will continue to rise, potentially exceeding the nation's economic output, with rising interest rates being the prime contributor for this factor
- The US government is spending ~\$3 billion per day on interest, driven by rising interest rates and growing debt; **annual interest expenses are nearing \$1 trillion, surpassing spending on Medicare and defense**
- In FY2024, the government faced a **\$2 trillion deficit, primarily financed through borrowing, such as treasury bonds**
- In 2024, new fixed income issuance reached \$1.5 trillion, a 25% increase from 2023, driven by a **record \$500 billion in municipal bond issuance for infrastructure projects** which is expected to remain strong in 2025, supported by municipalities funding capital projects rather than covering budget deficits



Financing held **44.2%** of the total new loans issued in the US with Acquisition in second position in Q4 2024

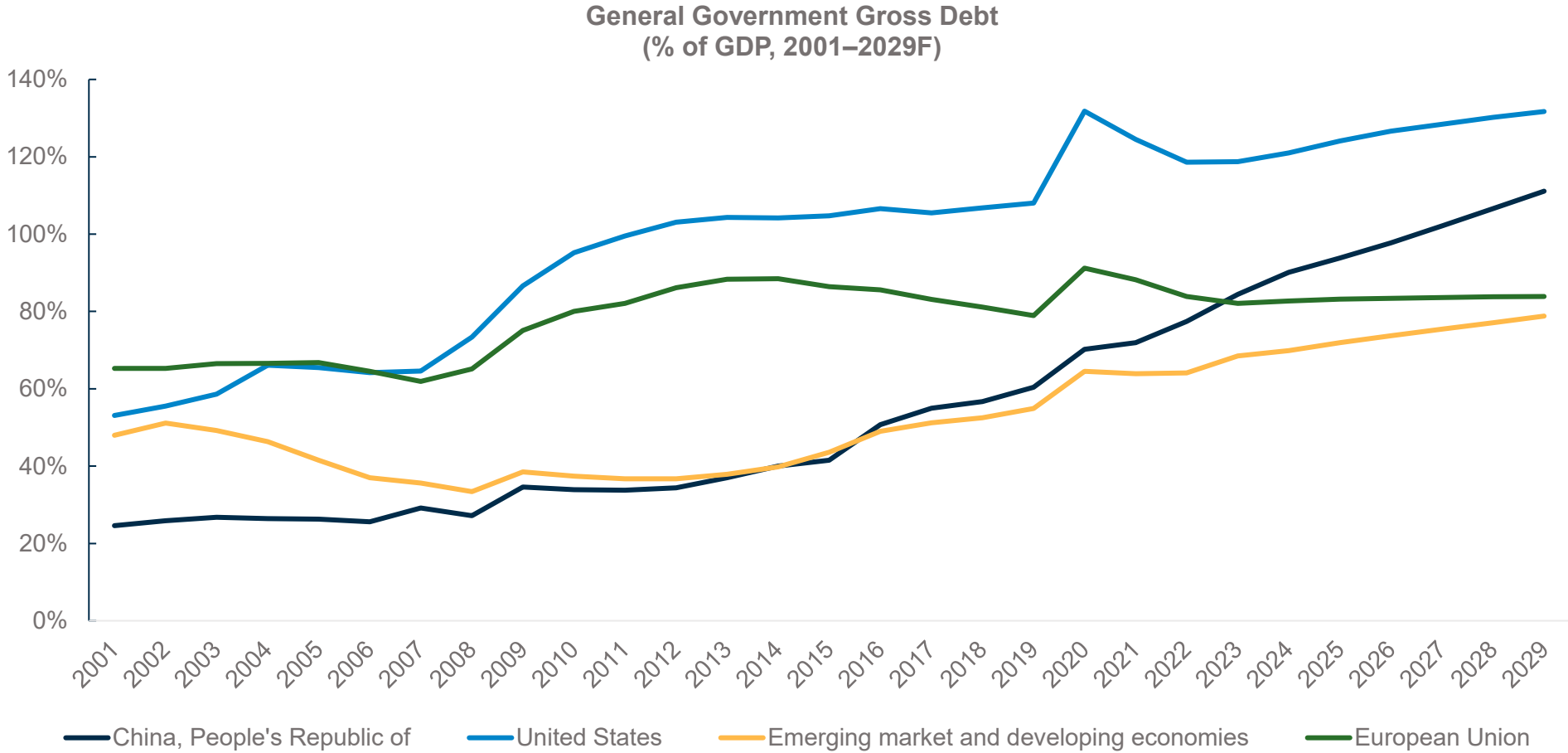


Financing held **29.2%** of the total new institutional loans issued in the US with Dividend Recap and LBO in 2nd and 3rd place respectively in Q4 2024

Historically, debt growth occurred in a low-rate environment, but rising interest rates have significantly increased debt servicing costs, now the third largest government expense. Without tax hikes, higher interest payments could worsen deficits, increase borrowing costs, and divert resources from other priorities

Debt – Debt as GDP Percent Across Various Governments

Government debt as a percentage of GDP has been on an upward trajectory in many major economies

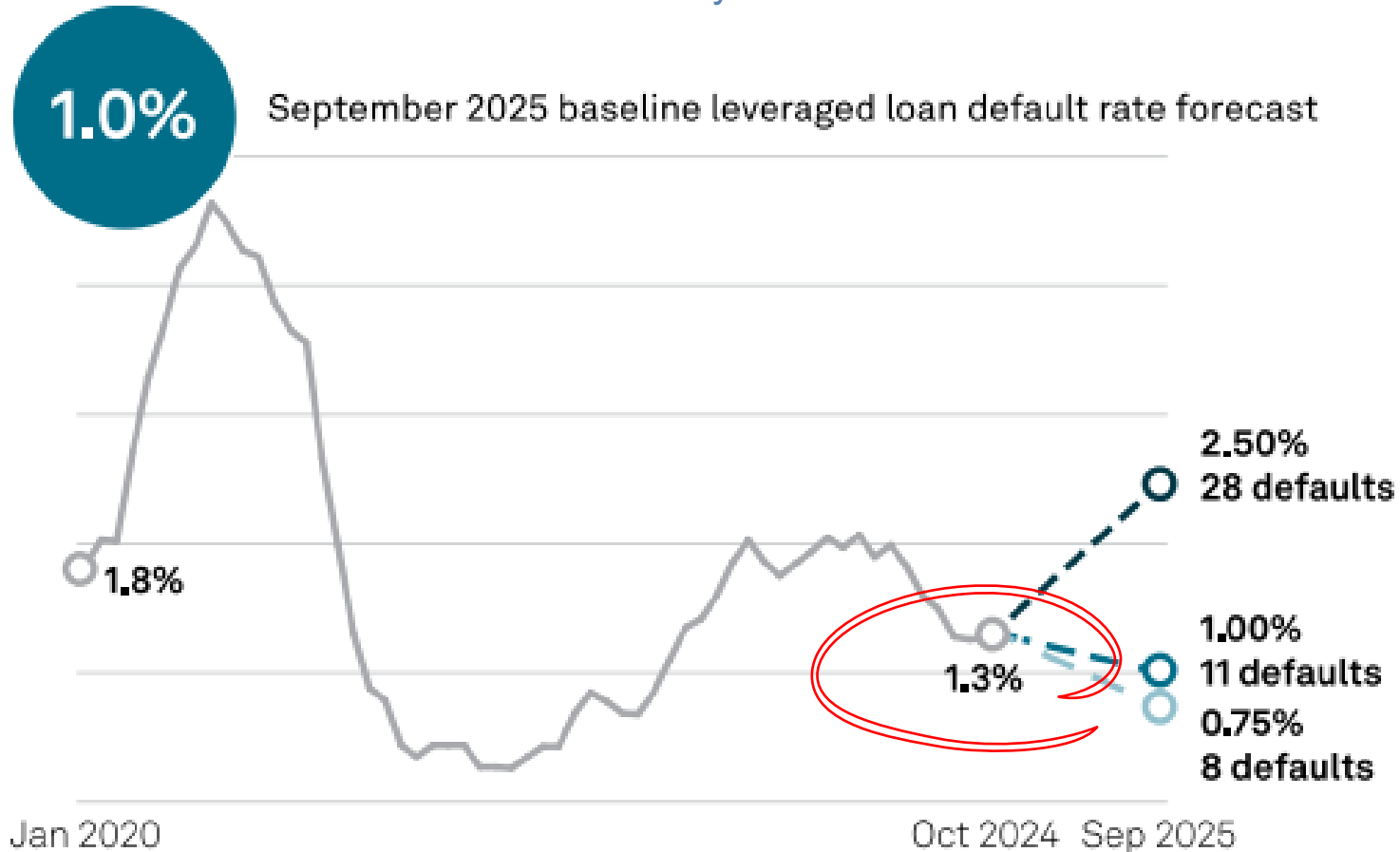


■ According to IMF projections, China’s debt-to-GDP ratio was expected to exceed that of the EU in 2024, with levels approaching those forecasted for the US by 2029

Note: Data compiled on January 08, 2025
Source: IMF

Credit Markets Trends - Where Were We?

- November '24 update: The U.S. speculative-grade corporate default rate was expected to decline to 1.0% by September 2025 (note wide range up to 2.5%)
- Continue to forecast lower defaults than actually occur



Pessimistic scenario: Higher-than-expected inflation, possibly exacerbated by policy shifts, could result in a slower pace of rate cuts. While a recession isn't in our baseline forecast, a steeper-than-expected economic slowdown would be negative for credit.

Base scenario: Supportive financing and macro conditions position borrowers for further improvement over the next 12 months. Amid strong issuance, borrowers have refinanced much of the speculative-grade debt maturing in 2025. Funding costs are expected to decline following recent rate cuts.

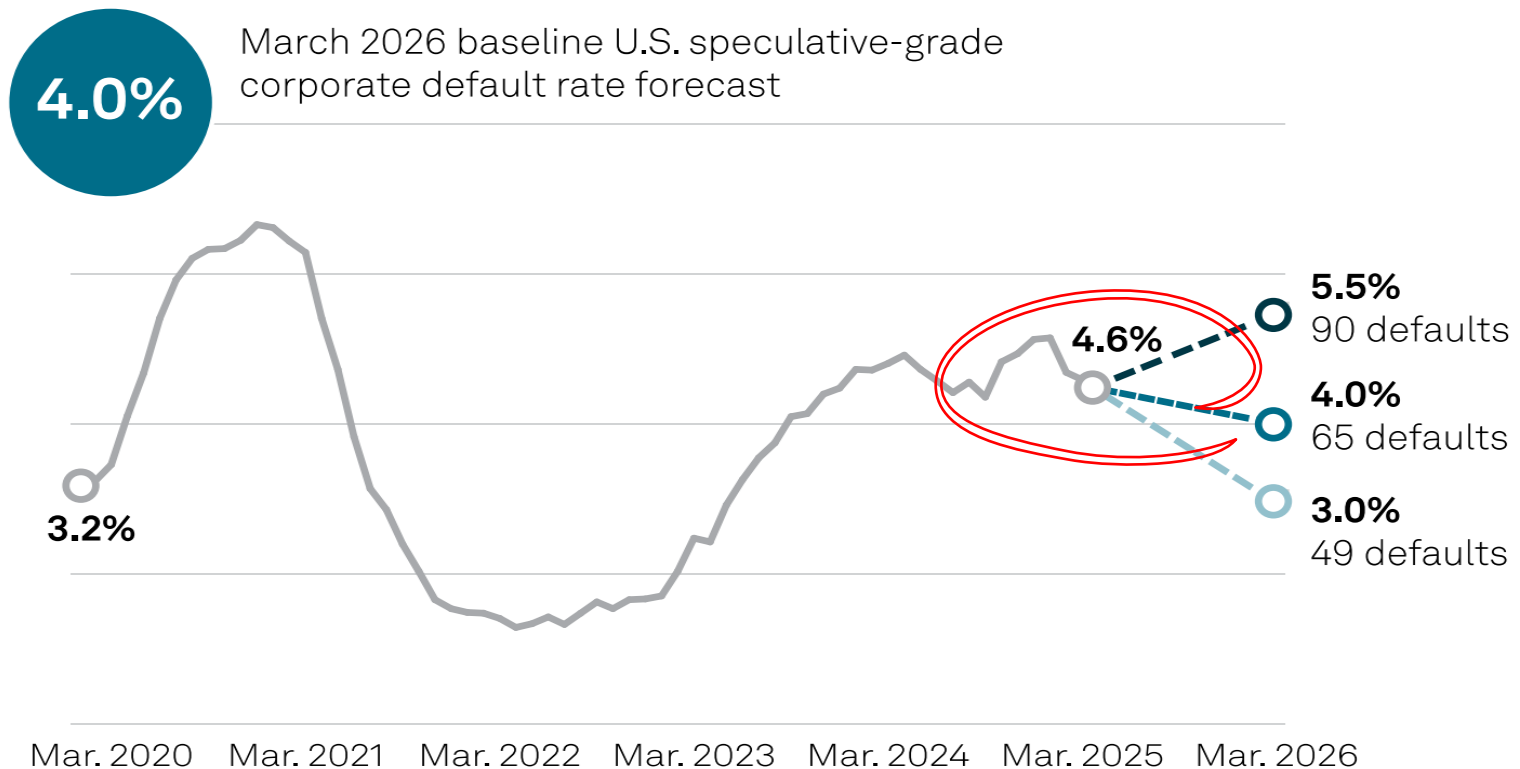
Optimistic scenario: Growth surprises to the upside, without a slowdown in the expected pace of rate cuts. Borrowers see a boost to sales and revenue from a strengthening economy, while funding costs continue to come down, boosting cash flows.

