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Reorg Financial Advisor/Investment Banker League Tables Show Top Earners Across 2018 to 2021 Period

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Reorg tracks nearly every aspect of medium and large sized chapter 11 bankruptcies, from our editorial content covering case developments in real time to our robust data offerings tracking important case details over time. In particular, our Advisor Fee data set, found exclusively on Credit Cloud, captures an enormous amount of data on advisor engagements and fees.

In this story we aggregate and share some of our advisor fee data for the first time, highlighting trends in financial advisor and investment banker engagements in medium to large chapter 11 cases (generally \$100 million in liabilities or more). Specifically, the data captures court-approved fees earned for debtor and UCC-side investment bankers and financial advisors across Reorg's middle market and core credit universe for chapter 11s filed between 2018 and 2021 where final fee applications have been filed and approved.

Across this data set of medium and large cases, the tables below show top earners from 2018 through 2021, ranked by aggregate final fees, for both debtor and official committee of unsecured creditor engagements. The results are broken out between financial advisors and investment bankers:

Financial Advisor Fee Rankings - 2018 - 2021					
Debtor Engagements			UCC Engagements		
Financial Advisor	Cases	Total Fees (\$M)	Financial Advisor	Cases	Total Fees (\$M)
1 Alvarez & Marsal	55	\$343.5	1 FTI Consulting	39	\$116.4
2 AlixPartners	41	\$240.6	2 Berkeley Research Group	21	\$37.0
3 FTI Consulting	39	\$161.7	3 Alvarez & Marsal	11	\$36.5
4 Berkeley Research Group	16	\$59.0	4 Province	33	\$34.8
5 Ernst & Young	7	\$22.8	5 AlixPartners	17	\$34.4
6 Portage Point Partners	4	\$20.2	6 Riveron (fka Conway Mackenzie)	15	\$27.0
7 Ankura	4	\$13.8	7 Dundon Advisers	18	\$9.2
8 Opportune LLP	7	\$11.1	8 M3 Partners	2	\$4.1
9 M3 Partners	5	\$7.5	9 BDO	2	\$3.1
10 Riveron (fka Conway Mackenzie)	6	\$6.6	10 B. Riley Financial	4	\$1.9

Investment Banker Fee Rankings - 2018 - 2021					
Debtor Engagements			UCC Engagements		
Investment Banker	Cases	Total Fees (\$M)	Investment Banker	Cases	Total Fees (\$M)
1 Lazard	27	\$274.2	1 Jefferies	16	\$59.0
2 Moelis & Company	25	\$245.2	2 Moelis & Company	4	\$28.9
3 PJT Partners	26	\$240.3	3 Lincoln International	2	\$24.2
4 Evercore	28	\$220.6	4 Perella Weinberg Partners	4	\$21.9
5 Houlihan Lokey	34	\$219.5	5 Houlihan Lokey	4	\$17.1
6 Guggenheim	11	\$117.9	6 PJT Partners	3	\$15.8
7 Perella Weinberg Partners	16	\$108.6	7 Centerview Partners	1	\$15.6
8 Jefferies	13	\$63.5	8 Stifel	6	\$11.7
9 Rothschild & Co	5	\$50.0	9 UBS	2	\$11.4
10 Centerview Partners	8	\$40.0	10 Greenhill & Co.	2	\$6.3

As would be expected, UCC engagements - while lucrative - usually involve lower aggregate fee amounts than debtor engagements. UCC engagements are also more centralized in top firms: Jefferies on the investment banking side and FTI on the financial advisor side.

The tables above also show the amount of engagements won by each listed firm. While generally correlative, the number of engagements won by a firm does not always equate to the firm's position in our ranking of aggregate fees. This is because the amount of fees earned can vary tremendously depending on the nature and length of a particular case.

Below we show the cases generating the highest fee awards for investment bankers, as well as the range of the debtors' aggregate prepetition liabilities and the length of the case.

