



Master Thesis

Processo Especial de Revitalização (PER)

The Process to Recover Financially Distressed Companies in Portugal

Gonçalo Matos Nunes

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Abstract

Este tese tem por objecto de estudo, o Processo Especial de Revitalização (PER). Sendo o PER, a mais relevante medida do Programa Revitalizar, programa este implementado pelo governo Português no ano de 2012 para combater a crise no sector empresarial português, com o objectivo de ser um mecanismo que permitisse às empresas a sua recuperação, satisfazendo os credores e mantendo postos de trabalho, foi importante perceber de que forma o sucesso de aprovação de um PER variava de empresa para empresa e quais os factores comuns que poderiam levar à aprovação, ou não, do PER. Com essa finalidade, foram analisados dois casos individuais. Mesmo sabendo da particularidade individual de cada caso, esta tese conclui sobre um conjunto de medidas comuns que podem beneficiar individualmente cada PER submetido no futuro, podendo assim melhorar ainda mais um mecanismo fundamental na ajuda da recuperação das empresas em Portugal.

This thesis centers its study in PER. Being PER, the most relevant measure of Programa Revitalizar, a program introduced by the Portuguese government in 2012, with the objective of battling the economic crisis faced by the Portuguese companies, allowing these companies its financial recovery, therefore satisfying its creditors and maintaining job places, it was important to understand in which way did the approval of a PER changed from company to company and what were the common factors that could have led to an approval, or not, of the PER. With that goal on focus, two different individual cases were analyzed. Despite knowing about the individual particularity of each PER case, this thesis concludes about a range of common measures which might benefit individually future submitted cases, by this improving even more a crucial mechanism, responsible for the recuperation of failing companies in Portugal.

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1. Introduction

The economic crisis and recession felt in Portugal in the past years, led the Portuguese Government to start a program destined to fight this recession and help companies to keep its activity and business during these economically unstable years. The main measure of this program is Processo Especial de Revitalização¹ (PER). Based on the chapter 11 of the American Bankruptcy code, PER is the process responsible for restructuring companies' debt and satisfy creditors. Since its start in 2012, PER has seen an increasing number of companies applying for it over the years, which turned it the main mechanism responsible for some companies being able to survive this bad economic period.

The role of PER in the economic recovery of the Portuguese company tissue, turn it into a very interesting object of analysis. Not only because of its structure, but mainly because it is a major instrument for the survival of companies. Also as it is a newly introduced process, there are still few academic analysis of the topic, which leaves more space for discussion. My motivation is to improve the process and bring more effective results in the future. Despite the uniqueness of each process, there are standard procedures that if improved may translate into more successful companies in the future. In order to find out which practices should be kept and what can be improved, I present 2 cases: one in which the company's PER is not approved, and the other one in which the PER is successfully approved. By comparing what happened in each case and raising the hypothesis of what could possibly led to fail or success in the approval of the plan, solutions are presented to improve success in approval.

An aggregated data analysis can bring better results on how companies have successfully approved PER's by activity sector or by company size, or even measure costs of bankruptcy, but I consider more important improving a standard process which may benefit all companies applying to succeed.

This dissertation starts by explaining the American Bankruptcy code, in which the Portuguese Legislation based the creation of PER, in chapter 2. In chapter 3 is made a contextualization of Programa Revitalizar, explaining how it was introduced and how it works. After this, an

¹ Translated into English this literally means Special Revitalization Process and it is commonly referred in Portugal as PER

analysis of the two cases is done in chapter 4, in order to formulate which might have been the causes for success or unsuccessful approval. Chapter 5 is the conclusion and it exposes measures which I believe will improve PER efficiency if adopted.

2. Literature Review

2.1. Bankruptcy Definition & U.S. Bankruptcy Code

According to Hazak and Mannasoo (2007), bankruptcy represents the legal definition for default. There are significant cross-country differences in bankruptcy legislation but in general, bankruptcy refers to the situation where a company is legally declared unable to pay its creditors. It has to be noted that there is usually a significant time delay between payment problems arising and a company being legally declared bankrupt. So, since the time the company is facing difficulties to fulfill its payments, the company is in financial distress.

The U.S. Bankruptcy code serves the purpose of aiding bankrupt companies, or suffering from financial distress. This code's chapter 11 (reorganization) and chapter 7 (liquidation), are the base for companies' financial recuperation in the US, and a model for many other countries in the world to follow. One of its most important changes was the Reform Act of 1978, which according to Boyes and Faith (1986), was intended to modernize bankruptcy laws, to meet the increased numbers of bankruptcies, to aid creditors in receiving secured property, and to ensure that debtors would have sufficient resources to make a fresh start.

2.2. Chapter 11 of the U.S. Bankruptcy Code

The Chapter 11 of the American bankruptcy code of 1978 is known as a reorganization procedure which gives debtors an opportunity to restructure the payment of their debts while remaining in control of their business or property, in order to generate the revenues necessary to pay creditors, as stated Periscalco (1984).

Bradley and Rosenzweig (1992) said Congress believed that assets would be more highly valued if utilized in the industry for which they were designed, rather than scrapped, being also concerned that liquidations destroy valuable firm-specific assets and impose substantial costs on corporate stakeholders, such as security holders, employees, suppliers, customers, and communities, and therefore concluded that the law must afford managers of financially troubled companies the preferred alternative of court-supervised reorganization. Bradley and Rosenzweig (1992) also say,

in Congress' view, easier access to the protections of Chapter 11 would enhance social welfare. Chapter 11 reorganization is seen as the alternative to liquidation, a solution that can put more money in the pockets of the creditors, save more jobs, and preserve local tax bases, according to Warren and Westbrook (2009).

Firms that file under Chapter 11 must adopt a reorganization plan. According to Periscalco (1984) this plan should meet a feasibility requirement, ensuring the plan offers a reasonable prospect of success and is not just a “visionary scheme”. By this, Alderson and Betker (1995) state that firms reorganizing in bankruptcy must disclose their post-bankruptcy financial structure as well as estimates of going-concern and liquidation values of their assets. This is a very hard work to do and implies delving into the financial operations of the business, to diagnose its problems and to work out a strategy to solve its problems, having to devote substantial amounts of time, being also a costly process, because it requires debtor’s resources to achieve a solution, as mentioned by Warren and Westbrook (2009).