As of November 2024

Source: S&P Global Ratings Default, Transition, and Recovery

Credit Markets Trends - Where Are We?

- May update: The U.S. speculative-grade corporate default rate is expected to hit 4.0% by May 2026 (note wide range up to 5.5%)
- Note the jump from November 2024



Pessimistic scenario: Pessimistic scenario: Current 90-day pauses fail to produce final decisions and result in higher tariffs than currently in effect. High potential for countertariffs add to the strain.

Base scenario: The currently falling default rate trend may be challenged as global trade disruptions take their toll. Still, we do not see widespread vulnerability as a result of direct exposure to tariffs for most of the speculative-grade population at this time. The potential impact on the broader economy and consumer spending is also a risk.

Optimistic scenario: Current tariff levels under the 90-day pauses are not reinstated to previously higher levels, but are rather largely limited to 10% outside of China and specific industries. The hit to inflation is minimal, allowing the Fed to lower rates.

As of May 2025

Source: S&P Global Ratings Default, Transition, and Recovery

Liability Management Exercises (LMEs)

LMEs That Filed For Bankruptcy in 2025

Over a third of liability management transactions end up in Chapter 11 bankruptcies



LMEs – Risk to Unsecured Creditors

LMEs that go bad and enter bankruptcy are harmful to unsecured creditors

- **Negative impacts to unsecured creditors**

- Lenders might secure unencumbered collateral that otherwise could fund recoveries to unsecured creditors
- Double-dip transaction potentially creates two secured claims which general unsecured creditors sit behind
- LME transactions that eventually end up in bankruptcy court are heavily litigated, which results in an increase in professional fees and less money available to pay postpetition trade
 - Recent LMEs that have been litigated include (i) Envision Healthcare, (ii) Robertshaw and (iii) Westco Aircraft
 - Lenders are increasingly using pro-rata deals that allow all lenders to partake. Will be interesting if 2025 / 2026 results in less LME litigation for deals that are pro-rata deals
- Secured lender prior to the LME are more likely to be undersecured post-LME and therefore have a larger deficiency claim, which could swamp recoveries to unsecured creditors
- Trade vendors have no say in an LME / LMT

LMEs – Mitigate Risk

Unsecured creditors have options if a Company files for bankruptcy after completing an LME

- **Be Preemptive**

- As part of your credit review search for terms such as LME, LMT, double-dip, uptier transaction, drop-down and out of court restructurings for your distressed customers
- Know who owns your customer. LMEs have been used by private equity: Apollo, Bain Platinum Equity, Crestview and TPG
- Strategics have used LMEs, Sinclair Broadcast Group did an uptier transaction as part of the Diamond Sports process, which primed existing term loan
- Understand terms of LME
 - Did the Company reduce leverage or kick the can?
 - Is the LME contentious, will lender on lender violence force the company into bankruptcy?

- **Unsecured Creditors Committee: Steps to Maximize Recoveries**

- **Fraudulent conveyance** – For any new loan or unencumbered collateral granted in an LME, unsecured creditors should investigate if transfers or transactions were for less than reasonably equivalent value
- **Waterfall Model** – LMEs involving complicated intercompany loans will necessitate the unsecured creditors committee undertake a legal entity recovery analysis for all of the Debtors' legal entities to determine where value resides and where claims *sit*
 - *Oftentimes, if a lender creates new a subsidiary or takes collateral at a previously unencumbered subsidiary that lender is likely to be oversecured and trade creditors at that given subsidiary should be in the money*
- **Pick a Friend** – Unsecured creditors can leverage an LME if there is litigation / strife between two competing types of secured creditors groups

Tariffs

Tariffs

Law Overview

IIEEPA International Emergency Economic Powers Act (1977)	<ul style="list-style-type: none">▪ Based upon a declaration of a national emergency with respect an unusual and extraordinary threat▪ Litigation ongoing▪ Never used before for tariffs, usually used for banking and blocking sanctions▪ Fasted path▪ Requires consultation with Congress
Section 301 of the Trade Act of 1974	<ul style="list-style-type: none">▪ Authorizes the United States Trade Representative (“USTR”) to investigate and take action against foreign countries' trade practices that violate trade agreements or are deemed unreasonable, unjustifiable, or discriminatory, and that burden or restrict U.S. commerce▪ The USTR is required to consult with the foreign government involved and attempt to negotiate a settlement before taking action.▪ Several ongoing and legacy investigation
Section 232 of the Trade Expansion Act of 1962	<ul style="list-style-type: none">▪ Section 232 investigations determine if imports threaten national security, allowing the President to impose tariffs or other restrictions▪ Can target key industries/sectors, or concerning behaviors by one country with global effects▪ In 2018, President Trump used Section 232 to impose tariffs on steel and aluminum imports. Increased in June 2025 to 50%

Tariffs: Section 232

The U.S. Commerce Department has announced several section 232 tariff investigations

<i>Section 232 National Security Tariffs</i>	
Product	Status
Autos & Parts	25% on vehicles effective April 3. 25% on parts effective May 3
Steel & Aluminum	25% effective March 12. Increased to 50% starting June 4.
Copper	Investigation launched March 10. Trump has said 50% tariff starting August 1
Timber & Lumber	Investigation launched March 10.
Pharma & Ingredients	Investigation launched April 1. Lower tariff could begin as soon as August 1 with higher tariffs phased in over 12-18 months, possibly as high as 200%
Semiconductors	Investigation launched April 1
Trucks	Investigation launched April 22
Critical Minerals	Investigation launched April 22
Aircraft & Engines	Investigation launched May 1
Polysilicon	Investigation launched July 1
Drones	Investigation launched July 1

Tariffs

President Trump's July letters have doubled down on his tariff-intensive strategy.

- As of mid-July reciprocal tariffs, coupled with announced sectoral levies, could push the US effective tariff rate above 25%, surpassing 1930s peaks
- Trump has announced deals with Asian nations that contemplate higher tariff rates compared with historical levels.
 - 19% tariff deal with Indonesia
 - 20% tariff rate deal with Vietnam
 - No trade deals with majority of countries
- A trade deal with India could be announced before August 1st
- India is seeking better tariff rates than the 19% deal struck with Indonesia
- On Monday, July 14, Trump threatened 100% secondary tariffs on Russia if it does not agree to a ceasefire with Ukraine within 50 days

White House Tariff Letters July 7-12, 2025			
Country	Threatened Tariff Effective Aug. 1	April 2 Announced Rate	U.S. Goods Imports (2024) (\$Billions)
EU	30%	20%	\$605.70
Mexico*	30%	--	\$505.52
Canada*	35%	--	\$411.89
Japan	25%	24%	\$148.37
South Korea	25%	25%	\$131.55
Thailand	36%	36%	\$63.35
Malaysia	25%	24%	\$52.49
Brazil	50%	10%	\$42.35
Indonesia**	32%	32%	\$28.05
South Africa	30%	30%	\$14.69
Philippines	20%	17%	\$14.16
Cambodia	36%	49%	\$12.65
Bangladesh	35%	37%	\$8.40
Iraq	30%	39%	\$7.54
Sri Lanka	30%	44%	\$3.01
Algeria	30%	30%	\$2.46
Kazakhstan	25%	27%	\$2.35
Libya	30%	31%	\$1.47
Tunisia	25%	28%	\$1.12
Serbia	35%	37%	\$0.81
Laos	40%	48%	\$0.80
Myanmar	40%	44%	\$0.65
Brunei	25%	24%	\$0.24
Bosnia & Herz.	30%	35%	\$0.18
Moldova	25%	31%	\$0.14

Sources: Truth Social Posts, U.S. International Trade Administration

*Canada & Mexico are currently subject to an earlier 25% fentanyl tariff for non-USMCA goods and were not targeted by the April 2 Liberation Day tariffs.

** Deal for 19% tariff rate with Indonesia announced July 15.

Tariffs

White House July 31 Reciprocal Tariff Rates			
Country/Territory	July 31 Rate	Country/Territory	July 31 Rate
Afghanistan	15%	Madagascar	15%
Algeria	30%	Malawi	15%
Angola	15%	Malaysia	19%
Bangladesh	20%	Mauritius	15%
Bolivia	15%	Moldova	25%
Bosnia and Herzegovina	30%	Mozambique	15%
Botswana	15%	Myanmar (Burma)	40%
Brazil	10%	Namibia	15%
Brunei	25%	Nauru	15%
Cambodia	19%	New Zealand	15%
Cameroon	15%	Nicaragua	18%
Chad	15%	Nigeria	15%
Costa Rica	15%	North Macedonia	15%
Côte d'Ivoire	15%	Norway	15%
D.R. Congo	15%	Pakistan	19%
Ecuador	15%	Papua New Guinea	15%
Equatorial Guinea	15%	Philippines	19%
EU Goods with Column 1 Duty Rate > 15%	0%	Serbia	35%
EU Goods with Column 1 Duty Rate < 15%	15% minus Column 1 Duty Rate	South Africa	30%
Falkland Islands	10%	South Korea	15%
Fiji	15%	Sri Lanka	20%
Ghana	15%	Switzerland	39%
Guyana	15%	Syria	41%
Iceland	15%	Taiwan	20%
India	25%	Thailand	19%
Indonesia	19%	Trinidad and Tobago	15%
Iraq	35%	Tunisia	25%
Israel	15%	Turkey	15%
Japan	15%	Uganda	15%
Jordan	15%	United Kingdom	10%
Kazakhstan	25%	Vanuatu	15%
Laos	40%	Venezuela	15%
Lesotho	15%	Vietnam	20%
Libya	30%	Zambia	15%
Liechtenstein	15%	Zimbabwe	15%

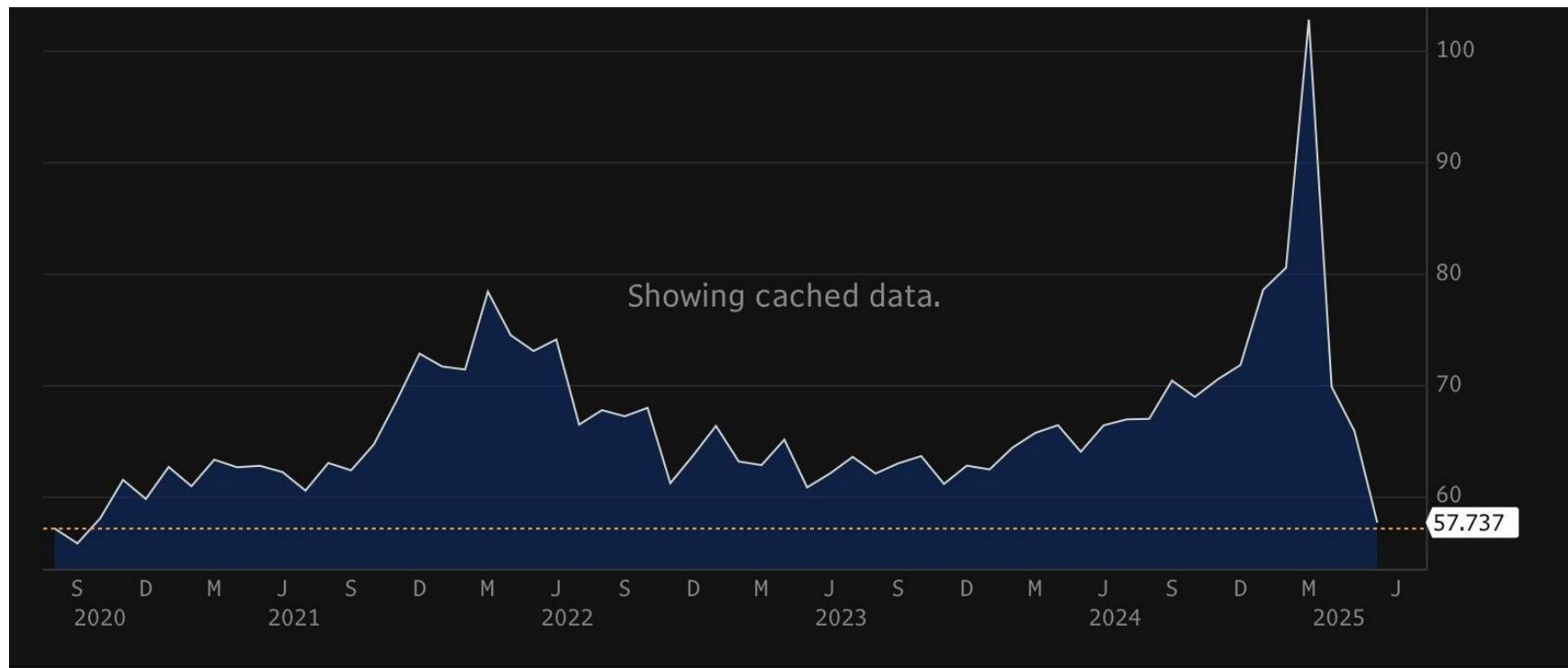
Source: White House

- On August 1st stiffer tariffs go into effect for countries who have not negotiated deals
- The adjacent list summarizes the White House's reciprocal tariff rates as of July 31
- The list from the White House also displays a 10% baseline tariff for the United Kingdom. The Trump administration in May announced a trade deal with the United Kingdom that kept the 10% baseline rate and lowered the section 232 automobile tariffs to 10% for the first 100,000 vehicles imported
- It also established a framework for lowering steel and aluminum tariffs, and the countries agreed to negotiate preferential treatment for pharmaceuticals
- Trump's reciprocal tariffs and fentanyl tariffs are imposed under the International Emergency Economic Powers Act, or IEEPA, enacted in 1977. No president before Trump had used the statute to impose tariffs.

