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Large Company

Transaction of the Year

Performance Sports Group Ltd.

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In the annals of competitive hockey, "miracle" often refers to the U.S. men's team's improbable upset of their heavily favored Soviet rivals during the 1980 Winter Olympics – a comeback so impressive it was destined for Hollywood. While the comeback story of Performance Sports Group may not make the silver screen, its odds-defying path through a multi-jurisdictional bankruptcy that culminated in a transaction producing 100 percent recoveries to creditors and consequential recovery to equity is, indeed, medal worthy.

Long known as Bauer Performance Sports, among the most iconic brand names in sports, Performance Sports had evolved into a major equipment player for ice hockey, roller hockey, lacrosse, baseball and softball. By 2016, however, the company was playing defense on nearly every front. A softening overall market forced several of its key customers – retailers such as Sports Authority – into bankruptcy and others to consolidate, leading to sharp sales declines. The company was saddled with debt following a multi-year acquisition strategy. Revised earnings projections sent its stock plummeting. A strengthening U.S. dollar relative to other currencies, including the Canadian dollar, compressed margins and reduced profitability. As regulators in Canada and the U.S. pursued investigations, the company also faced a securities class action lawsuit. Initial attempts to restructure operations and conserve cash were insufficient to stem the tide as the company's performance continued to deteriorate. Performance Sports was running out of money – and time.

With its liquidity position becoming increasingly precarious, Performance Sports, in late summer 2016, assembled a team of advisors to assess the company's strategic alternatives. Staring down a debt default within 60 days due to Performance Sports' inability to file timely audited financial statements, the company and its advisors were forced to work with critical urgency to make quick decisions and identify a path forward. The result: selling the company through a multi-jurisdictional bankruptcy process with a two-part DIP financing.

Performance Sports' formidable brands – such as flagship Bauer Hockey – proved to be a powerful selling point. Seeing significant future potential, Sagard Capital Partners, the largest shareholder, and Fairfax Holdings, stepped up with a $575 million stalking horse offer to backstop the bidding process. The price – more than 40 times EBITDA – ultimately carried the day. In February 2017, Performance Sports won court approval for the sale. The company later emerged from bankruptcy in the U.S. and Canada. The transaction resulted in new ownership, produced full recovery to unsecured creditors, yielded consequential recovery to equity holders, provided lawsuit settlement funds, preserved nearly all jobs, and reset the game clock for some of the most beloved brands in sports.