After submission of the reorganization plan, prior to court approval, it must be agreed by a majority of creditors (including the stockholders), as stated Franks and Torous (1989). Then, according to Warren and Westbrook (2009), there were four possible outcomes in most Chapter 11 cases: dismissal, conversion to Chapter 7, liquidation by sale in Chapter 11, and confirmation of a plan of reorganization.

It is important to notice, as stated by LoPucki (1983), what occurs under chapter 11 will vary with the type of business in which the debtor is engaged, local practices in the bankruptcy courts, the size of the business and perhaps other factors which may vary significantly from district to district. Rasmussen (1991) also said, the more common debtors seeking reorganization under the auspices of the bankruptcy court are small closely-held corporations. By this, it is understandable that such thing as a general plan of reorganization for all companies, does not exist.

No matter what the outcome is, the principle of automatic stay applies, which according to Frank and Torous (1989) is, when the firm enters reorganization all repayments of capital and interest are postponed until the reorganization is complete. This means the debtor “avoids” obligations as soon as it enters a chapter 11 reorganization plan and creditors cease collection attempts, giving an instantaneous substantial cost decrease and leading to some scholars, like Periscalco (1984), to raise the question if there are some debtors lacking in good faith, seeking only to avoid obligations

and looking for competitive advantage under chapter 11. About this, White (1994) said efficient firms benefit from appearing to be inefficient since this allow them to pay less to creditors, while in reorganization.

It also applies the principle of the absolute priority rule, which holds that senior creditors must be paid in full before anything is allocated to junior creditors and that the stockholders receive nothing unless all creditors are paid in full, as stated by Altman (1993). Rasmussen (1991) also stated, secured creditors are paid first, followed by unsecured creditors, followed by equity holders. This rule is exclusively for protection of creditors' interests under chapter 11 reorganizations. Even though bankruptcy court approves a plan over the objection of the creditors ("cram down"), this rule applies anyway, as Rasmussen (1991) highlighted.

Success is a very important matter in chapter 11, but the way success is defined under a chapter 11 reorganization plan is still in discussion, even though many agree on the idea of business survival as a going concern, when going concern value exceeds company's liquidation value. According to Lynn, LoPucki and Witford (1993), bankruptcy lawyers and commentators sometimes consider a reorganization case to be successful if a plan of reorganization has been confirmed. Another test of the success of a reorganization case used in conversation among practitioners is whether the business or firm survived. Survival can mean two different things. The firm survives if it emerges from reorganization as the same corporation, even though the assets it owns have changed radically. For many commentators, a better measure of the success of a Chapter 11 case than mere survival is the extent to which the financial performance of the company improved. One measure of this kind of success is whether the surviving entity remained out of bankruptcy after confirmation. Another measure is whether the surviving entity emerged from bankruptcy with less debt and/or improved profitability. LoPucki (1983), references again, the chief purpose of corporate reorganization is to preserve, if possible, the going concern value of the debtor in contrast to forced sales and depressed values of liquidation. To accomplish this purpose, the debtor's business must be maintained in operation. Warren and Westbrook (2009), based on the evidence of the number of companies that return to Chapter 11 after confirming a reorganization plan, suggest that not all businesses will enjoy smooth sailing post-bankruptcy.

Specialists believe costs incurring from a chapter 11 reorganization plan, are also a measure of success and efficiency of the process. These costs can be higher or lower depending on various

factors. Bris, Welch and Zu (2006), consider in their analysis four relevant indicators of costs, being it, the change in the estate's value during bankruptcy (a measure of indirect costs), the time spent in bankruptcy (another and more common measure of indirect costs), the expenses submitted to and approved by the bankruptcy court (a measure of direct costs), and the recovery rates for creditors and absolute priority rule violations (due to managers bargaining power under chapter 11). White (1989) stated, research on bankruptcy costs has tended to divide them into two categories. The first is the set of administrative costs for which bankruptcy courts keep records-including lawyers' costs, trustees' fees, and auction and appraisal costs. The second, referred to as indirect costs of bankruptcy, consists of lost sales and profits due to disruption, the value of foregone investment opportunities during the bankruptcy procedure, and the lost value of funds that are tied up during bankruptcy.

About the cost of time in bankruptcy Bris, Welch and Zu (2006) also said, indirect bankruptcy costs such as bankruptcy's adverse impact on product and capital markets increase with the time that firms spend in bankruptcy. A bankruptcy that takes 5 years to resolve is likely to incur more indirect costs than a bankruptcy that takes 3 months. White (1989) also references, another indicator of bankruptcy costs is the length of time that the bankruptcy procedure takes.

Management interests can be in conflict with efficiency and be highly costly. Mooradian (1994) said, managers may care more about protecting their jobs than they care about shareholder wealth. Unless creditors can bribe managers to liquidate the firm, managers avoid liquidation. To the extent that managers of inefficient firms in Chapter 11 avoid liquidation, managers destroy value. White (1989) stated managers' personal interests strongly favor reorganization because existing management is usually retained in reorganization, while in liquidation managers' jobs are eliminated. This preference for reorganization over liquidation causes too few firms to liquidate and generates inefficiency by delaying the movement of assets from less productive to more productive uses. Frank and Torous (1989) observed that substantial deviations from absolute priority frequently occurred in their sample in favor of stockholders. The essential features of their framework are that if a stockholder-oriented management remains in control of the firm, it can protract the proceedings especially when it retains the exclusive right to propose a reorganization plan, and, the costs of reorganization are paid out of the firm's cash flows and therefore are borne (in large part) by creditors.

While analyzing costs in chapter 11 reorganization plans, it is also very important to realize that any policy designed to save efficient but failing firms will also save some inefficient firms, as said White (1994). Still according to White (1994), the social costs of restructuring inefficient firms, or liquidate efficient firms are extremely high, being it the great cost raiser of chapter 11.

Since chapter 11 of the bankruptcy code has been created, much were the reformulation proposal suggested by its criticizers, always trying to improve its efficiency and thus, trying to increase social welfare.