Tariffs: GDP Impact

Businesses drew down inventories built up in Q1, as GDP in the first half of 2025 slowed to +1.2 growth rate

- In Q1 2025, imports surged 41.3% as businesses front-loaded purchases ahead of Trump's tariffs, subtracting more than 5 percentage points from headline GDP growth, resulting in Q1 2025 GDP to contract 0.5%.
- Q2 saw the exact reverse: imports plunged 30.3% while exports fell only 1.8%, contributing over 5 percentage points to GDP growth, representing the largest trade contribution to GDP on record since 1947, enabling Q2 GDP to grow +3.0%
- **So.....How much inventory remains from Q1 2025?**



Tariffs: Inflationary?

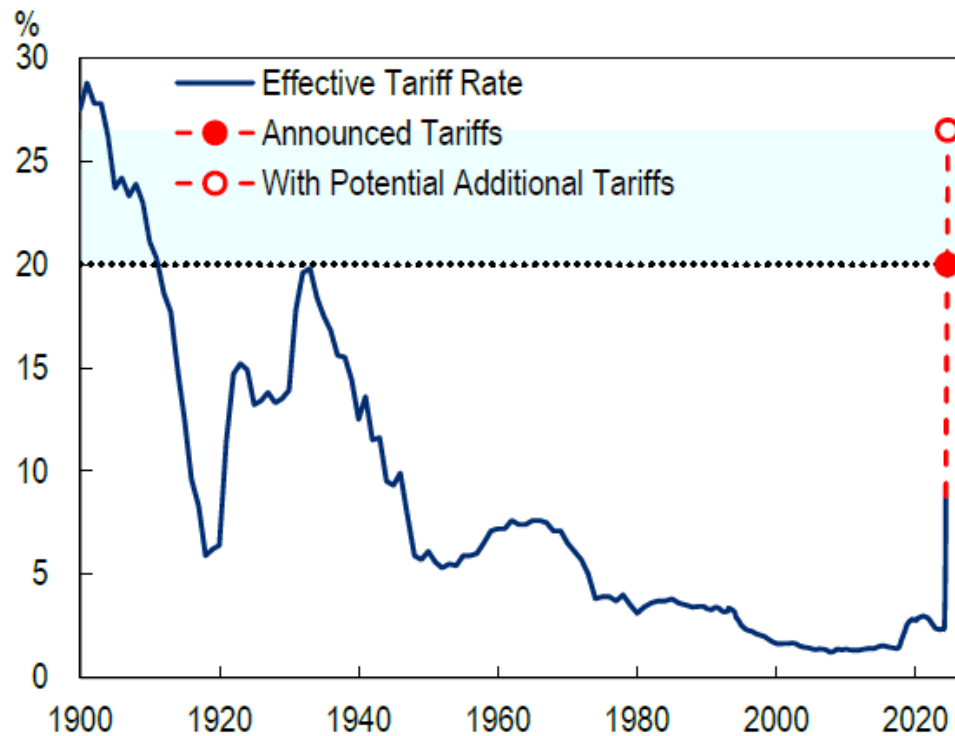
To date, the economy has absorbed the tariffs surprisingly well, but we think there is still another shoe to drop

- Pass-through of the tariffs into US inflation has been modest to date
 - From March to May, core PCE prices—the Fed’s preferred gauge of inflation—rose at an annualized pace of just 1.7%
 - US equity markets, after falling sharply around Liberation Day, have rebounded briskly, with both the S&P 500 and the NASDAQ now trading at or near all-time highs (as of mid-July)
 - Tariff revenues are flowing into the Treasury’s coffers. Collections in June were \$27 billion, up about \$20 billion relative to the monthly pace before President Trump took office
- In coming months, the tariffs should increasingly be manifest in inflation
- Smaller tariffs could be swallowed up in firms’ margins, but it is likely there isn’t enough margin to absorb the proposed 25% effective tariff rate
- Rising goods prices, in turn, are likely to restrain the economy—the higher prices will translate into reduced real incomes and spending power, and the frontloading of purchases in the run-up to the tariffs will need to be paid back
- Potential for tariff-driven divergence between the United States and the rest of the world
 - Tariffs could increase US prices and could be a stagflationary shock to the US economy. However, for the rest of the world, tariffs could be an adverse demand shock, constraining the export sector and exerting downward pressure on wages and prices

Tariffs: Risks

Proposed tariff rates could push the effective tariff rate to amounts not seen in a hundred years

U.S. Effective Tariff Rate on Goods Imports



Commentary

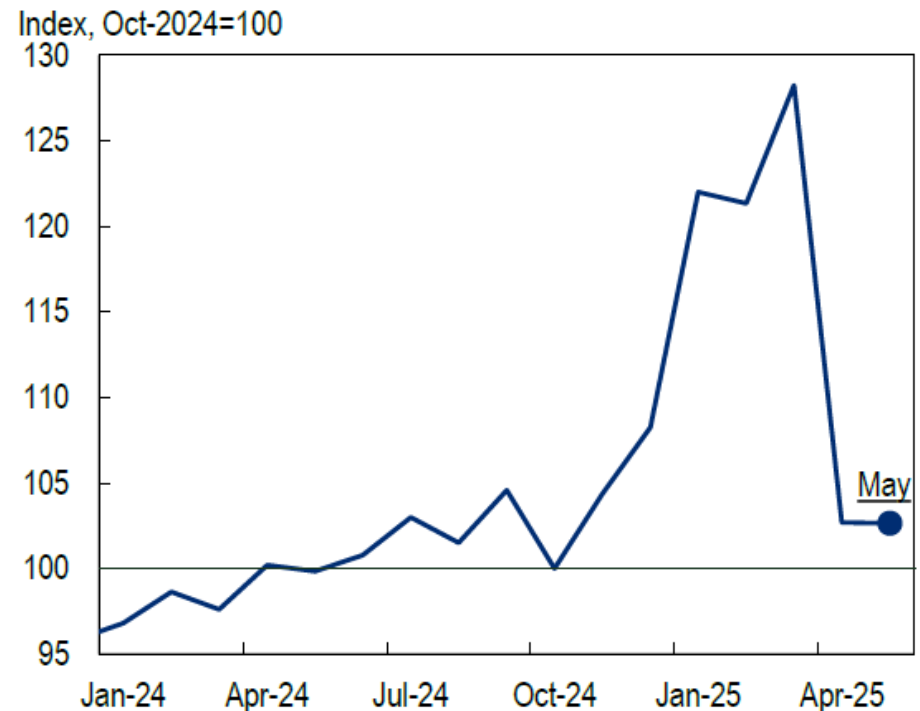
- The currently envisioned reciprocal tariffs are generally similar to, or even higher than those proposed on Liberation Day
- The previous effective tariff rate was expected to settle around 20%
- Given the July letters there is a risk of an effective tariff rate near 25% or even higher
- An effective tariff rate near 25% would be the highest since the early 1900s

Tariffs: Why Inflation Could Increase

The limited inflationary impact of tariffs to date might be due to companies generally continuing to sell out of inventories accumulated before the tariffs came into effect.

- We expect to see increased pass-through into inflation
- Pre-tariff inventory on hand is likely to be depleted by end of summer
 - Furthermore, a pullback in consumer spending could occur due to the significant frontloading of consumer spending on products including autos, smartphones, computers, and furniture as consumers purchased foreign goods before the tariff announcements
- Potential evidence of a surge in inventory purchases before the tariffs went into effect is imports surged early this year, posting nearly 30% gains from pre-election levels.
- As these pre-tariff inventories are sold higher costing inventories could increase inflation and stress to the consumer

US Imports



Tariffs in Bankruptcy: At Home Example

The At Home DIP lenders built in tariff protections into their credit agreement

- Tariff volatility is now a covenanted “tripwire.” A single adverse duty hike between U.S. and China can compress EBITDA, breach DIP thresholds, and jeopardize plan feasibility, directly diluting unsecured recoveries
- **At Home example**
 - The Tariff Event in the At Home DIP credit agreement is triggered if new duties cause EBITDA to drop >\$13 million (FY26) or >\$15 million (FY27) vs. DIP Business Plan
 - If triggered, the Debtors must reforecast within 5 days, revising only tariff-driven EBITDA impacts
 - DIP funding and covenant compliance hinge on staying within these thresholds

Tariffs in Bankruptcy: At Home Example (Cont.)

At Home Case Study

Key Topic	A&M's Perspective
Why it Matters	<ul style="list-style-type: none">▪ Creates a hard cap on downside performance, and crossing it freezes DIP access and triggers a default▪ Tariff increases flow directly into COGS, cutting EBITDA and accelerating cash burn▪ Plan feasibility depends on sustained EBITDA; recurring Tariff Events weaken confirmation case
Implications for Unsecured Creditors	<ul style="list-style-type: none">▪ Lower EBITDA directly reduces enterprise value and dilutes recoveries▪ Tariff-driven cash pressure risks administrative insolvency if not proactively managed▪ Tripped DIP covenant could disrupt vendor payments, contract continuity, and operational runway▪ Weakens negotiating leverage in plan discussions if estate appears unsustainable under macro shocks
How Your Committee Financial Advisor Can Help Protect Unsecured Creditors	<ul style="list-style-type: none">▪ Implement real-time tariff monitoring and pre-model downside EBITDA impacts▪ Stress test weekly cash flows against DIP thresholds to prevent covenant breaches▪ Pressure-test vendor assumptions on duty passthroughs to validate business plan integrity▪ Advocate for contingency buffers and covenant flex in DIP to mitigate tariff-driven shocks▪ Proactively encourage Debtors to cut expenses to minimize Tariff shocks

Tariffs: Why Businesses Say Tariffs Have a Delayed Effect on Inflation

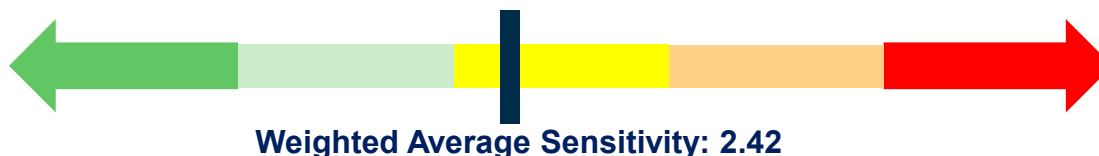
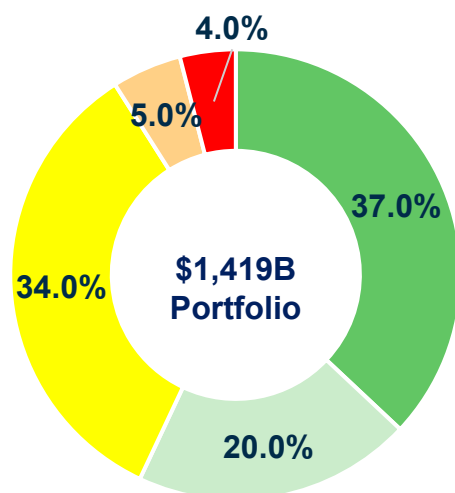
Federal Reserve Bank of Richmond published a survey of business owners on August 8th

