Large Company

Turnaround of the Year

Wind Mobile

Greg Boland, West Face Capital
Lawrence Guffey, LG Capital Investors
Michael Leitner, Tennenbaum Capital Partners

WIND Mobile ("WIND" or the "Company") was founded in 2008 as a new entrant in the incumbent-dominated Canadian wireless carrier market. Under the control of Vimpelcom (the sixth largest global mobile carrier based in Russia), who had been the sponsor of the business since 2012, WIND grew meaningfully, spending significant capital to purchase spectrum assets, develop a network, and scale operations. By early 2014, however, WIND had incurred about CA$2 billion of debt and was incurring significant operating losses well in excess of CA$100 million.

In May 2014, Vimpelcom initiated an accelerated sale process for WIND which was caused by a confluence of factors including: (i) the Russian invasion of Ukraine which heightened tensions between Canadian and Russian relations exacerbating concerns about a potential freeze on Russian owned assets; (ii) the Canadian government's refusal to allow Russian ownership of strategic Canadian telecom assets (which hindered WIND from acquiring any additional spectrum to run its business); and (iii) the default under WIND's vendor debt (of which Tennenbaum Capital Partners owned 1/3 of the class). As a result, a consortium of investors (including Tennenbaum Capital, West Face Capital, LG Capital Investors, and Globalive Capital – collectively, the "Investor Group"), along with an experienced management team, was able to successfully acquire WIND for about CA$300 million in September 2014 and take voting control in January 2015.

At acquisition, the Company was burning significant cash, lacked strategic direction, was overleveraged, and had a very limited spectrum portfolio (about 10 MHz throughout the WIND footprint – which was insufficient to upgrade from 3G to LTE). Over the course of 12 months, the Investor Group worked closely with management to enact dramatic revenue, cost, and asset turnaround initiatives, which included:

- Significantly reducing headcount, implementing new pricing plans, broadened smartphone offerings including accommodating the iPhone, which grew subscribers 25 percent to 945,000 during Investor Group ownership
- Meaningfully changing the culture of the business toward an entrepreneurial "start-up" mentality versus that of a larger corporation
- Increasing revenue 22 percent year-over-year, leading to significantly positive run-rate free cash flow by December 2015 versus significant cash flow losses in prior periods
- Shedding CA$1.8 billion of debt, while preserving over CA$650 million of tax NOLs, through a complex restructuring (preserving significant value given NOLs are saleable in Canada)

- Working collaboratively with the Canadian government to support spectrum auctions that would allow emerging operators to significantly enhance their spectrum footprint
- Participating in two spectrum auctions (AWS-3 and 2.5 GHz) increasing WIND's spectrum position at a cost of $56 million. In comparison, incumbents paid over CA$2 billion for comparable spectrum. Further, partnered with Rogers Communications to jointly acquire the spectrum assets of Mobilicity (an emerging operator competitor of WIND's), and then negotiated with the government and Rogers to swap portions of WIND's spectrum with Rogers to allow WIND to assemble a contiguous footprint to deploy LTE. Collectively, these efforts increased WIND's total spectrum position from 10 MHz to 50 MHz in its core markets.
- Raised CA$425 million of new vendor financing commitments from a consortium of global financial institutions to build out a new national LTE network

Through a deep operational turnaround and by adding new LTE capable spectrum, the Company went from being highly distressed to strategically valuable in slightly over one one year. In December 2015, the Investor Group ultimately sold WIND to Shaw Communications for CA$1.6 billion (a six times increase of our investment in 16 months).