DUBAI WORLD FENDS OFF GLOBAL FINANCIAL CRISIS

The global financial crisis caught up with the Middle East when in November 2009 the Government of Dubai announced a request for a six-month standstill from lenders to industrial conglomerate Dubai World and its real estate development subsidiary Nakheel, which owed a combined total of US$26bn to 93 local and international banks. Ranks of bulldozers, employed to develop Dubai, were left sitting idle.

For a while the crisis took on sovereign dimensions, with Dubai's government under pressure to give untenable debt guarantees, fears of contagion across the economy and banking system of the United Arab Emirates, and the reputation of Dubai as a financial hub and celebrity lifestyle destination at stake.

Deloitte acted as chief restructuring officer and adviser to Dubai World and Nakheel alongside Rothschild and Clifford Chance. Moelis & Company and Latham & Watkins were advisers to the Government with KPMG and Allen & Overy advising the lenders.

The deal became the largest and most complex EMEA restructuring of 2010, sorting out a mismatch of short-term debt maturities against long-term asset profiles. Crucial to the deal's success was the separation of Nakheel, where the operational problems and systemic, local liabilities were more critical, from Dubai World, which contained a healthier mix of global infrastructure and private equity assets.

The key to the transaction was the early recognition by all stakeholders that the company needed time to rebuild asset value and execute an orderly realisation of assets to repay debt. With the Government of Dubai committing substantial new funds negotiations with lenders progressed relatively quickly and principle economic terms were agreed with the Dubai World Co Com within six months of the crisis breaking.

Financing of US$10bn from UAE neighbour Abu Dhabi helped smooth the deal, which was agreed by all lenders in October 2010. Transaction subject to documentation with completion expected in early 2011.

Other notable restructuring deals in progress or completed in 2010 include:

- Oerlikon, the publicly listed Swiss conglomerate, affected by severe cyclical downturns across its business divisions, which achieved a SFr1.3bn reduction in net debt;
- Activis, the Icelandic-Bulgarian generic pharmaceuticals company (the fifth-largest such business in the world), which with more than of €5bn indebtedness was Europe's largest hung LBO;
- CenterParcs, the UK short-break holiday park provider, which became the first European consensual CMBS restructuring;
- Martinsa Fadesa, the real estate company, which at €7bn became Spain's largest in-court restructuring ever;
- Panrico, the Spanish pastry producer acquired by Apax for €880m in 2005, but which is now in the hands of the lenders;
- Bodybell, the Spanish beauty products retailer impacted by reduced consumer spending, which required a comprehensive balance sheet restructuring;
- Stabilus, the €450m-indebted German maker of gas springs, which was heavily exposed to the automotive sector downturn and was restructured without resorting to a debt-for-equity swap, but by using a profit participating loan structure;
- Fleet Street Finance Two, a €3.5bn CMBS structure where the underlying assets were the department stores of Karstadt, Germany's largest department store chain and largest corporate insolvency ever;
- Wind Hellas, at €3.7bn, the largest pre-packaged administration for the third largest mobile telecommunications business in Greece.
- Borsodchem, the €1bn Hungarian chemicals maker, hit by a severe cyclical downturn, which required new money and a balance sheet restructuring.

Restructuring deal of the year:
Dubai World