- **Reasons firms may not have incurred tariffs yet**
 - **Delayed ordering.** Many firms ran down existing inventories or ran inventories lean in hopes tariffs would become lower
 - **Delaying the tariff charge** – firms report using short-term tactics that allow shipment, but delay point at which tariff incurred
 - **Cost-sharing.** Vendor relationships often long term and many firms report partnering with suppliers and customers to share cost
 - **Transit time.** Takes up to six weeks for container to arrive to East Coast from China
 - **Tariff implementation delays.** Changing sourcing, legacy exemptions and delays in customs system updates
- **Reasons tariffs may have a delayed impact on prices**
 - **Waiting for tariff policy to clarify.** Higher prices could reduce demand for goods and services and/or lead firms to lose market share, so many firms said they're hesitant to increase prices until they're sure tariffs will remain in place
 - **Elasticity testing.** Firms reported testing across goods whether consumers will accept price increases
 - **Blind margin.** Some firms reported attempting to pass through cost in less noticeable ways (i.e. nonbranded products with less price transparency)
 - **Selling out of preexisting inventory.** Many firms noted they still have production inventory from before tariffs were announced, so they don't need to raise prices as long as they still sell these lower cost goods
 - **Preestablished prices.** Many firms face infrequent pricing due to factors like annual contracts or presales

Tariff Impact – Leveraged Loans

Tariff sensitivity in the leveraged loan market is concentrated in low and medium-risk industries with limited high-risk exposure

US Leveraged Loan Index Tariff Impact



Industry Classification				
Low	Low-Med	Medium	Med-High	High
<ul style="list-style-type: none"> • Software & Services • Commercial & Professional Services • Telecommunication • Insurance • Pharmaceuticals & Life Sciences • Utilities • Real Estate • Equity REITs 	<ul style="list-style-type: none"> • Healthcare Equipment and Services • Media & Entertainment • Financial Services 	<ul style="list-style-type: none"> • Capital Goods • Consumer Services • Materials • Energy • Transportation • Food, Beverage & Tobacco • Consumer Staples Retail & Distribution 	<ul style="list-style-type: none"> • Consumer Discretionary Retail & Distribution • Household & Personal Products • Consumer Durables and Apparel 	<ul style="list-style-type: none"> • Automobile & Components • Technology Hardware & Equipment • Semiconductors & Related Equipment

- Tariff sensitivity in the Leveraged Loan market is mainly concentrated at Low (37%) and Medium (34%) levels. Low sensitivity industries such as Software & Services, Telecom, and Professional Services are supported by stable domestic revenues, though parts of Software face higher hardware import costs
 - Low-Medium sensitivity industries, led by Healthcare and Media, make up 20% and are moderately affected by rising input costs and consumer spending shifts
- Tourism-related sectors such as Hotels and Leisure are seeing added pressure from falling travel activity, while Materials face cost volatility tied to global supply chains and deferred capital spending

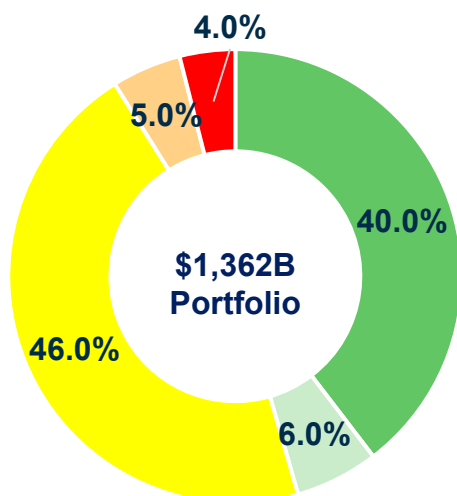
As of July 2025

Source: Pitchbook LCD: Tariff Sensitivity by Industry, Part 2 - Broadly syndicated loan market exposure

Tariff Impact – High-Yield Bonds

The high-yield bond market shows greater tariff exposure due to higher concentration in medium and high-sensitivity industries

US High-Yield Index Tariff Impact



Weighted Average Sensitivity: 2.5

Industry Classification				
Low	Low-Med	Medium	Med-High	High
<ul style="list-style-type: none"> • Software & Services • Telecommunication • Insurance • Utilities • Equity REITs • Healthcare • Equipment and Services • Media & Entertainment 	<ul style="list-style-type: none"> • Commercial & Professional Services 	<ul style="list-style-type: none"> • Capital Goods • Consumer Services • Materials • Financial Services • Energy • Transportation • Food, Beverage & Tobacco • Pharmaceuticals • Consumer Staples • Retail & Distribution • Banks • Real Estate 	<ul style="list-style-type: none"> • Consumer Discretionary • Retail & Distribution • Household & Personal Products 	<ul style="list-style-type: none"> • Automobile & Components • Technology • Hardware & Equipment

- Tariff sensitivity in the high-yield bond market is concentrated in Medium (46%) and Low (40%) levels, with limited exposure to Low-Medium industries, indicating a slightly higher overall vulnerability compared to loans
- Outliers include Consumer Services, which is impacted by falling tourism, and Autos and Tech Hardware, which is driven by heavy reliance on imported components and overseas manufacturing
 - Low sensitivity sectors such as Telecom, Utilities, and Healthcare help offset some risk due to their stable domestic demand and recurring revenue models

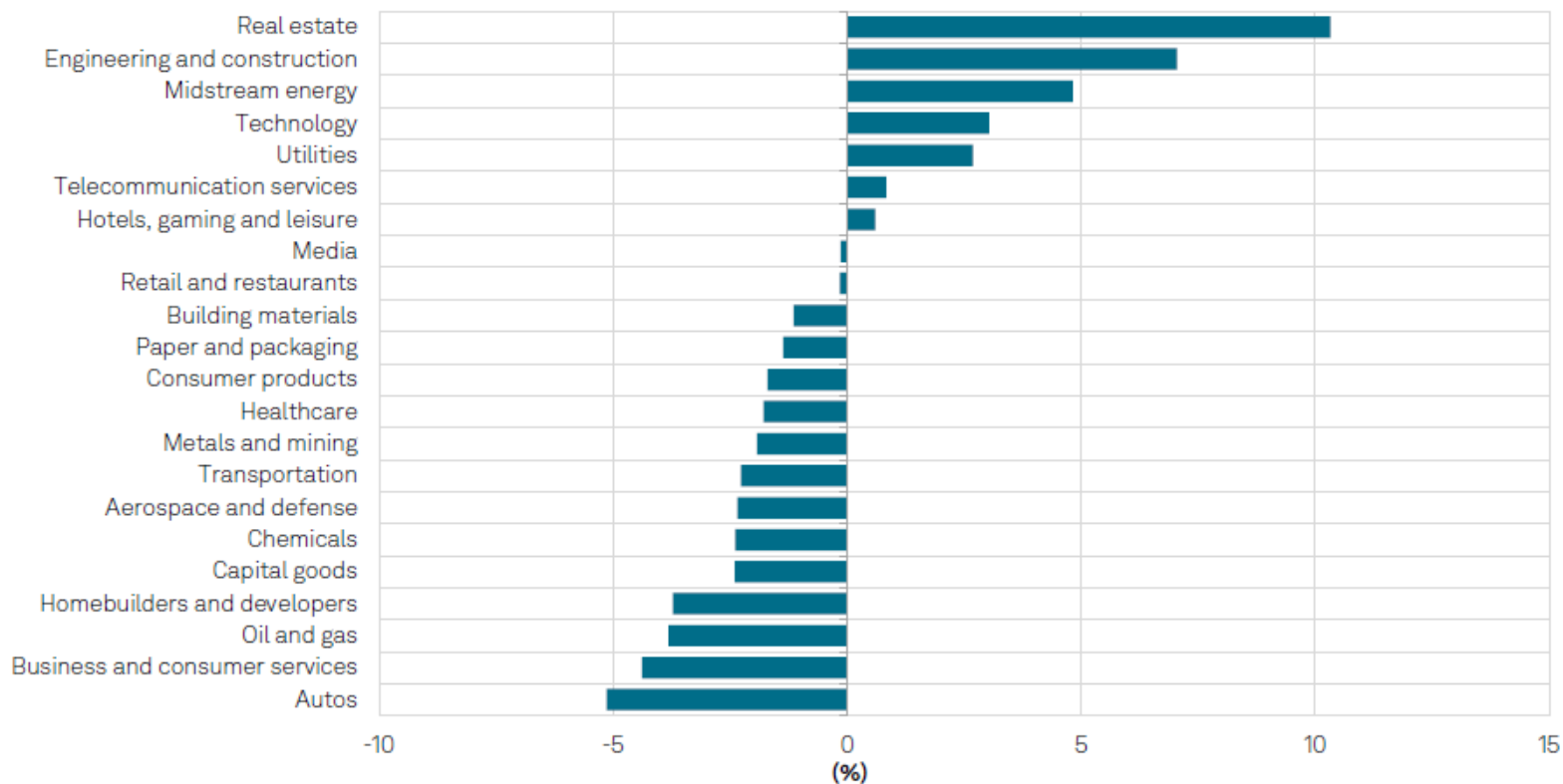
As of July 2025

Source: Pitchbook LCD: Tariff Sensitivity by Industry - Part 3, High-yield bond market exposure

Tariff Impact

Due to tariff tensions, 15 of 22 U.S. sectors are delaying capital spending amid worsening corporate sentiment reflected in earnings transcripts

Estimated changes to capital expenditures for FY2025



- We're seeing signs that this erosion of sentiment could result in U.S. corporates pulling back on spending—specifically, average estimates for full-year capex **have declined 0.1% in North America**.
- U.S. tariffs will have a significant effect on certain corporate sectors, particularly those with high exposure to imported goods. Sectors most at risk include consumer goods, durable goods, and apparel, which will face significantly higher tariffs on imports from China.

As of June 2025

Source: S&P Global Ratings: Global Credit Markets Update

Debt and Restructuring Outlook

Private Equity Behind Over Half of Large US Bankruptcies in 2024 and Q1 2025

- **Private Equity (PE) behind 70% of large U.S. bankruptcies in the first quarter of 2025**
- **PE played large role in 2024 US bankruptcies**
 - **56% of large corporate bankruptcies (liabilities >\$500MM) had a history of PE ownership**
- **In 2024 and 2025 PE bankruptcies resulted in >150,000 layoffs across U.S.**
- **PE firms have short timeline to make profits**
 - Leads to overreliance on cost cutting and aggressive policies
 - Leveraged buyouts are common theme in PE
- **Key points from recent research by S&P:**
 - Although PE accounts for 6.5% of the U.S. economy according to the primary lobby group for the industry, it was responsible for 11% of all corporate bankruptcies in 2024
 - Retail and healthcare hit especially hard
 - PE backed companies accounted for 7 of the 8 largest healthcare bankruptcies in 2024 (including Steward Health)
 - PE backed companies account for a quarter of all consumer discretionary bankruptcies, including brands like Forever 21, 99 Cents Only Stores, Red Lobster, and Party City
- **More important than ever to know who you're selling to and require private company financial statements for review**

Sector Highlight: Consumer Products

Softening consumer demand and heightened tariffs add pressure as the sector outlook worsens

Recent Shifts in Sector Dynamics

- In H1 2025, the **Consumer Products sector faced steep demand declines** as higher prices dampened packaged food volumes, while discretionary categories, such as household, apparel, and durables, were impacted by soft consumer spending and increased tariff exposure
- **Tariffs continue to pose a major financial risk across the sector**, with durables, apparel, and certain staples most exposed due to heavy import reliance; **nearly 7% of issuers faced negative rating actions, pushing the downgrade-to-upgrade ratio above 2:1** in H1 2025, up from 1:1 at the end of 2024
- YTD Ratings Summary:
 - Downgrades: 16 (14 Speculative Grade, 2 Investment Grade)
 - Upgrades: 10 (8 Speculative Grade, 2 Investment Grade)
 - Net Outlook Bias: Predominantly negative among speculative-grade issuers

Indicators to Monitor Closely

- Near-term sector **performance hinges on whether pricing and promotions can drive volume growth**
- **Leverage may rise** due to weaker profitability, higher inventory costs in durables and apparel, and lower free cash flow limiting financial flexibility

Key Risk Areas to the Baseline Outlook

- **Volume Pressure from Weak Macro Environment:** Following the 2022–2023 inflation cycle, price elasticities have stabilized, contributing to volume declines as consumer spending slows in a deteriorating economic environment
- **Limited Ability to Offset Tariff Costs:** Tariffs remain a key cost burden, and while companies are actively pursuing operational efficiencies, their ability to offset these costs or pass them on in a price-sensitive market is limited
- **Reduced Market Access for Lower-Rated Issuers:** Rising rates and geopolitical uncertainty may limit capital access for high-yield issuers, heightening refinancing and default risks for highly leveraged firms

Sector Forecasts (Median)

Metric	Investment Grade	Speculative Grade
Revenue Growth (Y/Y %)	1.4%	1.5%
EBITDA Growth (Y/Y %)	0.4%	5.0%
EBITDA Margin (%)	19.3%	15.0%
Capex Growth (Y/Y %)	5.5%	8.2%
Debt / EBITDA (x)	2.3x	5.4x
FFO / Debt (%)	33.0%	10.5%
Free Cash Flow / Debt (%)	21.1%	5.1%

As of June 2025

Source: S&P – Industry Credit Outlook Update | North America

Sector Highlight: Consumer Products

Rising distress in the consumer discretionary sector driven by inflation, interest burden, and consumer pullback despite broader corporate resilience