2.3. Chapter 7 of the U.S. Bankruptcy Code

Liquidation is the basic bankruptcy procedure. Even for firms that decide to reorganize rather than liquidate, the liquidation procedure sets the framework for bargaining over a reorganization, said White (1989). White (1989) also said, In contrast to reorganization, liquidation is viewed as the process of winding up the operation of firms that are not viable. According to Mooradian (1994) when a firm files to liquidate under Chapter 7 of the U.S. Bankruptcy Code, the bankruptcy court appoints a trustee who shuts the firm down, sells its assets, either through an auction or through negotiations with investors and other firms and turns the proceeds over to the court for payment to creditors. White (1989) stated, the bankruptcy priority rule then determines in what order individual creditors are paid and how much each receives. The absolute priority rule specifies that claims are paid in full in a particular order: first, administrative expenses of the bankruptcy process itself; second, claims taking statutory priority, and third, unsecured creditors' claims, including trade creditors, utility company creditors, holders of damage claims against the firm and claims of long-term bondholders. Finally, equity interests rank last.

Liquidations under chapter 7, as in chapter 11, are costly. Bris, Welch and Zu (2006), identified that Chapter 7 expenses have three major cost components, namely, the trustee expenses, accountant expenses, and debtor attorney expenses. Alderson and Betker 1995, also considered the existence of Liquidation costs, occurring when the difference between assets liquidation value and its current use value (going concern value) is lower than zero.

Once again, as it happens in chapter 11, the bargaining power of managers can lower efficiency and increase the costs under chapter 7 liquidation plans. According to White (1989), creditors

holding claims that are long term and due in the future have little bargaining power with management. But creditors holding short-term claims who are willing to make new loans to the firm have substantial bargaining power. These creditors often improve their positions in the priority ordering by bargaining with the firm to convert some or all of their claims from unsecured to secured status. White (1989) also said, managers have an incentive to arrange new loans to the firm that rank high in the priority ordering, since the new loans will carry a lower interest rate due to their high priority.

As it happens in chapter 11, there are also critics and supporters of chapter 7. According to Rasmussen (1991) liquidating a company after it has failed to reorganize is more expensive than liquidating the company in the first place. He defends, creditors would receive more if their debtors had originally filed for chapter 7 liquidation, instead of filling for chapter 11 first. On the other hand, Bris, Welch and Zu (2006) say, chapter 7 seems to offer few advantages because, it takes almost as long to resolve, requires similar fees, and in the end provides creditors with lower recovery rates, often zero, than a comparable Chapter 11 procedure. They go even further and state that bankruptcy professionals (attorneys, accountants, trustees) regularly end up with most of the post-bankruptcy firm's value in Chapter 7.

3. The Portuguese Legislation and Contextualization of Programa Revitalizar

In order to respond to the urgent needs in the Portuguese economy and to accomplish the goals agreed with the IMF (International Monetary Fund) and ECB (European Central Bank) resulting from the financial aid program, the Portuguese government introduced in 2012 a new program which intention was the revitalization and restructuration of the corporate tissue, called Programa Revitalizar.

This program consisted in the creation of appropriate mechanisms and measures to promote and encourage the negotiation between debtor and creditors with a reduced or even null intervention in court, faster negotiable processes, less bureaucracy and proactive behavior from all intervenient. Also, being the debtor able to develop its activity and keep its workers. *“It has the mission to optimize the legal, tributary and financial frameworks where the enterprise tissue develops their activity.”* (Relação do Conselho de Ministros nº11/2012 03/02). The main targets of this program are mainly the SME (Small and Medium-sized Enterprises), as these companies represent 99, 5% of all companies in Portugal, employ 75% of the total active population and have a value of almost 60% (59, 2%) of Portuguese GDP (Gross Domestic Product). SME in Portugal are companies (generally) very dependent on external financing and with low equity, being the banks their main creditors. The decrease of leverage provided from banks, allied to the fall of consumption, started to create serious difficulties for many companies to fulfil their credit obligations, constantly postponing their payments or being unable to keep it. It was very important for the government to identify companies still able to restructure and revitalize in order to avoid undesirable insolvencies, and the consequent regression in the economic activity.

To achieve the previously stated goals, Portuguese Government introduced 3 major measures under Programa Revitalizar, being them PER (Processo Especial de Revitalização), which consists in a judicial agreement followed under the supervision of a judicial administrator; SIREVE (Sistema de Recuperação de Empresas por via Extra-Judicial), which is a non-judicial agreement followed under the supervision of IAPMEI (Instituto de Apoio a Pequenas e Médias Empresas e à Inovação); and “Fundos Revitalizar”, which consist in three regional investment funds created to support regional companies and their development.

Even though Programa Revitalizar was introduced in 2012, the Government thought appropriate to reformulate it, in order to better address it to companies and their needs. *“Despite the improves verified in economic and financing context, not only in the international market, but also in Portugal, there are still concrete challenges related with the ongoing financial structure, with high dependency on bank financing and low equity levels. Because of the above described, the Government feels the need to implement a set of measures aligned with the best international practices, more favorable in approving recuperation plans for companies, financing in the long term of their activity and to the emission of hybrid instruments of capitalization which ease the entry of new investors who have additional skills and available liquidity.”* (D.L n° 26/2015) So, in 06 of February 2015 through D.L n°26/2015 the Portuguese government introduced the biggest changes, and so far the last ones, to Programa Revitalizar. The major objectives were to shorten deadlines for negotiations conclusion and creating better mechanisms of protection for both debtors and creditors, turning the programs more efficient. These changes were mainly focused on SIREVE program, trying to make it more homogeneous with PER. Government’s goal was to turn it more adequate and appellative to companies. On PER program there is only one change, set on the approval system, adding a new way of approving the PER, seeking higher rates of approval. It was also created an online platform under the supervision of IAPMEI, exclusively addressed to companies who seek mergers or acquisitions. It is important to give an individual approach to every one of these mechanisms, in order to understand the differences between them, with special focus on PER, which constitutes the main part of Programa Revitalizar.

3.1. PER (Processo Especial de Revitalização)

Inspired by the American Bankruptcy Code’s chapter 11, PER was Portuguese's government most relevant measure of Programa Revitalizar in order to assure companies revitalization and restructuration.

