

Jon Moulton discusses Distressed Debt Market

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Jon Moulton , renowned venture capitalist and founder of Alchemy Partners, predicted last night that the market for distressed debt is poised to grow ten-fold over the next few years. Speaking at the **Distressed Investing Committee Annual Charity Dinner 2006** , organised by leading children and family services charity Norwood, Moulton reasoned that the overuse of leverage in financing buyouts and other transactions would spur a huge increase in secondary trading, as these deals suffered from earnings shortfalls and other issues. The inaugural event, held at **Claridge's** , was attended by more than 200 people, and raised more than **£175,000** for Norwood.



Addressing a capacity crowd, Moulton said: "Banks see hedge funds as an easy exit for their problem loans, and hedge funds view banks as a means to create assets on the cheap. Somebody's right!" He went on to reflect upon the dramatic change in the landscape of the restructuring market compared to when he started his career as an accountant more than 30 years ago. "Gone are the days when the fate of companies was decided in small smoke filled rooms by experienced relationship bankers. Today, when a company gets into trouble, the banks are able to sell out to special opportunity funds that are driven by quick and large returns".

"The accountants used to dominate the market and companies were not particularly supported by the banks, who would have no qualms in appointing receivers to protect their interests rather than look at rescuing

the companies. Nowadays, the market is dominated by the lawyers as the capital structures of companies are hugely complicated with up to seven levels of debt seniority across several border jurisdictions. Banks are very supportive of company rescue but are now prepared to trade their debt, which has resulted in the US-style funds taking positions in companies. The funds may not be interested in company rescue as they have a focus on returns to their investors, and I believe that the Government will have to look at this because it may not encourage the company rescue culture which the Government wants to promote.



Lisa Wein, Events Fundraising Manager at Norwood , was delighted with how the evening unfolded. She said: "Tonight provided a very valuable opportunity for our guests to hear Jon Moulton's insights while enjoying a great meal at a fabulous setting. I am confident that Norwood's Distressed Investing Annual Charity Dinner will establish itself as **THE premier networking event for the industry** ".

Jon Moulton added that he was more than pleased to appear at a Norwood event: "It's a super cause, involving super people", he said.

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