Overview of Consumer Products Distress

- The consumer discretionary sector faces the **highest financial distress** in corporate credit markets, marked by rising bankruptcies, debt issues, and downgrades amid shifting demand, margin pressure, and high leverage
- The sector's elevated distress is evident in a wave of major retail bankruptcies including **Party City, JOANN, Big Lots, Express, and American Freight**
 - Credit card portfolios linked to retailers Express and TheRoomPlace comprised 2.91% and 1.52%, respectively, of certain trust receivables
- As of March 2025, retail accounted for 14% of distressed leveraged loan transactions globally, ranking third after the healthcare and automotive sectors.
- In private debt markets, it held the **largest exposure at 23.2% of term loans** as of September 2024
- North America's Consumer sector accounts for 63% of global private debt deals, and sector exposure in Collateralized Loan Obligations (CLOs) adds pressure from refinancing risks and weakening credit quality

Sector Composition and Distress Indicators

Company Category	Key Distress Factors
Traditional Retailers	Store closures, bankruptcy filings, lease rejections
Apparel/Specialty Retail	Co-tenancy failures, rent reduction requests
Restaurant Chains	Location closures, restructurings, margin compression

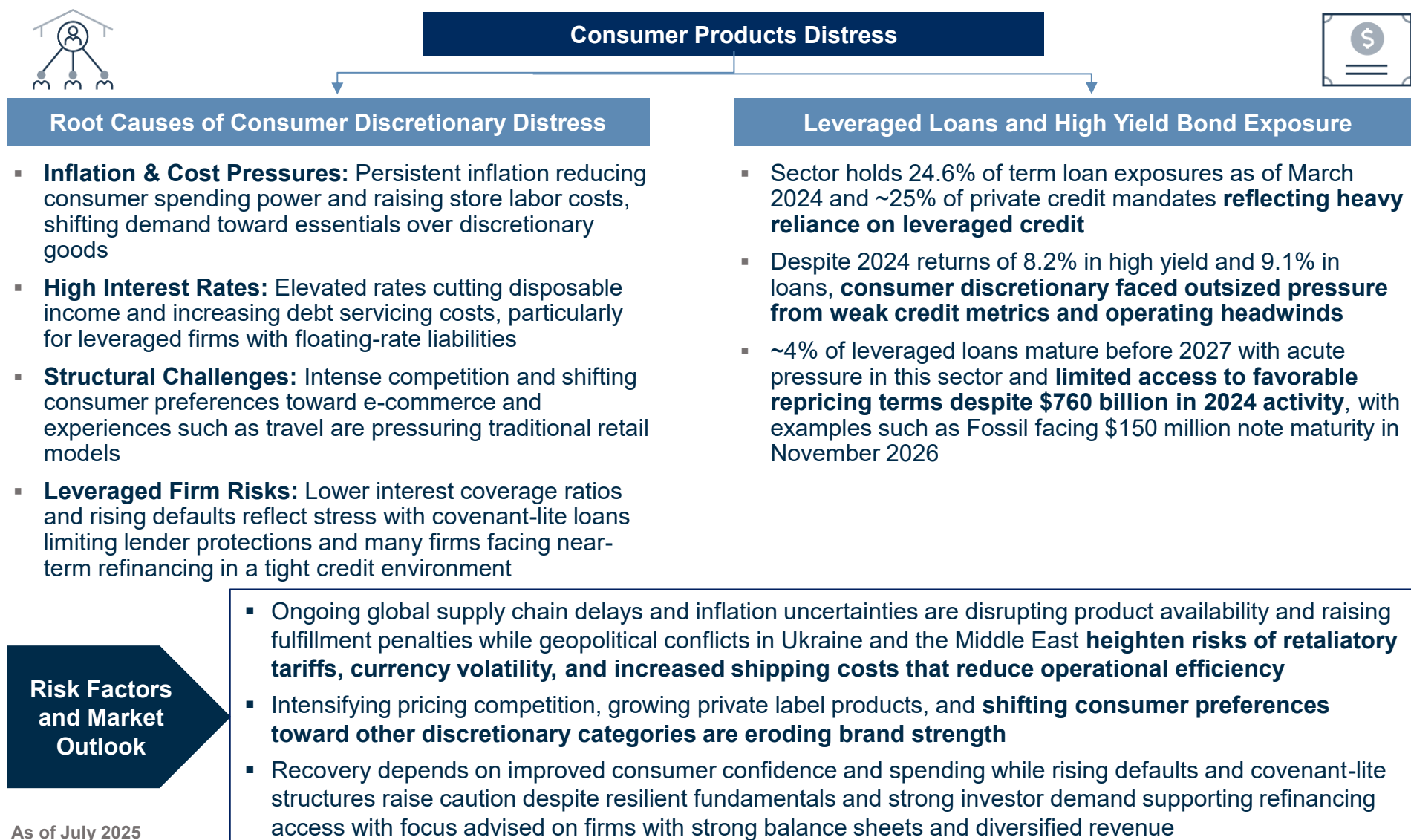


Key Distress Metrics

- Growing use of payment-in-kind (PIK) structures as firms defer cash interest
- Distressed exchanges make up ~70% of leveraged loan defaults
- Rating downgrades are 2.7 times higher than upgrades
- Rise in covenant breaches and amendment requests due to cash flow strain

Sector Highlight: Consumer Products

Weak consumer demand and mounting defaults escalate refinancing challenges amid deteriorating sector outlook



As of July 2025
Source: AlphaSense

Sector Highlight: Healthcare

Rising financial distress across US healthcare amid structural and regulatory pressures

Overview of Healthcare Sector Distress

- Bankruptcy filings in the healthcare sector rose significantly, with **79 cases in 2023 and 57 in 2024**, compared to an annual average of 42 from 2019 to 2022, reflecting a sharp rise in financial stress
- The primary causes of this distress include declining reimbursement rates, surging insurance liability premiums, rising labor and product costs, and legal burdens straining provider viability
- High-profile bankruptcies such as **Genesis Healthcare**, driven by an unsustainable \$8 million in monthly legal costs, underscores the sector's deepening distress

Disruption and Filing Trends

- **Senior care facilities**, the most distressed subsector, saw 28 filings in 2023 and 31 in 2024 due to reimbursement cuts and liability costs
- **Hospitals** followed with 22 and 15 filings, respectively, as labor shortages and rising insurance costs strained financial stability
- **Specialty care and behavioral health providers** faced rising distress from niche market and regulatory challenges, while Q1 2025 saw senior care filings hit a two-year high and hospital bankruptcies double, signaling deepening structural strain

Subsector Breakdown and Filing Trends

Subsector	2023 Filings	2024 Filings	Key Distress Factors
Senior Care Facilities	28	31	Reimbursement pressures, litigation, compliance costs
Hospitals	22	15	Operating cost inflation, labor shortages
Specialty Care	15	8	Regulatory changes, capital intensity
Behavioral Health	14	3	Workforce shortages, compliance risks

As of July 2025
Source: AlphaSense

Outlook and Strategic Implications

- Persistent margin pressures from reimbursement cuts, litigation, and inefficiencies are expected to **fuel more healthcare bankruptcies through 2025–2026, especially among providers lacking access to capital**
- Ongoing legislative changes, such as Medicaid cuts introduced under the 'One Big Beautiful Bill', are likely to **intensify financial stress by compressing operating margins**, especially in nonprofit and municipal systems
- Hospitals with broad payor mixes and scale are more resilient, while **smaller, specialized providers face higher risk, driving increased consolidation and complex restructuring**

Restructuring Outlook

Corporate funded debt continued its meteoric rise, but corporate profits are more than keeping up, showing overall market strength.

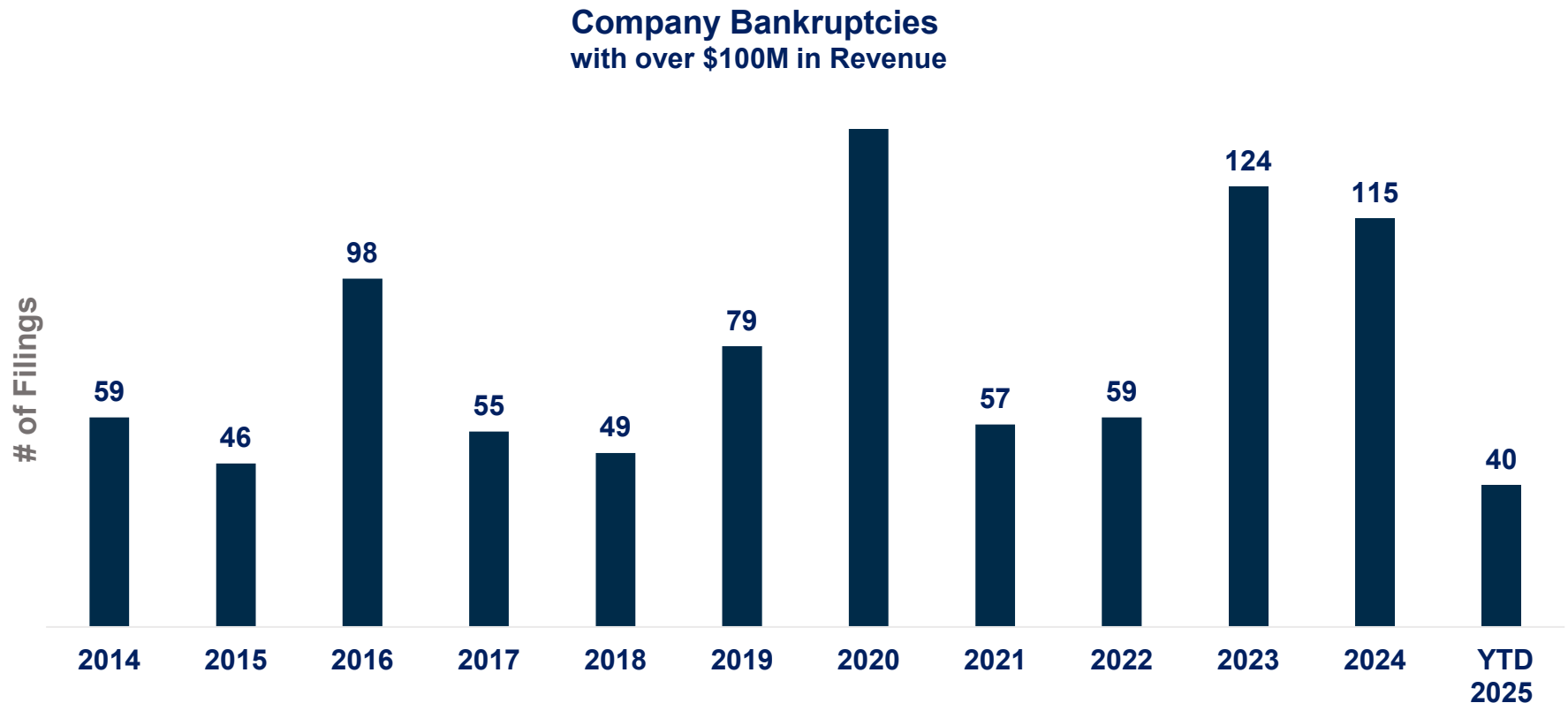
- Lower levels of operating income — technically, nonfinancial companies' funds from operations — support the median American company's ever-growing debt load
- Corporate profit growth exceeds even pre-pandemic levels



As of June 2025
Source: Federal Reserve Economic Data

Restructuring Outlook

In 2Q 2025, the number of bankruptcy filings continued to slow with 16, marking a 33% decrease compared to the 24 filings recorded in 2Q 2024.