The D.L. n°16/2012 (20/04) introduced some changes on CIRE (Código da Insolvência e Recuperação de Empresas), creating PER legal terms and instituting it (Artigo 17º A-I). PER constitutes a big alternative towards the insolvency process (which is usually associated as a bad stigma for companies), trying to secure a higher success rate in companies recuperation.

PER nature and purpose is to *“allow the debtor, who can prove is difficult economic situation or under imminent insolvency state, but still susceptible of recuperation, to establish negotiation with its respective creditors in order to achieve on agreement leading to its revitalization”* (DL 16/2012 20/04 – Artigo 17º A). It is stated by the same document that it is very important to clarify what could be understand as “difficult economic situation” and its explained as *“every debtor who faces serious difficulty to fulfil its obligations, due to lack of liquidity or because it does not have credit access”* (Artigo 17º - B).

To apply for this process, the debtor must show its own will and at least of one of the creditors will in negotiate, by signing a declaration and delivering it to the regional court. After this, and due to the urgent nature of the process, the debtor must notify all the remaining creditor, for them to be aware of the debtor’s intention to start the process. The court immediately requests all necessary documents to start the negotiation (present on Artigo 24º-1), and nominates a judicial administrator, who is going to follow all the pre-negotiable process, negotiable process and give his concurring opinion at the end . The administrator has a role of big importance and transparency during the process. His main concerns are creditors interests (equality in payments; if the best for creditors is company’s insolvency the administrator must state it on his report), preservation and up keeping company’s assets, thriving for company’s activity and guiding company’s administration on all their actions that are not indispensable to company’s main activity. The administrator has full access to the company’s infrastructures, archives and information, having to do an evaluation of the company.

After being notified, all creditors have 20 days to claim their credits to the judicial administrator, who deliver the provisional list of creditors to the court. Creditors have 5 days to impugn the list and it is up to the court to decide about the formulated impugnation. When approved by the court, the provisional list of creditors turns into final list of creditors and negotiations may start, having all intervenient two months to finish negotiation, being able to extend it for one more month. The truthfulness of all information provided during the negotiation process, by the debtor, it is entirely its responsibility (creditors approve or not this process based on the information and analysis provided).

Concluded the negotiable process, PER approval will be based on favorable votes. A PER is considered approved if at least one third (1/3) of creditors who have the right to vote, indeed vote, and at least two thirds (2/3) of those votes are favorable. Also, at least one half (1/2) of all favorable votes should be from non-subordinated debt (subordinated debt definition: artículo 48º CIRE). In 06 of February 2015 the D.L. nº26/2015 added a new approval system for PER, besides the one described above. Seeking higher approval rate and to have more companies being restructured, from 06/02/2015 on, if more than one half (1/2) of creditors with the right to vote, give an approval vote and more than one half (1/2) of those votes are from non-subordinated debt, the PER is approved. (In both cases abstentions were not taken into consideration).

During all the negotiation process and until the final decision of approval or not, the debtor will benefit from some “effects” or “consequences” of the PER. So, if the debtor has debt charge actions against it, or insolvency requests, they cease during all negotiable process and they get extinct if the PER is approved. In the case of the PER not being approved, all its effects and benefits the debtor had right during the negotiable process, get extinct. After the negotiations have failed, the judicial administrator must analyze debtor’s situation and give his verdict about the solvency of the company. If it is considered insolvent, the judicial administrator must immediately communicate his decision to the court, which has 3 days to declare it. In the case of not being approved, the debtor cannot apply for a new PER for two years.

All guarantees agreed between debtor and creditors, with the purpose to provide the debtor with the financial means necessary for the development of its activity, will be kept. Even though, until 2 years after finished the process, would be decreed debtor’s insolvency. Also, under PER conditions, all creditors who finance debtor’s activity during the negotiable process, will be privileged, being paid even before workers.

After briefly analyzing how PER process is constituted, the role of intervening parties, and the side effects arising from its appliance, it is important to remind the main features that constitute the goals and nature of this process. Being them: allow debtor’s recuperation; equality and fairness in creditors payments; transparency and urgency of negotiation process; very important role of the judicial administrator, analyzing debtor’s situation, providing a restructuration plan, guiding debtor’s actions in the development of its activity, being the moderator of all negotiations always seeking an agreement; mechanisms of protection for both debtor and creditors (debtors see debt

charge actions and insolvency requests being ceased and creditors benefit from privileged debt liquidity). In order to have a clear idea about the number of PER process submitted along the years and its outcome, see appendix 1, 2, 3 and 4.

3.2. Non-judicial agreement process or SIREVE (Sistema de Recuperação de Empresas por Via Extra-Judicial)

SIREVE is a non-judicial agreement process between debtor and creditors, being the substitute of the former PEC (Procedimento Extrajudicial de Conciliação). It constitutes a major alternative to the judicial processes, generally, with more flexible and faster procedures than the judicial ones (insolvency processes). It is also addressed to companies in a prior/minor state of value destruction. *“Being a company’s option to choose in which circumstances should initiate its restructuring process and which negotiable instrument to use, it must be referred that the different negotiable platforms were designed in a way that the choice of which one to use, should be directly related with the degree of degradation of its financial structure and, eventually, of its economic situation. By this, SIREVE it is meant to be used in situations in which the degradation level of companies’ economic situation is considerably lower”.* (IAPMEI, FAQ_SIREVE)

As it is a voluntary process, highly dependent on the “goodwill” of all intervening parties, it is vital that values like transparency, cooperation and good practices command over all negotiation process.

SIREVE was instituted by D.L. nº16/2012, but the low demand for this process (see appendix 5 and 6), added to the changes in the economic environment, led the Government to perform a major reformulation of SIREVE program. Instituted by the D.L. nº26/2015 on 2nd of April, this change aimed to turn SIREVE a more appellative program and significantly more homogenous with PER program.

After the release of this law decree, which is the one still in effect, SIREVE creditors and debtors who apply to the process have the same benefits, the same protection mechanisms, the same constraints as PER intervening parties (as stated above: debt charge actions suspension, extinction if approved; insolvency request suspension, extinction if approved; higher creditor condition if financing debtor during negotiation process; guarantees agreed kept over the 2 next years; if not approved debtor can only apply again after 2 years, etc.). Also, the approval voting system is exactly the same as in PER program.

