

Rudenstein's Guest Lecture



NYU/Stern School
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Introductions



- ✍ Rudenstein background/NYU connection
- ✍ Apfelbaum background & NYU connection
- ✍ What is the perspective of the class:
 - ✍ Commercial bankers
 - ✍ Mezzanine
 - ✍ Private Equity
 - ✍ Consulting/CPA/Legal
 - ✍ Industry

TDI THEMES

- ✍ Series of valuation exercises
 - ✍ original LBO 1986
 - ✍ Ouster of old management team 8/89
 - ✍ New management post 1989 asset disposals
 - ✍ 1992 restructuring deal
 - ✍ 1993 refi that funded 1992 agreement
 - ✍ 1995 harvest
 - ✍ 1996 harvest
- ✍ Stakeholder claims on value
- ✍ Who adds/diminishes value

TDI History

- ✍ Winston Network founded in 1950's
- ✍ Initial focus was on Bus Advertising
- ✍ Acquired TDI(Rail advert) in 1970's from ITT
- ✍ Acquired selected BB assets in early 80's
- ✍ Founder exits thru 1986 MBO led by Saratoga
- ✍ New management renames Company AMNI
- ✍ Business begins to underperform



✍ How did the Old management team diminish value?

How was value diminished?



- ✂ BAD ACQUISITIONS
- ✂ INCREASE DEBT
- ✂ BAD BIDS
- ✂ POOR OPERATING PERFORMANCE
- ✂ LOSE CONFIDENCE OF STAKEHOLDERS
- ✂ AVARICE/PERSONAL AGENDAS

Post LBO Performance

		<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	REVENUE	\$ 100	\$ 104	\$ 112	\$ 114
	EBITDA	\$ 17	\$ 17	\$ 11	\$ 9
	DEBT	\$ 110	\$ 110	\$ 124	\$ 135
	DEBT/EBITDA	6.5	6.5	11.3	15.0

Deterioration of Franchise Business



	<u>1987</u>	<u>1988</u>	<u>1989</u>	<i>88 vs <u>87</u></i>	<i>89 vs <u>88</u></i>
<u>REVENUE</u>	\$ 66	\$ 69	\$ 69	5%	0%
OPERATING CF	\$ 11	\$ 9	\$ 6	(18%)	(33%)

Post LBO Valuation

		LBO	Prior to	After
			Asset Sales	Asset Sales
		<u>86</u>	<u>89</u>	<u>89</u>
EBITDA		\$ 17	\$ 9	\$ 4
ENTERPRISE VALUE	8.0	136	72	32
FUNDED DEBT:				
SENIOR		69	80	38
SUB		<u>41</u>	<u>55</u>	<u>55</u>
TOTAL FUNDED		110	135	93
EQUITY VALUE		26	(63)	(61)



 How did new Mgt add value?

How did new Mgt add value?



- ✍ REDUCE DEBT
- ✍ SELL ASSETS
- ✍ FOREBEARANCE OF LENDERS
- ✍ IMPROVE OPS/EARNINGS
- ✍ GAIN CREDITABILITY OF:
 - ✍ Stakeholders
 - ✍ Industry

TDI "SWOT" ANALYSIS 1989



✍ What are the :

✍ Strengths

✍ Weaknesses

✍ Opportunities

✍ Threats





✍ Facing Apfelbaum & Co in 9/89?

TDI "SWOT" ANALYSIS






1989



Strengths:

-  Network "in place"
-  L/T Contracts
-  Transit
advert "monopoly"
-  Salable BB assets

Weaknesses





-  Angry lenders
-  Weak sales/earnings
-  Unprofitable
franchises
-  Demoralized staff
-  Neg industry "buzz"

TDI "SWOT" ANALYSIS







1989



Opportunities:

-  Honeymoon
-  Limited competition
-  Operating leverage
-  OOH vs other media forms

Threats:

-  Gannet Outdoor
-  "Wildass" bidders
-  Lender "hardball"
-  Dependency on tobacco advert
-  Will industry adspend
-  increases continue

TDI's business in 8/1989



Three legged stool:

Transit /Franchise

 Bus & Rail major market network

Outdoor

 NY Billboards

 NJ Billboards

 NY & Los Angeles "8 sheets"

Land Lease

TDI's business in 8/1989

1989 SEGMENT EBITDA (\$mil)	
Transit	\$ 7
NY Outdoor	4
Land Lease	1
BB held for sale	<u>6</u>
Subtotal	18
Corp OH	<u>9</u>
Total	<u><u>\$ 9</u></u>

Dynamics of Transit Business



Franchise agreement attributes:

-  Competitive procurement

-  Exclusivity

-  5 year deals

-  TA gets > of MAG vs % revenue


-  require bonds/LC's to secure performance


TDI has a "One of a kind" national network

Dynamics of BB Business



- ✍ No national player...many local/regional players
- ✍ Stable /long term business
- ✍ Banks know business/comfortable to lenders
- ✍ History of ownership changes




 Why Did New
Management get its
original 1989 deal?