The long-term trajectory of bankruptcy filings shows mixed patterns across sectors rather than a uniform trend. While overall corporate debt levels have declined from pandemic peaks, the quality of debt has deteriorated, with a large and growing share of non-investment-grade bonds and leveraged loans presenting risks to financial stability

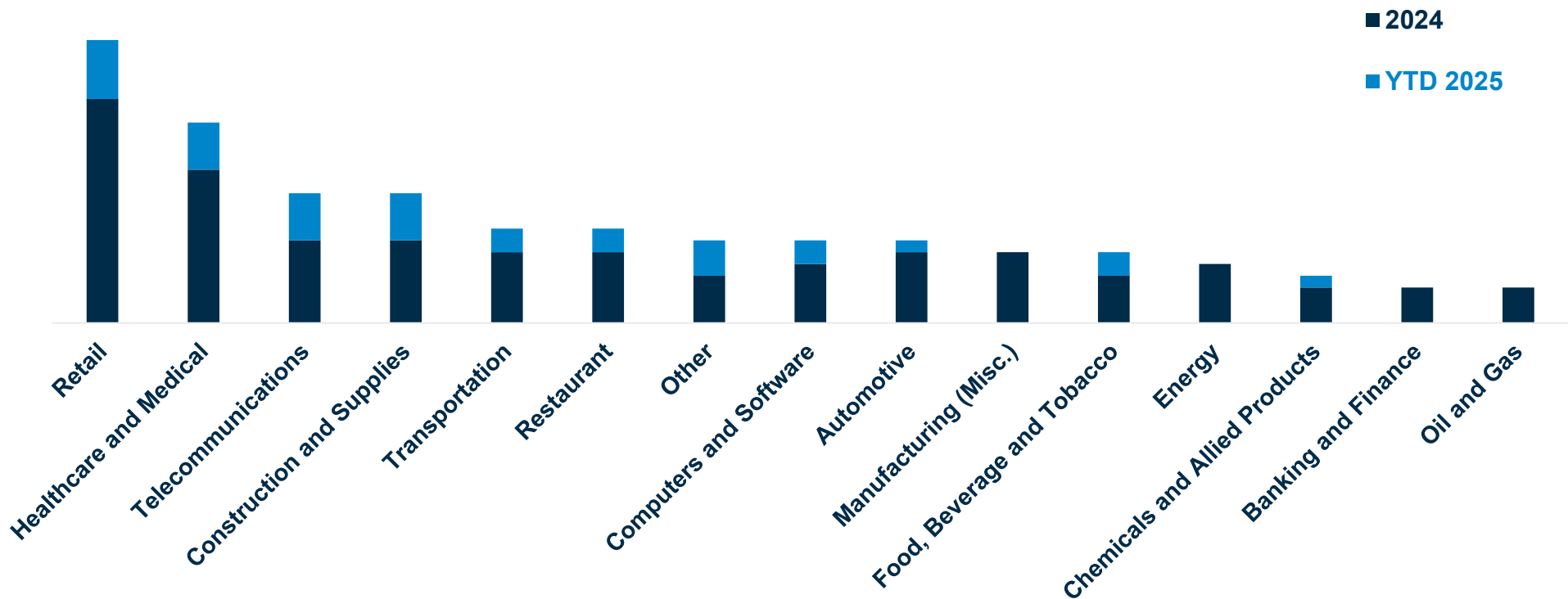
As of 2Q 2025

Source: New Generation Research BankruptcyData. AlphaSense, A&M Analysis

Restructuring Outlook

Retail and healthcare continue to have the largest number of bankruptcies, likely due to increased exposure to individual consumers

Bankruptcies by Industry



Healthcare sector challenges stem from multiple converging factors including declining reimbursement rates, increased insurance liability premiums, and rising labor, product, and operating costs. Genesis Healthcare's case exemplifies these pressures, with the company unable to handle \$8 million per month in settlement and defense costs on personal injury and wrongful death cases

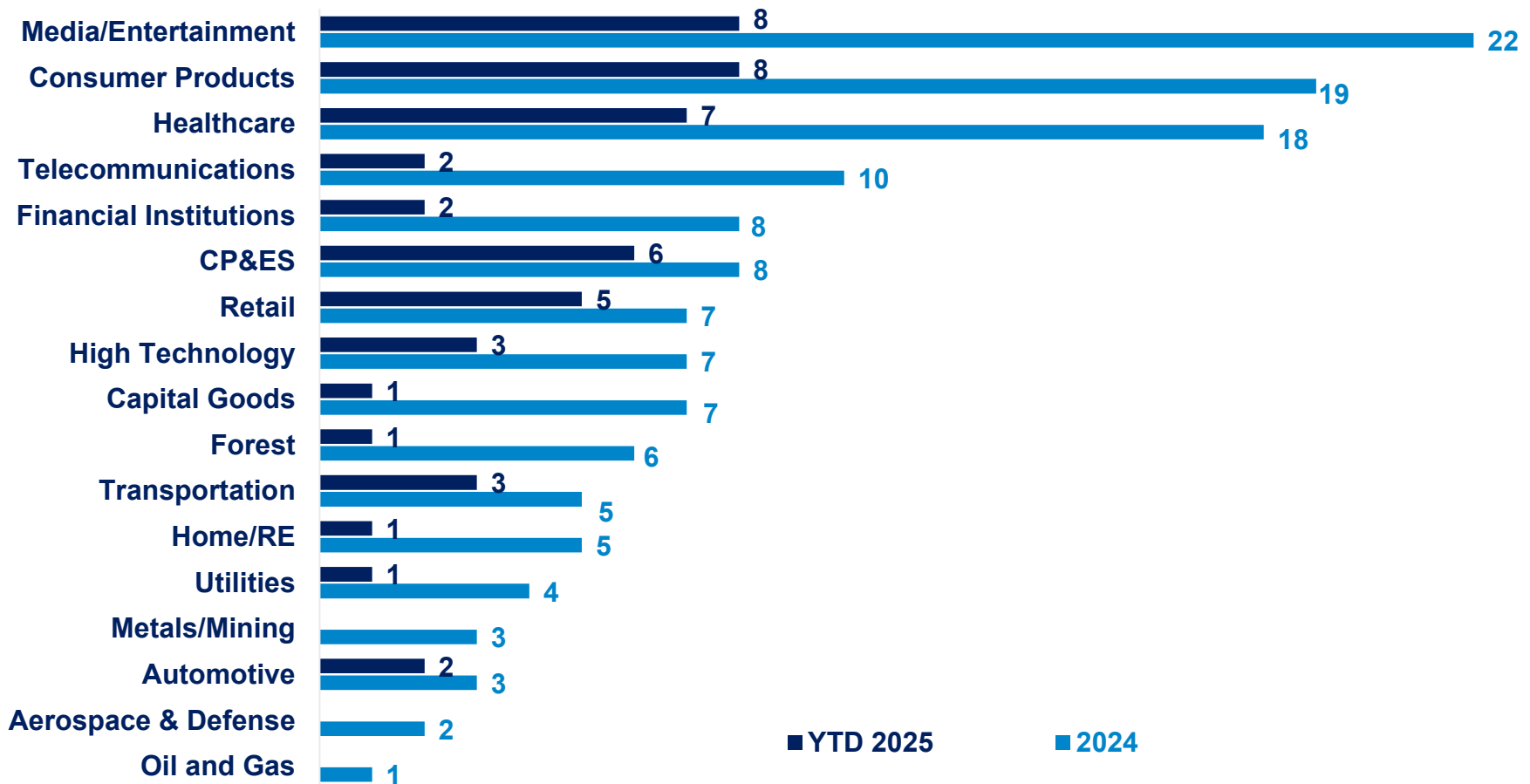
As of 2Q 2025

Source: New Generation Research BankruptcyData. AlphaSense, A&M Analysis

Restructuring Outlook

Like bankruptcy trends, default volumes are also dominated by sectors with the highest exposure to consumer discretionary spending

Global Weakest Links by Sector



As of May 2025

Source: S&P Global Ratings Default, Transition, and Recovery

Role Of Restructuring Advisor And Value Of Serving On An Unsecured Creditors' Committee

Turnaround and Restructuring Advisory Services

A&M offers critical assistance to companies that are under-performing, in crisis, or healthy with under-performing divisions. We are often retained to work on large, complex Chapter 11 filings. Our mandates involve global operations, complex collateral and highly sophisticated stakeholders

LIQUIDITY

- 13-week cash flow forecast
- Working capital management
- Calculate borrowing availability and covenant compliance

CHAPTER 11 PREPARATION

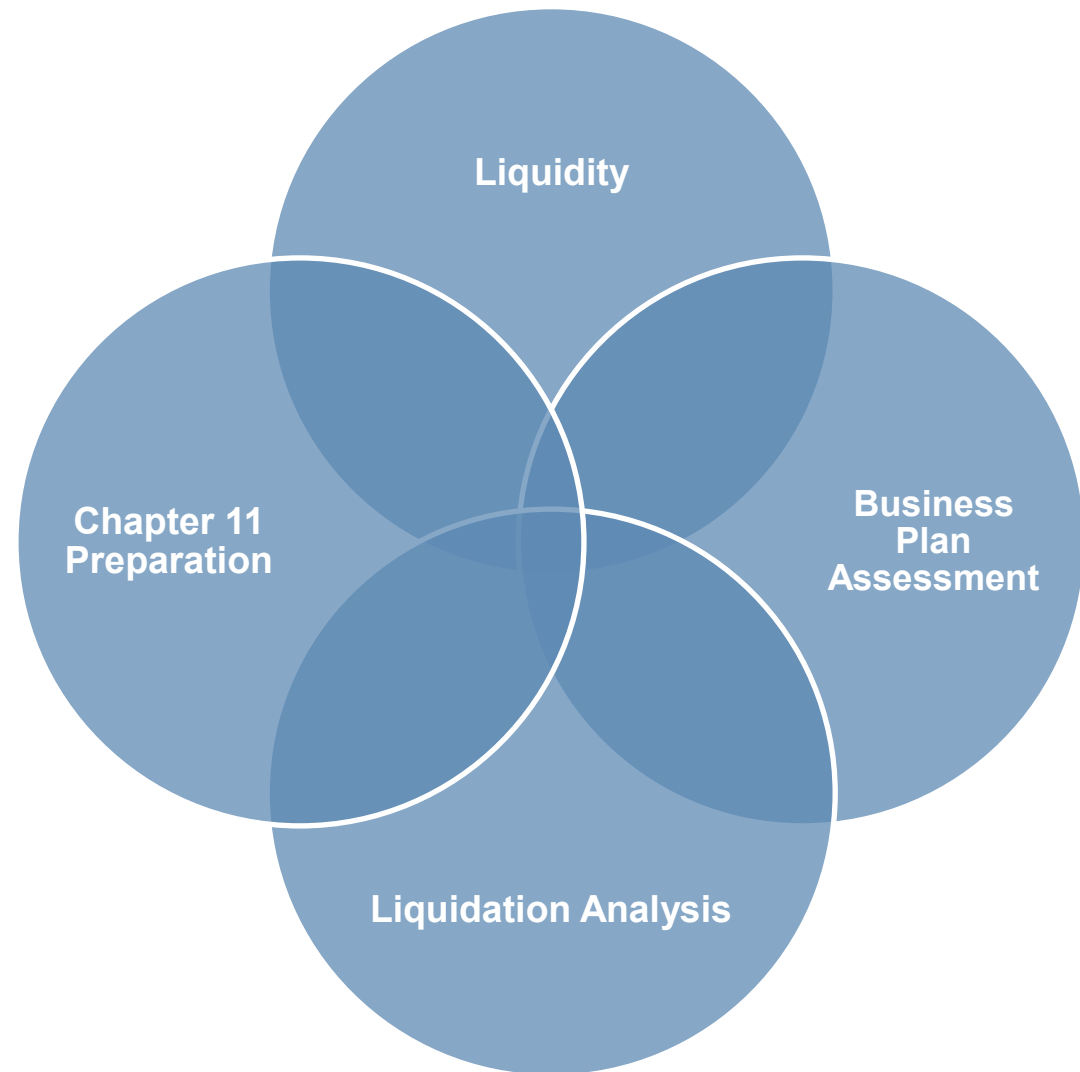
- Information conduit with debtors' professionals
- First Day Motions and treasury management
- Review contracts and calculate potential cure costs
- Assist in developing Plan of Reorganization

BUSINESS PLAN ASSESSMENT

- Stabilize core operations / implement operational restructuring
- Determine business lines to retain vs. divest
- Model cost structure and profitability
- Identify expense rationalization and revenue enhancement opportunities
- Project cash flow and debt service capacity

LIQUIDATION ANALYSIS

- "Best Interests" test
- Comparison between value of restructured business and realize value from collateral



Corporate Restructuring Services

Alvarez & Marsal brings a distinct hands-on approach to complex operational and financial challenges requiring speed to execution.

Turnaround & Restructuring Advisory

A&M is known for its distinctive restructuring heritage, hands-on approach and relentless focus on execution and results. We deliver specialist operational, consulting and industry expertise to management and investors seeking to accelerate performance, overcome challenges and maximize value across the corporate and investment lifecycles. A&M has been consistently recognized for helping clients drive positive change with international awards from prestigious organizations and publications, including the Turnaround Management Association (TMA) and Private Equity News.

Interim and Crisis Management

A&M acts on an interim basis to fill critical management vacancies such as Chief Executive Officer, Chief Restructuring Officer and Chief Financial Officer, to help guide companies through crises and other challenging business or economic environments.

Case Management Services

A&M Case Management Services (CMS) works to minimize the administrative impact on key employees by managing the organizational and reporting requirements of the bankruptcy process through the use of proprietary, industry-tested processes and state-of-the-art, web-based technology.

Corporate Restructuring Services (Cont'd)

Whether serving as trusted advisers or in interim management roles, A&M stands for leadership, problem solving and value creation.

Corporate Finance

Supporting mid-market transactions, Alvarez & Marsal delivers expertise in mergers and acquisitions for buy- and sell-side transactions, access to senior debt, mezzanine debt and equity, as well as restructuring advice to renegotiate and amend securities.

Creditor Advisory

Alvarez & Marsal provides support to creditor groups with interests in companies engaged in complex restructuring, bankruptcy or distressed situations.

