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Valaris completes restructuring with UK administration

Ben Clarke
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White & Case partners **Ian Wallace** in London and **Güniz Gökçe** in Istanbul, and local partner **Ateş Turnaoğlu** in Istanbul, discuss the outlook for restructuring in Turkey.

Two months after a Texas court confirmed its Chapter 11 plan, UK-incorporated offshore drilling contractor Valaris has completed a US\$7.1 billion restructuring through a complementary pre-pack administration sale in the UK.

On 30 April, the High Court of England and Wales approved the appointments of Alvarez & Marsal managing directors **Jonny Marston** and **Mark Firmin** as joint administrators of the group's UK parent company, Valaris plc.

Slaughter and May partner **Ian Johnson**, who has been advising Valaris, tells GRR the UK administration was necessary to facilitate the group's emergence from its Chapter 11 bankruptcy.

As part of the restructuring plan approved by a Texas bankruptcy court on 3 March, the UK parent company had to reallocate its shares and warrants. A new Valaris parent company began trading on the New York stock exchange on 3 May and the former UK parent has now ceased trading.

Marston and Firmin facilitated the sale of substantially all Valaris plc's assets and liabilities to the go-forward group, which the former UK parent is no longer part of. Its affairs, business and property will be managed by the joint administrators while the new group continues to operate.

"Today marks an important milestone as the company emerges from Chapter 11 with a significantly strengthened capital structure, said Valaris CEO Tom Burke. "The overwhelming support of our noteholders, bank lenders and voting shareholders has been invaluable."

Following the emergence from bankruptcy, Houston-headquartered Valaris has eliminated US\$7.1 billion of debt and secured a US\$520 million cash injection by issuing US\$550 million of new secured notes maturing in 2028.

An ad hoc group of noteholders advised by Akin Gump and Kramer Levin Naftalis & Frankel provided the group with a US\$500 million debtor-in-possession facility to allow it to operate during the Chapter 11 process.

As well as providing the DIP funding, the noteholders also agreed to cancel their equity interests and backstop US\$500 million of the new secured notes in exchange for equity in the new group and full payment of their trade claims.

The completion of the restructuring comes eight months after Valaris and 89 subsidiaries from around the world filed Chapter 11 petitions in Texas after

entering a restructuring support agreement with about half the noteholders.

As of 30 April, the group said it had US\$615 million of cash available, US\$40 million of restricted cash and US\$550 million of debt.

“In the current commodity price environment, we are beginning to see the early signs of a recovery in customer demand following the downturn caused by the covid-19 pandemic,” said Burke.

“With the elimination of more than US\$7 billion of debt and an injection of significant additional capital, Valaris is best positioned to take advantage of opportunities going forward,” he added.

Along with Slaughter and May in London, Kirkland & Ellis and Jackson Walker provided US counsel to the group. Alvarez & Marsal and Lazard acted as financial advisers.

The official committee of unsecured creditors received counsel from a cross-border Morrison & Foerster team in New York and London, while secured lender banks were advised by Shearman & Sterling and Perella Weinberg Partners.

Valaris operates in 24 countries – including the Cayman Islands, Singapore, Hong Kong and Bermuda – through 225 subsidiaries. It employs almost 4,000 people. With 11 drillships, five semisubmersibles and 44 jackups, the group boasts the largest fleet of any offshore drilling company.

The restructuring mirrors that of UK-incorporated, Houston-based Paragon Offshore, which completed a parallel Chapter 11 process and a UK pre-pack administration in 2017.

In the High Court of England and Wales

Counsel to Valaris

- **Daniel Bayfield QC** (South Square)
- Slaughter & May

Partner **Ian Johnson** with associates **Edward Couzens**, **William Seal** and **Beatriz Posada** in London (Restructuring)

Partners **Hywel Davies** and **Christian Boney** with associates **Thomas Fletcher**, **David McKendrick-Ness** and **Nicholas White** in London (Corporate)

Partner **Samay Shah** with associates **Charlie McGarel-Groves** and **Robert Withycombe-Taperell** in London (Financing)

Partner **Mike Lane** with associates **Charles Osborne** and **Hamshed Bilimoria** in London (Tax)

Counsel to the ad hoc group of noteholders

- Akin Gump Strauss Hauer & Feld

Partner **James Terry** and counsel **Jakeob Brown** with associate **Diana Dai** in London, partner **Naomi Moore**, counsel **Jeremy Haywood** and associate **Janice Wong** in Hong Kong and counsel **Markus Käppler** in Frankfurt

Counsel to the official committee of unsecured creditors

- Morrison & Foerster

UK restructuring head **Howard Morris** with counsel **Amrit Khosa**, associate **Jai Mudhar** and trainee solicitors **Joe Donaghey** and **Haania Amir** in London

In the US Bankruptcy Court for the Southern District of Texas

- Judge Marvin Isgur

Counsel to Valaris

- Kirkland & Ellis

Partners **Anup Sathy**, **Ross Kwasteniet** and **Spencer Winters** with associates **Yusuf Salloum**, **Catherine Jun**, **Guy Macarol**, **Jaimie Fedell** and **Jeffrey Michalik** in Chicago (Restructuring)

Partners **Jeffrey Zeiger**, **Jason Feld** and **David Zott** in Chicago and partner **Gavin Campbell** in Los Angeles (Litigation)

- Jackson Walker

Partners **Matthew Cavanaugh** and **Kristhy Peguero** in Houston

Counsel to Valaris board of directors

- Ashurst

Partners Giles Boothman and Ben Tidswell in London

Financial adviser

- Alvarez & Marsal
- Lazard

Counsel to revolving credit facility agent Citybank NA

- Shearman & Sterling

Partners **Fredric Sosnick**, **Ned Schodek**, **Daniel Laguardia** and **Grace Lee** in New York with associate **Lauren Randle** in Dallas

- Perella Weinberg Partners

Counsel to ad hoc group of noteholders

- Porter Hedges

Partner **John Higgins**, with associates **Shane Johnson** and **Megan Young-John** in Houston

- Kramer Levin Naftalis & Frankel

Partners **Thomas Moers Mayer** and **Stephen D. Zide** with associate **Nathaniel Allard** in New York

Financial adviser to ad hoc group of unsecured noteholders

- Houlihan Lokey

Counsel to the official committee of unsecured creditors

- Morrison & Foerster

Global restructuring co-chairs **Lorenzo Marinuzzi** and **Jennifer Marines** with associates **Raff Ferraioli**, **Aarti Gupta** and **Katherine Richardson Arnould** in New York