A completely new measure introduced in 2015, was the creation of an online auto diagnose platform, working as an “EARLY WARNING” mechanism (the accuracy and timing of appliance for restructuring programs is seen, by the Portuguese government, as a vital part of the success of the plan), where companies can voluntarily introduce their financial data and receive a feedback about their financial health. It can be submitted by any company, independent of wanting to apply for SIREVE or not, and this auto diagnose goal is to be a preventive measure in order to identify beforehand companies with potential problems, to better address their restructuring.. The result of this diagnose is based on three indicators: Equity/Total Liquid Assets, EBITDA/Interest and Financial Debt/EBITDA. It is considered an individual positive evaluation, in each indicator, when their values are $E/TLA > 5\%$; $EBITDA/Interest > 1, 3$; $FD/EBITDA > 0 \ \& \ < 10$. In order to apply for SIREVE, the requesting company must have a positive global evaluation, which is “*verified when each indicator matches the above results in at least one of the exercises considered, and in total possible combinations are observed at least 50% of positive evaluations*” (IAPMEI, FAQ_SIREVE). (See Appendix 7).

Even though every company can (and should) submit this diagnose as a preventive measure, it constitutes a mandatory procedure for companies trying to apply for SIREVE and the first Step towards starting the process. Only companies in imminent insolvency state, or in difficult economic situation, as described in D.L n°26/2015 artigo 2º, can apply to the program. Companies which are presented to insolvency, or with insolvency state decreed, or under PER negotiations, or with PER non-approval in the past 2 years, or companies not fulfilling their obligations under an approved PER program in the last 2 years, cannot apply to SIREVE.

The analysis of the self assesment and the acceptance of the requirement for SIREVE program, is in charge of the institution IAPMEI. This institution is the mediator of all negotiations and

operations between debtor and creditors, as it is responsible for all conduct of proceedings of the process and is also the online host of the auto diagnose application. Being so, after having a positive global evaluation, companies request the participation in SIREVE program by electronic form, presenting all necessary documentation stated on D.L n°26/2015 artículo 3°. Companies must have special concern in the elaboration of the business plan, as its improvement and effectiveness is demanding for the program approval. After the request is approved, IAPMEI communicates it to the court and starts all proceedings in order to get the final approval of the process. (See Appendix 8).

The approval conditions are exactly the same as in PER program, as stated above. In the case of approval, IAPMEI communicates it to the court and ends the process. In the case of not approved, companies cannot apply again to SIREVE, until 2 years from the day the process was concluded (before D.L. n°26/2015 companies could apply again after 1 year). Though it does not prevent the appliance for PER program (the opposite happens, PER not approval prevents SIREVE appliance), having the company, the possibility to present the plan defined in SIREVE as a payment plan or recuperation plan under the framework of CIRE. Also, if it is verified the definitive unfulfillment of company's obligations described on the agreement, or if the company, after 30 days counting from the notification date does not fulfill those defined obligations, creditors have the right to resolve the deal, individually.

A very important part of SIREVE program is the role of IAPMEI. As the main target of Programa Revitalizar are SMEs, this institute was carefully chosen to lead and mediate the whole process. Its actions and procedures, as some were stated above, must all be taken under a contagious proactive attitude capable to motivate debtor and creditors to perform the same way during the whole process. Besides being the host of the online auto diagnose platform and its analyzer, deciding on the acceptance of the request for SIREVE and be in charge of all its procedures, IAPMEI action field also cover; the possibility to request for the improvement of the company's Business Plan in order to increase its effectiveness; the possibility to promote the participation in SIREVE of other creditors besides the ones indicated by the debtor, or other entities with legal competences, knowledge or relevant experience; mediation with public creditors; using the institution's expertise to promote, in partnership with the debtor, a review of a balanced and more efficient agreement

proposal to the creditors, aiming for a result which satisfies everyone's interests and capable of guaranteeing company's viability.

3.3. Fundos Revitalizar

The creation of "Fundos Revitalizar", consists in regional funds (NUT II) with the goal to *"promote growth and expansion of SME, contributing for the development of new services and/or products, internationalization and exportation. It is addressed to SME who have sustainable business models and strategies of expansion and growth"*

There are three regional funds, North, Center and South, having the amount of 80, 80 and 60 million Euros, respectively (a total global amount of 220M Euros). The contributors to these funds are, the state agency QREN (Quadro de Referência Estratégico Nacional) and 7 banks (CGD, BPI, Novo Banco, Millenium BCP, BANIF, Montepio and CCCAM). The funds are available to many activity sectors, like, Industry, Commerce, Transports and Logistics, Services, Construction and Tourism. Companies who are interested in receiving these funds for their own development, should apply for their regional fund delivering all legal documentation and a detailed plan of activity and expansion. In the case of being seen as an attractive investment, funds invest in a minimum of 70% Equity and no more than 1, 5 million € per year, per company, being 4, 5 million € the maximum global value possible to invest in a company. It is also important to state that funds will not invest in companies which are under a restructuring process or under an insolvency process. Companies with less than 50% Equity and with records of a reduction of 25% Equity in the last 12 months, will also not be accepted as potential investments.

3.4. Other Measures Adopted

There are also 2 smaller mechanisms created on behalf of Programa Revitalizar which started on April 2015 that are worth to mention. The first one is a service of mergers & acquisitions offered by IAPMEI, in which the institution plays as an intermediary between buyer and seller. IAPMEI

works as a database, having stored all the companies which previously contacted the institution in order to sell or in order to buy, so when a new company meets with IAPMEI and exposes its intention, the institution can easily check if there is any company that matches the criteria's. This measure is extremely useful as a potential mechanism of growth for companies in expansion, allowing for companies to develop by growing or taking advantage of scale economies or synergies. Also, very efficient in the sale of companies in need, avoiding loss of resources, capabilities and jobs. Business can be done in a partial or total sell. IAPMEI follows all the negotiable process, always seeking to elaborate together with the intervenients, the best business plan, capable to create the most efficient and valuable operation (in acquisitions or in mergers). It also helps companies to negotiate with financing institutions, if some operations need it.