A&M assists creditors' committees to evaluate and ultimately, defend and support the best alternatives to maximize recoveries. Our integrated platform addresses all critical issues faced by creditors' committees. Drawing upon our professionals' in-depth knowledge and experience in restructuring, Chapter 11 bankruptcy filings and relevant industry experience, we can ensure the strongest representation and defense of the committee's interests.

Fiduciary Services

A&M serves as court-appointed trustees, examiners, plan administrators, litigation trustees, liquidating trustees, mediators, monitors and receivers in multiple cases.

Role / Function of the Unsecured Creditors Committee

The bankruptcy code provides for the appointment of an unsecured creditors committee (UCC) in Chapter 11 cases

- **As a fiduciary for all unsecured creditors, the creditors committee acts as a “check and balance” to the Debtor in its negotiations with lenders and other case constituents to ensure that unsecured creditor interests are fairly represented**
 - UCCs usually consist of three, five, or seven members, and are selected through a process run by the U.S. Trustee
 - UCC members typically include indenture trustees, **trade vendors**, landlords, union and pension representatives, and litigation claimants

- **The UCC has two main goals:**
 - Maximize value for **all** unsecured creditors
 - Assess the creditworthiness / viability of the go-forward business

Importance of Unsecured Creditors Committees

Members of an unsecured creditors committee (UCC) have an opportunity to help unsecured creditors achieve the goals of maximizing value and assessing the creditworthiness of the go-forward business

- **As a fiduciary for all unsecured creditors, the unsecured creditors committee (UCC) acts as watchdog, consultant, and negotiator to determine the Debtor's future**
 - Access to Debtor's financial and operational information
 - Consult with the Debtor concerning administration of the case
 - Provide input on the bankruptcy process, litigation, exit strategy, and distributions
 - Negotiate DIP financing / use of cash collateral
 - Assess fulsomeness of sale process of business / assets
 - Assess viability / creditworthiness of go-forward business
 - Formulate / negotiate chapter 11 plan

Pros

- Influence on the decision making of the Debtors and the outcome of the Chapter 11 case
- Access to the Debtors' confidential financial and operational information
- A deeper understanding of the Debtors' operations and creditworthiness of their business
- No cost to serve outside of time

Cons

- Dedicate 30-60 minutes per week to attend committee calls (send an employee – growth opportunity)

Role of the UCC's Financial Advisor

UCCs select their own counsel and financial advisor, free of charge, to help them perform their fiduciary duties

- Ensure ample liquidity runway for bankruptcy process
- Identify potential buyers in an asset sale, or evaluate whether the Debtor's business plan is viable in a reorganization
- Prepare creditor recovery model and liquidation analysis on an entity-by-entity basis
- Quantify economic impact that the proposed Plan has on unsecured creditors under various scenarios
- Investigate potential causes of action to assess whether value provided to Debtor in exchange for releases from such causes of action is reasonable
- Determine whether the Plan can be improved to provide more value for unsecured creditors
- Assist counsel in framing Plan objection (if necessary) and negotiating key Plan provisions

Your A&M Team

Rich Newman

Managing Director | UCC Practice Co-Chair

- Richard Newman co-leads Alvarez & Marsal's Unsecured Creditors' Committee practice. Managing Director with Alvarez & Marsal Creditor Advisory in Chicago where he provides financial advisory services to creditors and focuses on representing official committees of unsecured creditors in bankruptcy proceedings. Specializes in 363 sales, liquidity management, business plan review, solvency, formulation of reorganization plans and litigation support
- With more than twenty years of restructuring experience, Mr. Newman has advised unsecured creditor committees, healthy and distressed companies in leveraged recapitalizations, mergers and acquisitions, and support of interim management roles
- Unsecured Creditor Committee assignments: Avaya, Avianca, Boomerang Tube, Buccaneer Energy, CEC Entertainment, Constar, Endeavour, Getty Petroleum, Global Aviation, Hollander Sleep Products, Keywell LLC, Kodak, LifeCare, Mallinckrodt Pharmaceuticals, NewPage, NPC International, Orchids Paper, NORPAC Foods, Inc., Ryckman Creek Resources, LLC, Shiloh Industries, SunEdison, Synergy Pharmaceuticals, Takata, Tintri, and Westinghouse
- Debtor financial advisory, bank advisory, or out-of-court deals: Appleton Coated, Chesapeake Corporation, Detroit Public Schools, Dresser, Inc., Kimball Hill Homes, Severstal North America, Inc., Tronox Inc., Union Carbide and Visteon Corp
- Testimony experience includes (i) Orchids Paper Products Company Case No. 19-10729, (ii) TK Holdings Inc. (f/k/a Takata) Case No. 17-11375 (November 2017), and (iii) Deposition re: SGK Ventures, LLC (f/k/a Keywell, LLC) Case No. 13-37603 (August 2014), among others
- B.S. in economics from George Washington University and a master's degree in business administration from The University of Texas. Mr. Newman passed all three levels of the CIRA exam and received the Kroll Zolfo Cooper / Randy Waits Award for excellence on the CIRA exam



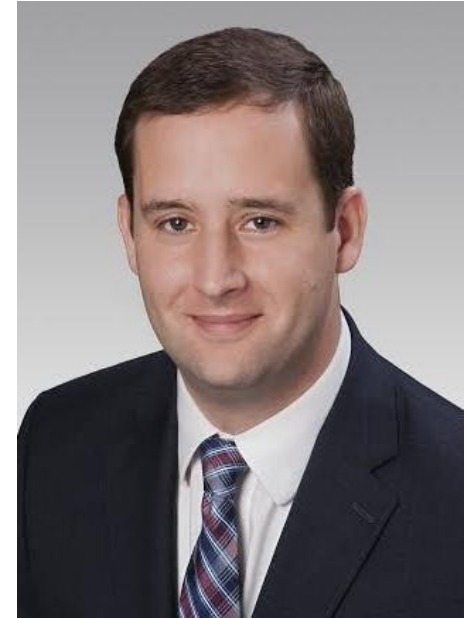
Phone: (+1) 312 288 4056

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Conrad Ragan

Director | UCC Practice

- Conrad Ragan is a Director with Alvarez & Marsal's North American Commercial Restructuring practice, where he specializes in representing official committees of unsecured creditors in bankruptcy proceedings with a focus on implementing strategies to maximize creditor recoveries, the development and evaluation of financial models, business reviews and stakeholder negotiations. He also serves on the Board of Trustees for the Credit Research Foundation as well as the Independent Standards Board governing U.S. commercial collections agencies through the CCA of A
- Mr. Ragan brings 20 years of corporate credit and lending experience in both large corporate and large financial institutions. Prior to joining A&M, Mr. Ragan spent more than 10 years as a Director with PepsiCo, where he led PepsiCo's corporate credit risk management team. There, his group was responsible for end-to-end North America corporate credit risk, comprised of a ~\$70 billion annual portfolio with ~ 200 thousand customers across all PepsiCo business lines, including the ownership of sector bad debt reserves (CECL). Additionally, Mr. Ragan led supply chain risk covering all suppliers globally, encompassing ~\$40 billion in annual spend. At PepsiCo he regularly led multimillion dollar strategic finance actions, including M&A, contract negotiations, bankruptcy / insolvency management, CAPEX committee, Audit committee, and policy writing
- Recent chapter 11 creditors' committee engagements include Powin, DRF Logistics as well as Northvolt AB. Notably, Mr. Ragan has served on and / or chaired a number of unsecured creditors' committees, including Caesars Entertainment, Red Lobster, 99 Cents Only Stores, Cineworld Group, Vital Pharmaceuticals, Marsh Supermarkets, Haggen, Tops Grocery, Dahl's, Gas Mart, Western Convenience, Alco, Quizno's, Markpol and Papa Gino's
- Before joining PepsiCo, Mr. Ragan spent over 10 years working at several large financial institutions where he specialized in capital markets and commercial lending
- Mr. Ragan graduated cum laude from North Carolina State University's College of Management with a bachelor's degree in Business Management and a minor in Economics. Additionally, Mr. Ragan has a Master of Business Administration from Wake Forest University where he was Dean's Scholar



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Appendix

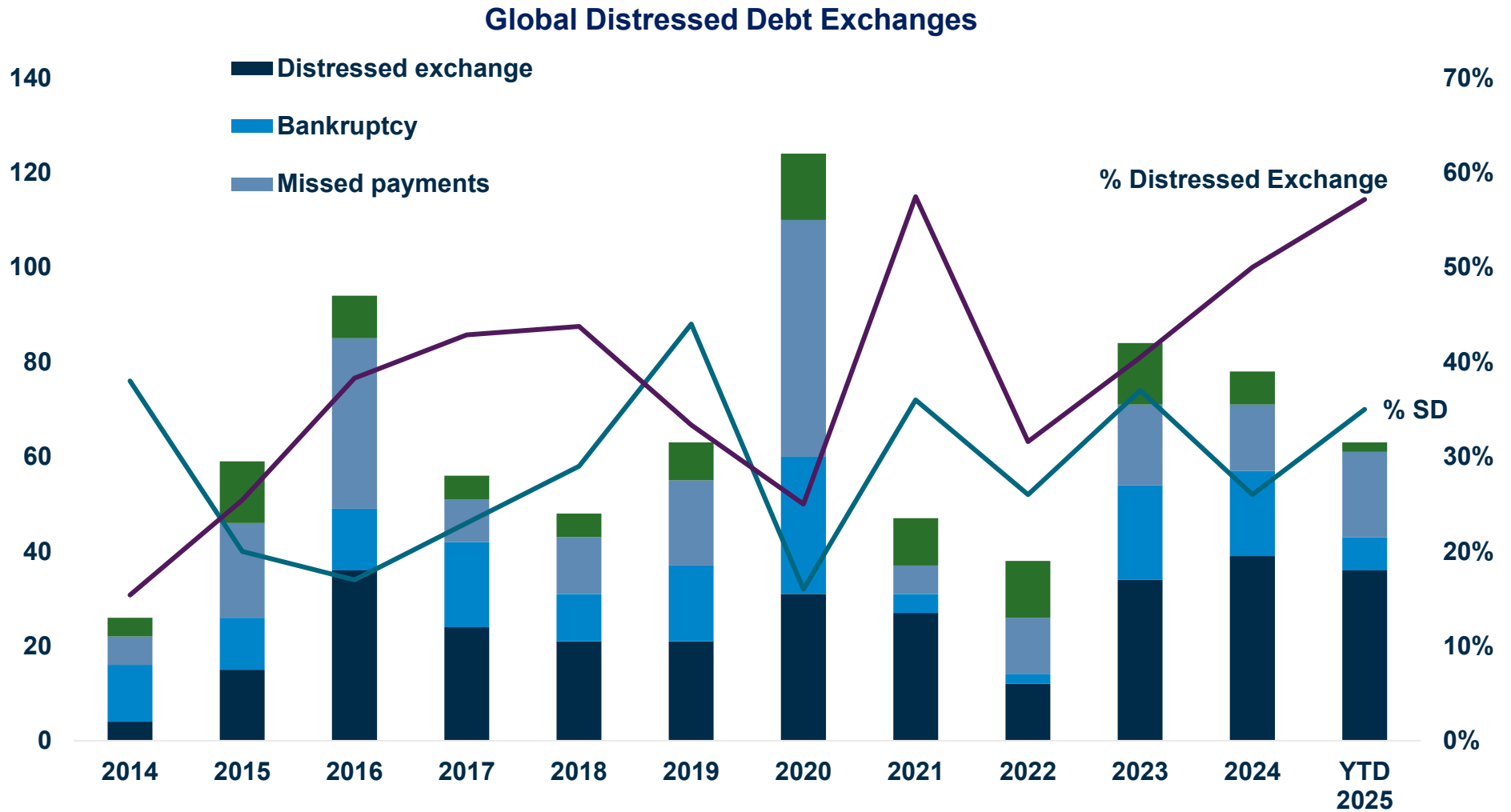
High Risk Debt Issued vs High Risk Maturities

Debt maturing in:	2025	2026	2027
Total debt maturing	\$2.08 tril. ↓ 7.4% since Jan. 1, 2024	\$2.62 tril. ↓ 2.7% since Jan. 1, 2024	\$2.51 tril. ↓ 0.8% since Jan. 1, 2024
Speculative-grade debt maturing	\$252 bil. ↓ 50% since Jan. 1, 2024	\$508 bil. ↓ 32% since Jan. 1, 2024	\$615 bil. ↓ 15% since Jan. 1, 2024
% of SG floating rate	38.8%	50.8%	52.9%
% of SG 'B-' and lower	27.2%	29.6%	33.9%
Median change in yield (if refinanced at current rates*)	'BBB' ↑ 161 bps	↑ 186 bps	↑ 121 bps
	'BB' ↑ 175 bps	↑ 188 bps	↑ 75 bps
Regional breakout	<p>Rest of the world 22% U.S. 39% Europe 39%</p>	<p>Rest of the world 17% U.S. 44% Europe 39%</p>	<p>Rest of the world 17% U.S. 48% Europe 35%</p>