Investment Banker Top Cases									
Debtor Engagements					UCC Engagements				
Case	Investment Banker	Final Fees		Liabilities	Case	Investment Banker	Final Fees		Liabilities
		(\$M)	(days)				(\$M)	(days)	
Hertz	Moelis & Company	\$44.3	405	\$10B - \$50B	PG&E Corporation	Centerview Partners	\$15.6	502	More than \$50B
Windstream	PJT Partners	\$39.0	488	\$10B - \$50B	Intelsat	Moelis & Company	\$11.7	568	\$10B - \$50B
PG&E Corporation	Lazard	\$31.0	520	More than \$50B	Hertz	UBS	\$10.9	379	\$10B - \$50B
iHeartMedia, Inc	Moelis & Company	\$29.6	315	\$10B - \$50B	Mallinckrodt Plc	Moelis & Company	\$10.7	592	\$1B - \$10B
OneWeb Holdings	Guggenheim	\$28.6	238	\$1B - \$10B	Windstream	Perella Weinberg Partners	\$10.2	554	\$10B - \$50B
Intelsat	PJT Partners	\$28.4	583	\$10B - \$50B	Sears	Houlihan Lokey	\$9.9	368	\$10B - \$50B
McDermott International	Evercore	\$27.5	162	\$1B - \$10B	FirstEnergy Corp.	PJT Partners	\$8.5	683	\$1B - \$10B
Avianca Holdings	Seabury Capital	\$26.5	571	\$1B - \$10B	iHeartMedia, Inc	Jefferies	\$7.3	398	\$10B - \$50B
Valaris plc	Lazard	\$22.5	196	\$1B - \$10B	Avianca Holdings	Jefferies	\$6.9	557	\$1B - \$10B
Sears	Lazard	\$21.3	365	\$10B - \$50B	Valaris plc	Jefferies	\$6.0	180	\$1B - \$10B
EP Energy	Evercore	\$21.2	365	\$1B - \$10B	Diamond Offshore	Perella Weinberg Partners	\$5.1	344	\$1B - \$10B

Most of these high-fee engagements were significantly longer than the average fee period in our dataset (approximately 185 days for investment bankers). Each case also features \$1 billion or more in liabilities, meaning these cases are some of the largest in the dataset. That being said, once a case exceeds a certain size and length, there remains tremendous variation in the amount of fees generated, a fact that can be ascribed to particular case dynamics.

For a single case, Moelis earned the highest investment banking fee, taking in \$44.3 million for its debtor advisory role for Hertz. As further detailed in Reorg’s Advisor Fee dataset, Moelis’ fee from the Hertz cases includes more than \$31 million in transaction fees from exit and other financing as well as asset sales, \$10 million in restructuring fees, and the balance in monthly fees. Moelis earned \$29.6 million for its role as debtor advisor in iHeart’s 2018 bankruptcy, representing the fourth highest fee in the data set. As expected, even in these high-fee cases, investment banker fees for committees were significantly smaller than those for debtors.

Here is the same data with respect to financial advisors across the same data set and time period:

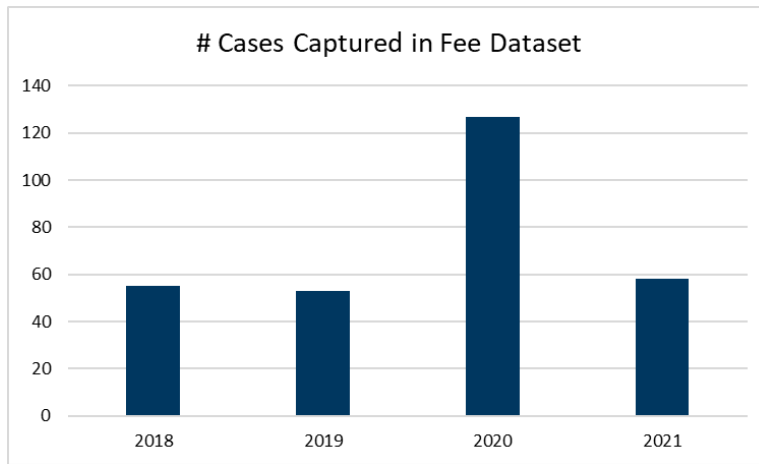
Financial Advisor Top Cases									
Debtor Engagements					UCC Engagements				
Case	Financial Advisor	Final Fees		Liabilities	Case	Financial Advisor	Final Fees		Liabilities
		(\$M)	Fee Period (days)				(\$M)	Fee Period (days)	
Grupo Aeromexico	AlixPartners	\$57.0	625	\$1B - \$10B	Mallinckrodt Plc	Alvarez & Marsal	\$20.0	594	\$1B - \$10B
Hertz	FTI Consulting	\$52.8	404	\$10B - \$50B	PG&E Corporation	FTI Consulting	\$18.2	536	More than \$50B
Intelsat	Alvarez & Marsal	\$46.7	584	\$10B - \$50B	Hertz	Berkeley Research Group	\$12.9	381	\$10B - \$50B
Mallinckrodt Plc	AlixPartners	\$35.6	613	\$1B - \$10B	Sears	FTI Consulting	\$10.9	1,345	\$10B - \$50B
Windstream	Alvarez & Marsal	\$27.7	488	\$10B - \$50B	Grupo Aeromexico	FTI Consulting	\$9.5	609	\$1B - \$10B
J. C. Penney	AlixPartners	\$27.3	214	\$1B - \$10B	Intelsat	FTI Consulting	\$9.1	569	\$10B - \$50B
Verity Health	Berkeley Research Group	\$22.9	736	\$1B - \$10B	FirstEnergy Corp.	FTI Consulting	\$8.7	688	\$1B - \$10B
Diamond Offshore	Alvarez & Marsal	\$20.4	363	\$1B - \$10B	Chesapeake Energy Corp	AlixPartners	\$8.6	211	\$10B - \$50B
NPC International	AlixPartners	\$19.9	273	\$1B - \$10B	Highland Capital	FTI Consulting	\$6.2	645	\$100M - \$500M
Gulfport Energy	Alvarez & Marsal	\$19.8	166	\$1B - \$10B	Sanchez Energy	FTI Consulting	\$5.9	301	\$1B - \$10B