The other measure was the creation of a small credit line exclusive for companies under a restructuration process (PER or SIREVE). This credit line has 50 million € in total, splitting between 2 sub-lines, 30 million € for short term and 20 million € for medium term. Short term line is exclusively to finance treasury needs. Medium term is for financing companies in need of investing on assets indispensable for their activity, or to strengthen companies operating funds. Maximum investment is 750. 000 € and interest rates are negotiable (+ 4, 45% spread). Companies can apply in the banks which adhere to the initiative.

4. PER Cases

The legal procedure that constitutes a PER process and the sensitive data and information it holds about the company under the PER, makes it very hard for a company and its administrators to cooperate and authorize data disclosure to the public. The bad stigma associated in programs like this one, is still a major influence for the defensive tactics adopted by companies' administrations. Also, as each PER process is in the archives of the local courts where the PER is submitted and those files are under the protection of the Ministry of Justice, disclosing information about the companies which apply for PER may lead to legal issues and constitute a crime if done without their approval.

So, due to the sensitivity of the contents being analyzed in this thesis, names, geography, activity, financial records and dates, will not be revealed (or will be modified) to protect the confidentiality of the companies which have shown the willingness to cooperate and supply me with their PER process.

In order to proceed the analysis of how PER processes are being run and try to identify its best practices I found two cases. A successful and an unsuccessful one and have them both analyzed, looking for what went well and what could have been the possible causes for the failure. I am considering a successful case and successful measures, the ones that lead to a PER being approved, which under Programa Revitalizar statements, assures creditors are satisfied with the debt restructuration and payments plan, but also assures the plan was approved because it can guarantee company's viability in the future. This leaves the unsuccessful cases for those which are not approved.

I also found appropriate not to treat data as an aggregate, due to the uniqueness of each PER.

4.1. Company A

This Portuguese company has its producing unit in Portugal, but exports a great majority of its production, as its biggest clients are abroad. When the company submitted the PER application and presented the plan in year t, it was observable through its financial data (see appendix 9) that the company had a large negative income in year t-1. Also the company's liquidity and cash flow were at serious concerning levels, not being enough to fulfill company's short-term obligations and daily operations.

The company pointed out the bankruptcy of its 2 major clients, the crisis in its industry, the heavy short-term obligations and the consistent deleveraging demanded by the banks as the causes for the situation which it was facing at year t. To worsen the scenario for company A, it was also known that the shareholders of the firm were able to keep the business running, only because they personally vouched for the company's liabilities, negotiating even higher interest rates and turning the liabilities amount higher. While analyzing the company's PER proposal and Forecasted Balance Sheet and Income Statement (see appendix 10 and 11) I could observe the company was presenting values for year t+1 where the sales value increases 130% when compared to year t. This outstanding increase in the sales value was justified as the natural consequence of the supply shortage already happening in company A's industry, where many competitors were going bankrupt. The demand would concentrate on the few remaining companies (company A being one of the survivors, under this assumption). Also, besides supporting its growth in activity, due to a supply shortage, company A was not only suggesting a restructuration of its own existing debt, but negotiating more credit access in order to increase its capacity to fulfill the new demand increase. This new capital would be allocated to buying inventory for the new demand. Despite all the requirements described above, the company even required 24 months without any debt payments and forgiveness on the interest related to these financings. To complete its recovering process, the company made clear it cannot fund all their activity by financing in credit institutions. As such it required access to Fundos Revitalizar, considering this measure the fastest way to have the cash flow to fulfill its urgent obligations.

During the negotiation process, even though the company was under protection of PER and its statutes, its activity stopped. It has reached a point where there was no money to run the business and fulfill simple daily obligations. Management did not agree on the way to run the business and

the shareholders were not able to inject any more money in the company. At this point, there was not any creditor willing to finance company A's activity. The process came to its end and the PER was not approved. The company was later liquidated under an insolvency process.

In this case company A only resorted to PER when its financial situation was already devastating and beyond a point of no return. The company was losing money and liabilities were way higher than revenues. Also the presented plan and measures of restructuration were very unrealistic because the success of this plan was not based on management actions and decisions, but based on subjective macroeconomic factors, such as increases in supply and demand. This cannot for itself justify an increase of 130% in sales. The forecasting was focused in sales, costs and results values, exclusively to please the creditors. The plan was also full of requirements which may be very hard for a creditor to accept coming from a company in that financial condition, needing more financing, but none of the needed capital coming from its shareholders. Shareholders could not even vouch for any of the new debt, as they have vouched for previous company debt before. This company's biggest problem was the late time it sought for the PER. It was already in an advanced stage of value loss and beyond a possible point of rescue. Another big problem was the bad structured plan of reorganization and the measures presented to recover the company, leaving the creditors with no alternative to minimizing their losses by liquidating the company, as it was impossible to recover. The possibility of rescuing company A was there at an early stage as indeed the entire industry was under restructure and the demand for the survivors existed.

4.2. Company B

This Portuguese company works in both national and international markets, which constitutes 60% and 40% of its total sales value, respectively. By looking for the historical financial data of company B, I observed its revenue increased 9,6% from t-3 to t-2 and 8,73% from t-2 to t-1 (see Appendix 12). Also by looking into the shift of the total revenues from t-3 to t-2 and from t-2 from t-1, I noticed the increase in the company's revenues are positively correlated with the increase of the international market share and consequently decrease in the national market share. So as stated above, in t-1 the international market share already represented 40% of the total revenues of company B.

Despite the revenue increase, Company's B EBIT decreased from t-2 to t-1 and from t-1 to t, because in order to increase capacity to respond to the new external demand, and fulfill its operational activity, company B incurred in 2 different financing operations, one in year t-2, the other in year t-1. Both financings were personally vouched by this company shareholders. The increase in revenues was not enough to cover the costs of the financing operations and the obligation to pay medium-term debt which turned into short-term debt. The company was having decreasing results, but never had a negative result in the years mentioned above.