Why Did New Management get its original deal



- ✍ 50% of “nothing” = \$0
- ✍ Private equity firm agenda
- ✍ Original management’s worn out welcome
- ✍ Asset divestitures funded “down payment”
- ✍ Weak lead senior lender
- ✍ Patient lead mezzanine lender
- ✍ Transit authority inertia

TDI Turnaround & Restructure I



- ✍ Gain creditability of Stakeholders
 - ✍ scrub balance sheet
 - ✍ dispose assets to reduce debt
 - ✍ reduce past dues/ cure defaults
 - ✍ develop a believable plan...under promise/over deliver
- ✍ "Buy Time" to fix the business
- ✍ Negotiate a deal to compensate new Mgt
 - ✍ Apfelbaum insists on & gets control
- ✍ Debts still significantly exceed equity value

Post Restructure I Performance



	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
REVENUES				
BUDGET	\$ 114	\$ 123	\$ 132	\$ 143
ACTUAL	120	128	135	167
EBITDA				
BUDGET	\$ 9	\$ 11	\$ 13	\$ 15
ACTUAL	9	6	8	9

Post Restructure I Performance



- ✍ 1990's results exceed plan despite worsening economic environment
- ✍ 1991 miss plan but still outperform industry
- ✍ Senior Lenders refuse additional funding
- ✍ Stop debt service/hire restructure advisors
- ✍ Use upcoming NY MTA bus franchise renewal to create a "line in the sand"



What Caused Lender's to
"Cave" in 2002?

What Caused Lender's to "Cave" in 2002?



- ✍ Bankruptcy threat to Subdebt
- ✍ Lead Sr. Bank lender's agenda
- ✍ Lead Subdebt lender's ability to take equity viewpoint
- ✍ Letter of credit exposure to Banks
- ✍ Impact of tobacco advert contraction
- ✍ Fatigue
- ✍ Adequately marketed to market

Funding Restructuring II

- ✍ Banks agree to take proceeds from NY Outdoor as “full & final” payment
- ✍ Management pursues sale as well as a refi
- ✍ Enter BKB bank group
- ✍ TDI s reborn as a real company
- ✍ Performance takes off
 - ✍ new entertainment & fashion replaces tobacco
 - ✍ continue to “fix” bad franchises
 - ✍ UK expansion

Post Restructuring II Performance

		<u>92</u>	<u>93</u>	<u>94</u>	
EBITDA		8	9	19	
ENTERPRISE VALUE	8	64	72	152	
SENIOR		40	18	13	
SUB		<u>55</u>	<u>6</u>	<u>6</u>	
TOTAL FUNDED		95	24	19	
EQUITY VALUE		(31)	48	133	

TDI 1995 Harvest Opportunity



- ✍ Strong performance builds value and creates harvest opportunity
- ✍ Balance control and value growth against risk of a return to ills of the past
- ✍ Pursue multiple paths:
 - ✍ Sales to strategic vs financial buyer
 - ✍ ESOP
 - ✍ Leveraged recap

1995 Harvest



✍ Factors that made leveraged recap possible:

✍ BKB support

✍ Ops created debt capacity

✍ No change of control

✍ LBO firms validated enterprise value

✍ Act 94 EBITDA of \$19mil vs budget of \$10mil

Post 1995 Harvest Performance

				<u>94</u>	<u>95</u>
EBITDA				19	38
ENTERPRISE VALUE	8			152	304
SENIOR				13	43
SUB				<u>6</u>	<u>-</u>
TOTAL FUNDED				19	43
EQUITY VALUE				133	261

TDI 1996 Harvest



- ✍ Continued strong performance builds even more value and creates new opportunities
 - ✍ another leveraged recap/IPO/Sale
- ✍ BKB Intro to INF
- ✍ Timing and valuation everything
 - ✍ 95 offer of \$100 mil LBO (EBITDA=\$19mil)
 - ✍ 96 sale for \$300 mil (EBITDA=\$38mil)
 - ✍ 00 EBITDA rumored to approach \$100mil
 - ✍ 03 rumored to be in “the crapper”

Life after TDI



- ✍ After the R&R gets “tired”
- ✍ Life as an “Angel” investor
- ✍ Goal is to have fun...NYU connection
- ✍ Finding entrepreneurs that want your help and opinions, in addition to your \$, are rare