AlixPartners and Alvarez & Marsal together dominated the top fee-generating debtor financial advisor engagements, accounting for 8 of the top 10 such cases. FTI accounted for 7 of the top 10 UCC financial advisors engagements. As with investment bankers, almost all of the top earning cases for financial advisors featured a longer fee period than average (205 days for financial advisors) and each case featured more than \$1 billion in liabilities (except for FTI’s representation of the UCC in Highland Capital, a particularly long-running case).

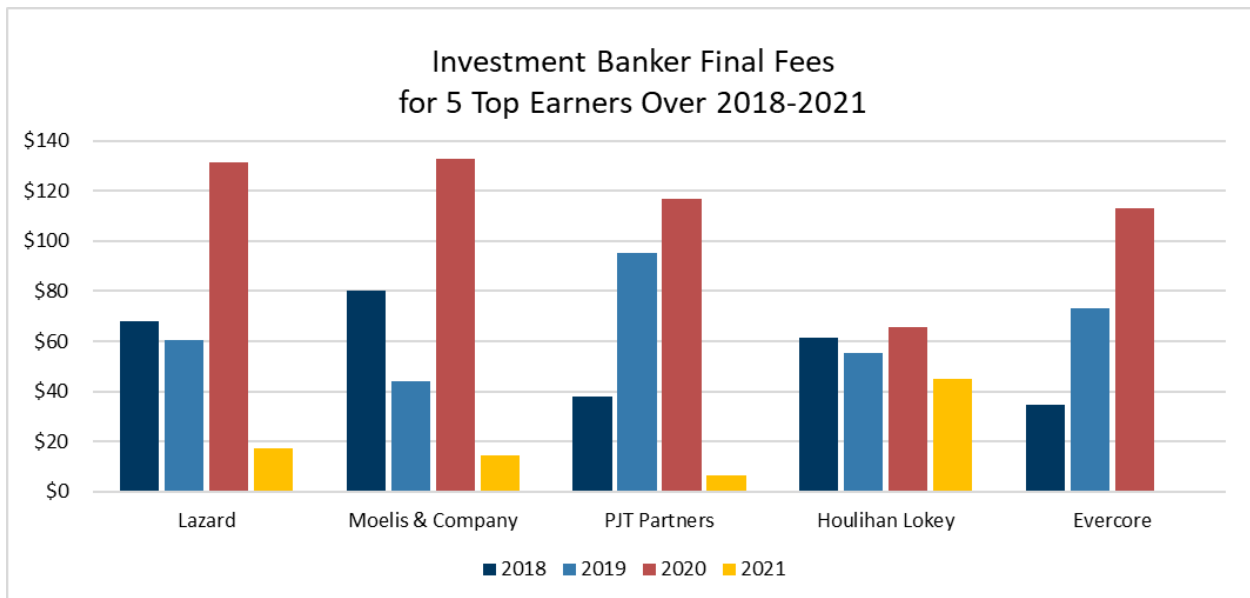
AlixPartners earned the highest fee, \$57 million, as the debtors’ financial advisor in the Grupo Aeromexico cases. The highest fee for a UCC engagement by a financial advisor was \$20 million for Alvarez & Marsal in the Mallinckrodt cases.