- **Debt walls looming for leveraged companies** as global maturities rise from ~\$2T in 2024 to a peak of \$2.8T in 2026
 - › Supply of credit was ample in 2024, and many took opportunity to further kick the can down the road
 - › Speculative graded debt (weakest customers) most vulnerable to refinancing risk
 - › **Given uncertainties around inflation and monetary policy, easing in financing conditions for US borrowers at risk**
 - **Likely to see a large wave of zombie company bankruptcies in the coming years**

Restructuring Outlook

Distressed exchanges reached a new high as a percent of defaults in 2025

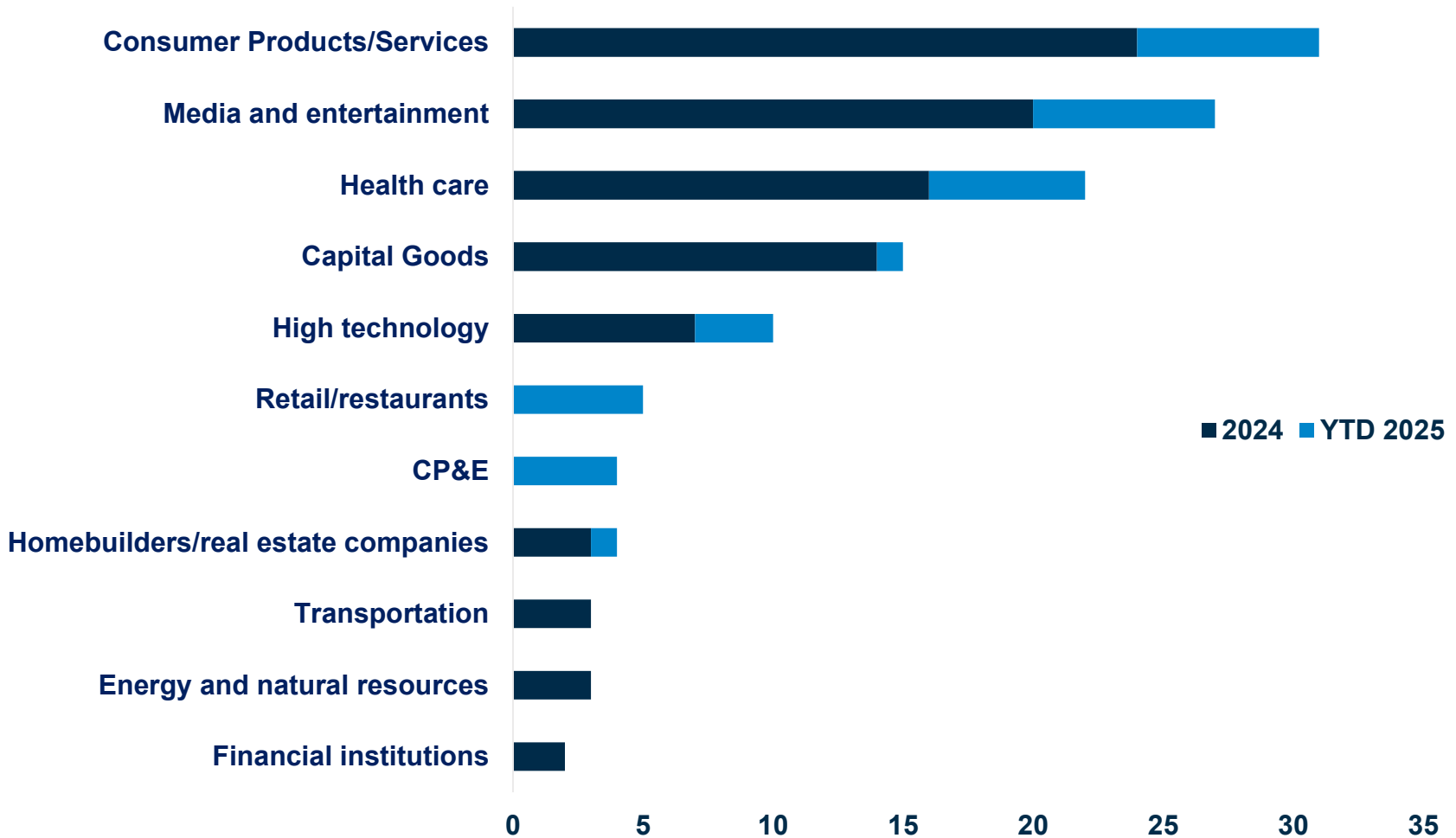


As of June 2025
Source: S&P Global Credit Conditions Q2 2025

Restructuring Outlook

Distressed exchanges through 2024 and 1H 2025 were also by sectors with the highest exposure to consumer discretionary spending




Distressed Debt Exchanges by Industry



As of June 2025
Source: S&P Global Credit Conditions Q2 2025

Liability Management Exercise (“LMEs”)

Introduction to LME types

	Description	Transactions
<p>Drop-Down Financing</p>	<ul style="list-style-type: none"> Company transfers assets (often collateral) to a subsidiary outside of the credit group New lenders (or a subset of existing lenders) provide structurally senior financing (or exchange existing loans for structurally senior debt to capture discount) to the subsidiary secured by the transferred assets These transactions often, but not always, utilize Unrestricted Subsidiaries 	
<p>Uptier Priming</p>	<ul style="list-style-type: none"> Company reaches agreement with groups of majority lenders within one tranche of debt to subordinate liens or obligation to new debt Company uses “open market purchases” provisions to incur new priming debt from consenting Lenders to pay off or rolls up existing debt of consenting Lenders 	
<p>Double - DIP</p>	<ul style="list-style-type: none"> Description on following page 	

Liability Management Exercise (“LMEs”)

An LME occurs when a borrower at risk of defaulting restructures its liabilities outside of court by directly negotiating with its creditors or by securing rescue capital from outside parties

- **The typical LME involves the borrower raising new debt that is either senior to the existing debt or backed by collateral that had previously been pledged to the existing debt**
 - Existing lenders might be harmed as their collateral might be less secure than initially thought
- **New LME Structure – The Double-dip**
 - Step 1: A new subsidiary is created
 - Step 2: The new subsidiary issues debt
 - Step 3: Proceeds of new debt are used to fund an intercompany loan made to the parent on a secured basis
 - Step 4: The borrower provides a guarantee on this intercompany loan.
 - **Unsecured creditors lose** as two claims are created on the company’s assets, (i) loan to the parent company and the loan guarantee
 - Companies and lenders prefer Double DIPs to asset drop downs as assets don’t need to be transferred to different entities
- **Even though LMEs are postponing bankruptcies LMEs rarely solve the troubled borrowers underlying problem**
 - In 2024, nearly 35% of defaults and LMEs involved companies that had previously defaulted or executed an LME

Restructuring & Turnaround – Local Resources with Global Reach

A&M Restructuring & Turnaround has the ability to deploy local-based teams in North America, with the capability to handle today’s increasingly complex and globally focused engagements.

350+
Employees

40+
Years

28
Offices

NORTH AMERICA

New York (Global HQ)

Atlanta El Segundo
Birmingham Greenwich
Boston **Houston**
Calgary Kansas City
Charlotte **Los Angeles**
Chicago **Miami**
Dallas Morristown
Denver Nashville
Detroit Philadelphia

Phoenix
San Antonio
San Francisco
San Jose
Scottsdale
Seattle
Tampa
Toronto
Vancouver
Washington, D.C.

EUROPE AND THE MIDDLE EAST

London (Europe HQ)

Abu Dhabi Frankfurt Milan
Amsterdam Geneva Munich
Athens Glasgow Oslo
Birmingham Helsinki Paris
Cayman Islands* Hamburg Prague
Dubai Kiev Riyadh
Dublin Leeds Stockholm
Dusseldorf Madrid Tashkent
Edinburgh Manchester Warsaw
Zürich

LATIN AMERICA

São Paulo (Latin America HQ)

Belo Horizonte
Bogota
Mexico City
Rio de Janeiro

ASIA PACIFIC

Hong Kong (North Asia HQ)

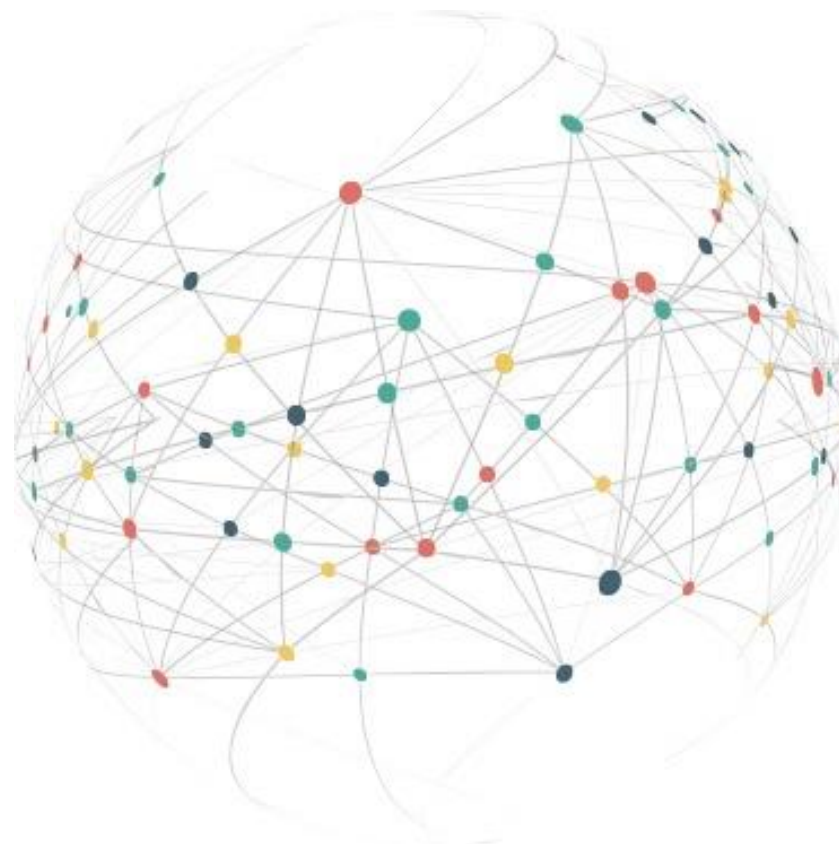
Beijing
Seoul
Shanghai

Mumbai (India HQ)

Bengaluru
New Delhi

Singapore (SEAA HQ)

Ho Chi Minh City
Jakarta
Kuala Lumpur
Melbourne
Perth
Sydney



* The Cayman Islands office works with and strengthens our UK insolvency practice.

Our Approach

Alvarez & Marsal brings a distinct hands-on approach to complex operational and financial challenges requiring speed to execution.

Develop Fact Base

- Review current liquidity, financial projections and business plan and corporate structure
- Identify and evaluate key business drivers
- Benchmark results against past performance and current competition

Identify Opportunities

- Analyze fact base established above
- Determine cost reduction initiatives
- Identify other areas of operational improvement

Develop a Plan

- Build consensus around key operational improvements
- Develop a turnaround plan

Execute

- Drive change through the organization based on the plan developed
- Increase accountability in the organization through clear expectations
- Implement key initiatives

Monitor and Evaluate

- Track performance against expectations and course correct if necessary

Notable National NACR Clients

A&M has performed large, complex reorganizations for many high-profile companies across almost all industries:



A&M's Retail Practice

A&M has a dedicated retail practice that has worked with a comprehensive set of retailers and consumer brands, building real and practical insights across different retail platforms

Apparel & Department Stores



Specialty Retail



Discount / Wholesale



Restaurants



Grocers, Distributors



ALVAREZ & MARSAL

Select Unsecured Creditors' Committee Experience

 <p>Mallinckrodt</p>	 <p>Boomerang Tube</p>	 <p>clarus THERAPEUTICS</p>	 <p>Frontier COMMUNICATIONS</p>	 <p>Cyxtera</p>
 <p>CEC entertainment</p>	 <p>LSC COMMUNICATIONS</p>	 <p>Westinghouse</p>	 <p>BOXED</p>	 <p>NCM NATIONAL CINEMEDIA</p>
 <p>SYNERGY PHARMACEUTICALS</p>	 <p>Tintri</p>	 <p>BED BATH & BEYOND</p>	 <p>smile DIRECT CLUB</p>	 <p>VICE</p>
 <p>CORSICANA MATTRESS COMPANY</p>	 <p>ORCHIDS PAPER</p>	 <p>fred's</p>	 <p>THE RoomStore FURNITURE & ACCESSORIES</p>	 <p>LUCKY EST. 1990 BRAND</p>
 <p>Avianca</p>	 <p>EST. 1975 EARTH FARE HEALTHY FOOD FOR EVERYONE</p>	 <p>SHILOH</p>	 <p>TAKATA</p>	 <p>npc international</p>

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