The biggest problem in the activity of this company was its short-term obligations, with tight margins, which created a cash flow problem in the company. By year t-1, 90% of company B's liabilities were short-term. From this, more than 50% of the company's credits were done through financing institutions and banks. A bigger problem for this company's cash flow started when clients' payments were being delayed and more medium/long term debt turned into short-term debt. At this time shareholders needed to raise the capital of the firm and injected money. The company also needed a special collaboration from its main creditors to keep supporting the operation activity by discounting clients' letters of credit. Liquidity Index for this company was lowered from t-3 to t-2 and lowered again from t-2 to t-1.

Year t (the year this company applied for PER) was the worst year in the company's records, with a revenue decrease of 36% from t-1 to t. Even though the company's operational result was still positive, the biggest financing in the company's historical data took place in year t, which translated into a 94% increase in external financing from year t-1 to year t, with higher interest rates. After the interest rates of this financing being paid, year t Company B's result was negative (see Appendix 12).

The company short term obligations were pushing the company into a cash flow problem, from which the results at that time were not being enough to cover, so the need for additional funds through debt or through equity was a constant.

In order to recover from this situation, the company proposed to its creditors, through this PER, the postponement of the short-term debt to increase cash flow in the immediate time, so that the revenues generated by company's operational activity can be invested as capital in the company, in order to increase production and improve results. By doing this, the company will create the necessary cash flow to pay its operational costs and later the medium/long term debt. It also shows

to the company's creditors, shareholders are investing in the company, which means a sign of trust in the recuperation of the company, leaving an assurance for some creditors, which might lend more money to the company. This investment increase would not come only from the operational activity, as 20% of the subordinated credits of the company will be directly injected in company's capital. The other 80% will be forgiven.

With this plan for recovery, company's projections for years t+1 to t+10 shows that the money will be invested in equipment which allows the company to increase production and grant the means for the necessary growth in revenues to fulfill the medium/long term obligations. The company projects revenues increase of 2% every year until t+10, if it keep investing the results in company's growth. Also, the company benefits from a growing percentage payment scheme, which is around 5% of the debts on the first 3 years, and then it starts increasing. This would give time for the company to raise the necessary funds to pay its debt (see Appendix 13, 14 and 15).

The recovering plan was approved 6 months after it was submitted. Which means it took 3 more months more than the established by the law to end this process. Despite the delay, what constitutes a waste of resources, this plan and its recovery measures were very realistic and not based on subjective macroeconomic indicators which are very hard to verify in reality. The plan was based on the idea that relieving short term obligation of the company would grant the opportunity for the money to be invested in the growth of the company, which will make the company able to pay its debt in the future. Also, increasing company's liquidity in the short-term was important to avoid compromise daily operations of the company. The fact that shareholders raised equity to guarantee the daily operations of the company, was an important sign to creditors that they were not the only ones risking their money. The other major factor for the approval of this plan was the role of management, which did not let the company start destroying value year after year, till it reached a no return point and submitted the application to PER when the company was still recoverable and soon after company's worst year, the first year it lost money.

5. Conclusion

After analyzing the 2 PER processes it is clear that one major factor for the approval and the success of the plan, is the financial condition of the company when it applies for PER. Company A had already destroyed a greater part of its value and reached a no save point. As for company B it only started to lose money the year it applied for PER, so the company was still recoverable.

In my opinion, the condition in which a company applies for PER, despite being determinant for its recuperation, should be evaluated the moment it applies. This means companies should be filtered in order to give the right to apply for PER only to the ones which have not reached a no save point. This would prevent the waste of time and resources in trying to recover a company with no chance of recovery, which is losing value day after day during the negotiation process, when instead it should be liquidated. This waste of time and resources are extremely costly because the same time and resources can be applied to other companies capable of being recovered (opportunity cost). Also, this measure could prevent the saving of inefficient firms which will be likely to fall in the future. Therefore, in order to help companies avoid coming to PER after a no rescue point, can be created a standard table, with the financial indicators which a company should always keep close tracking, to avoid reaching a no save situation, like an “early warning” mechanism.

The second major factor analyzed was the elaboration of the plan, its measures, requirements, projections, every detail of how the company will be restructured and its value in the future.

For company A I could identify its main flaws as, the subjective evaluation of macroeconomic factors to base its success and double its sales results, the plan made in terms of sales, costs and profits, just to please its creditors, and a great amount of requirements and demands which put creditors in an uncomfortable position. For company B I consider the success of its plan comes from the presentation of a detailed plan, with financial records from t-10, to t+10 previsions, which grants a deeper perception of the company’s financial situation. Also, the reorganization measures proposed were based on management objective procedures and not based on very subjective factors.

In order to improve the efficiency of the plans presented by companies, should be created a management commission (external or appointed by the creditors) to be the responsible entity for

the elaboration of the plans, for identify the main problems within the company and bring real measures to solve those problems.

During this analysis, I could notice that for both companies, shareholders had personally vouched for companies' debt and even though I could not analyze how this affected the reorganization process, by PER statutes there is nothing to stop creditors to go after the vouchers, after the plan is approved. This means the business can be at risk if creditors behave so. The solution for this problem should be to adopt the same protection measure as in SIREVE, which prevents creditors to execute any shareholders who vouched for company's debt during 2 years after PER is approved.

I suggested the previous measures in order to improve success for PER approvals, but In my opinion, I only consider successful a plan which business keeps running in the future, with given proofs it benefited creditors and debtors. Plans which are approved and later the company liquidates or incurs into a new PER were not successful, because it only pleased creditors. I believe if a management commission, created by creditors, is designated for supervising the business, it would have a big impact in achieving real success.

For sure there is a lot more to improve, and much more relevant data to be analyzed on this subject, like the time and celerity of the process, which despite not being analyzed in this thesis, secondary data covered here, suggests it could still be improved. But for now, I think the most concerning issues which may prevent a PER for being approved and be successful, are the financial conditions in which a company applies for PER and the accuracy of its plan of reorganization.