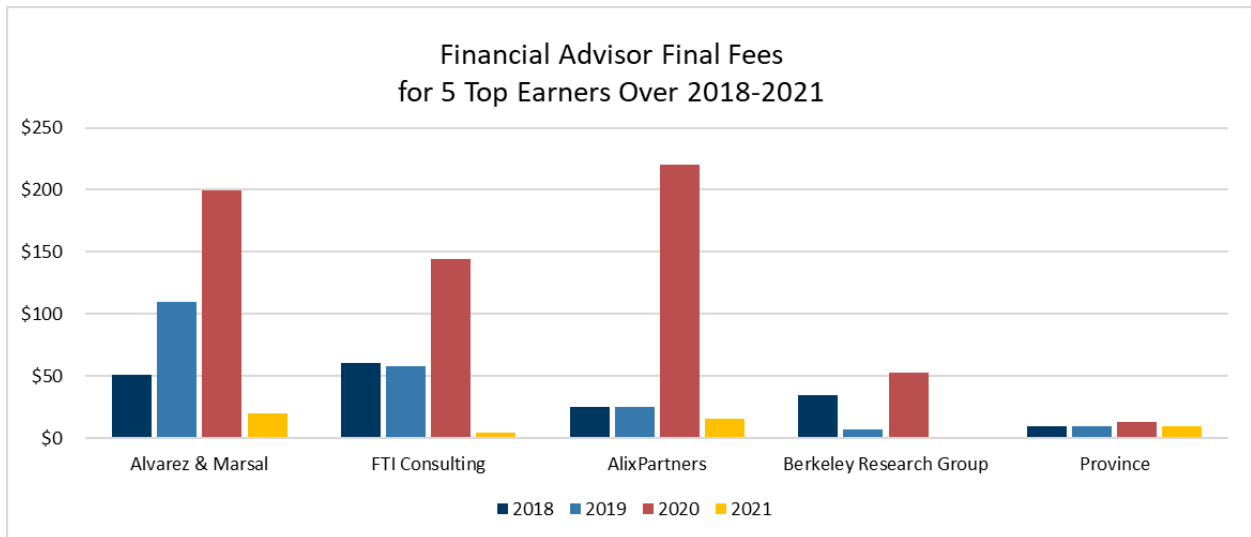
The ability of firms specializing in these types of representation to bring in fees is highly dependent on the aggregate amount of activity in large chapter 11 cases.

The total number of cases in 2020 dwarfed the other years reviewed in our data set, largely on account of the Covid-19 pandemic.



Reviewing the aggregate amount of fees earned by top 5 investment bankers and financial advisors in the bankruptcy space by year, the correlation to 2020's spike in cases is quite noticeable.





One important differentiating feature between investment banker and financial advisor fee structures is the prevalence of aggregate fee caps in investment banker engagements, especially with respect to debtor retentions. Approximately one quarter of investment banker debtor retentions in the data we reviewed above included such fee caps, as opposed to almost no caps for the financial advisor engagements discussed above, which tend to be time-based.

Such a fee cap presents risks when unforeseen circumstances arise. The COVID-19 pandemic and this year's drastic tightening of credit conditions combined to arguably present such circumstances recently in the *Latam Airlines* case. Four rounds of DIP financing, tricky exit financing negotiations and complexities in the Latam business plan all combined to expand the work required of the debtors' investment banker, PJT Partners. This fall, the debtors asked Judge James Garrity to expand PJT's cap to \$37 million from \$25 million, but the judge refused.

Judge Garrity found that the applicable section in the Bankruptcy Code, section 328(a), required that any *ex ante* change be supported by a showing of circumstances incapable of being anticipated at the time the engagement was negotiated, not "merely unanticipated circumstances." This is a high bar, and one that professionals should bear in mind when negotiating their engagements.