

Peabody Energy Corporation



SITUATION: ENERGY GIANT VOLUNTARILY FILES FOR CHAPTER 11 PROTECTION AMID PROLONGED INDUSTRY DOWNTURN

Peabody is the world's largest private-sector coal producer with majority stakes in 23 mining operations in the United States and Australia. In April 2016, the company took a major step to strengthen liquidity and reduce debt amid a prolonged industry downturn by voluntarily filing petitions under Chapter 11.

The factors affecting the global coal industry in recent years were unprecedented. Industry pressures included a dramatic drop in the price of metallurgical coal, weakness in the Chinese economy, overproduction of domestic shale gas and ongoing regulatory challenges. In addition, a decline in the value of the Australian dollar left Peabody in a loss position on many of its hedging agreements.

FTI CONSULTING'S ROLE: HELP THE CLIENT TRY TO AVOID – THEN PREPARE FOR – BANKRUPTCY FILING

Peabody engaged FTI Consulting to assist with extensive discussions with creditors on a variety of options, including many that would have restructured debt outside of a court process.

A global team of consultants with expertise in corporate finance and restructuring, as well as specific support from the FTI Consulting Global Mining Advisory practice began assisting the company and Lazard Frères with business planning, cash flow management, and forecasting.

FTI Consulting worked with Peabody's treasury and finance departments to implement a comprehensive thirteen week cash flow forecasting and reporting process.

In advance of Peabody board's decision to seek Chapter 11 protection, FTI Consulting worked with Jones Day and Lazard to prepare the necessary court filings and secure \$750 million in debtor-in-possession ("DIP") financing, including a \$250 million bonding accommodation facility to secure the company's reclamation obligations.

OUTCOME:

LESS DEBT, SATISFIED CREDITORS, CASH FLOW SAVINGS, AND A NEW CAPITAL INFUSION

Throughout the bankruptcy process, FTI and the company's other financial and legal advisors worked with the Peabody executive management team and board to navigate the bankruptcy waters and help steer the company toward a successful reorganization. By early 2017, Peabody's plan of reorganization had received overwhelming support from creditors, and the company had obtained exit financing consisting of a new \$950 million senior secured term loan and \$1.0 billion of new senior secured notes. As part of the plan of reorganization, the company also received \$1.5 billion in exchange for common and preferred equity in the reorganized company.

On April 3, 2017, Peabody emerged from Chapter 11 bankruptcy and the next day was re-listed on the New York Stock Exchange. The company completed its successful reorganization in less than a year – a very rapid turnaround for a Fortune 500 company.

Peabody had managed to reduce its debt load by approximately \$5 billion, while preserving the jobs of its 6,700 employees worldwide and assuming all of the company's pension, workers' compensation and healthcare obligations. Peabody's board, executive leadership, and employees worldwide achieved universal praise for their vision and handling of the situation. FTI Consulting was honored to be a part of this success.

As a result of the success of this engagement, Peabody and its affiliates were selected as the winner of the Restructuring Deal of the Year (Over \$10 Billion) award by the M&A Advisor in 2018.

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About FTI Consulting

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