6. Appendix

Appendix 1: Total number of companies with PER introduced (June 2015)

Instaurados		Jan	Fev	Mar	Abr	Mai	Jun	Jul	Ago	Set	Out	Nov	Dez	Total
Nº de Processos	2012	-	-	-	-	2	27	37	43	70	54	73	62	368
	2013	78	79	76	93	106	84	95	58	75	85	94	82	1 005
	2014	84	68	93	73	86	65	81	62	45	95	84	70	906
	2015	84	72	106	77	69	97							505
	Total													2 784

Appendix 2: Number of companies with PER approved (June 2015)

P. R. homologado		Jan	Fev	Mar	Abr	Mai	Jun	Jul	Ago	Set	Out	Nov	Dez	Total
Nº de Processos	2012	-	-	-	-	0	0	0	0	1	0	9	7	17
	2013	19	18	18	23	28	27	34	17	32	47	37	57	357
	2014	44	36	34	66	55	34	56	23	8	50	55	29	490
	2015	37	36	45	43	45	73							279
	Total													1 143

Appendix 3: Number of companies' PER ended with insolvency decree (June 2015)

Findos com D.I.		Jan	Fev	Mar	Abr	Mai	Jun	Jul	Ago	Set	Out	Nov	Dez	Total
Nº de Processos	2012	-	-	-	-	0	0	0	1	0	0	2	2	5
	2013	7	6	20	15	28	13	32	15	29	41	33	29	268
	2014	36	29	39	40	33	38	42	16	7	35	47	28	390
	2015	45	38	52	38	43	60							276
	Total													939

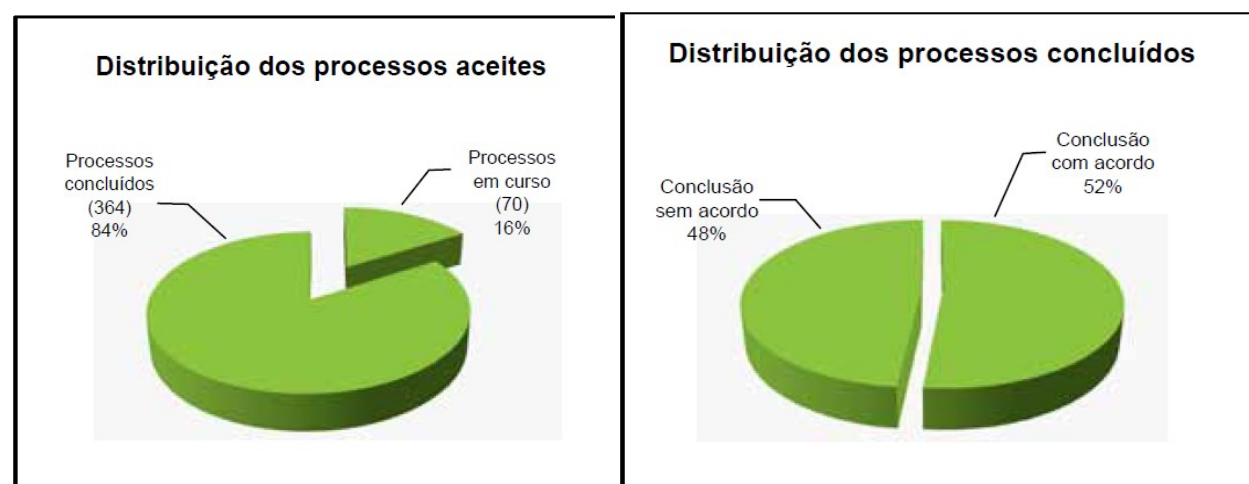
Appendix 4: Number of companies' PER ended without agreement (nor insolvency or approval; June 2015)

Encerrados s/ D.I.	Jan	Fev	Mar	Abr	Mai	Jun	Jul	Ago	Set	Out	Nov	Dez	Total	% ⁽¹⁾	
Nº de Processos	2012	-	-	-	-	0	0	0	0	0	0	1	1	0,27%	
	2013	1	0	1	4	3	4	1	2	4	4	5	4	33	3,28% ⁽²⁾
	2014	4	2	4	6	2	12	8	2	0	4	9	7	60	6,62% ⁽²⁾
	2015	11	15	16	10	14	21							87	17,23% ⁽²⁾
	Total													181	

Appendix 5: Number of applications to SIREVE (June 2015)

Estádio dos processos SIREVE		
Entrados	504	---
Aceites	434	86,1%
Recusados	69	13,7 %
Em aceitação	1	0,2 %

Appendix 6: Number of SIREVE applications concluded and its outcome (June 2015)



Appendix 7: Company's SIREVE indicators fulfillment

Cumpre			
indicador	ano n-2	ano n-1	ano n
1	x		
2		x	x
3	x		x

não cumpre			
indicador	ano n-2	ano n-1	ano n
1	x	x	x
2			
3	x	x	x

cumpre		
indicador	ano n-1	ano n
1	x	
2		x
3	x	

não cumpre		
indicador	ano n-1	ano n
1	x	x
2	x	x
3		

Appendix 8: SIREVE conduct of proceedings

Prazos a ter em consideração no SIREVE		
Ação	Nº Dias	Entidade
Decisão sobre requerimento de utilização do SIREVE (art.º 6 n.º1)	15 Dias após a entrada do requerimento	IAPMEI
Caso ocorra convite ao aperfeiçoamento do requerimento por falta de informações ou documentos	10 Dias para o requerem fazer a junção de documentos caso necessário	Devedor
Decisão após receção dos elementos de aperfeiçoamento	Decisão 12 dias para aceitar revisão ou aperfeiçoamento	IAPMEI
Tomada de posição por parte dos credores e comunicação ao IAPMEI, da sua posição relativamente á proposta apresentada pelo devedor (art.º 11 n.º 9)	60 Dias após a notificação do despacho de aceitação do requerimento	Credores
Prazo de conclusão do procedimento	3 Meses, a contar da data do despacho de aceitação que pode ser prorrogado uma só vez, por um período de um mês se devidamente fundamentado	IAPMEI/ Credores privados e públicos

Appendix 9: Company A Forecast Balance Sheet – Liabilities and Equity (modified values)

Capital Próprio e Passivo	T	T+1	T+2	T+3	T+4	T+5	T+6	T+7	T+8	T+9	T+10
Capital Próprio											
Capital Realizado	477464.83	477464.83	477464.83	477464.83	477464.83	477464.83	477464.83	477464.83	477464.83	477464.83	477464.83
Acções (quotas) próprias	0	0	0	0	0	0	0	0	0	0	0
Outros Instrum. de Capital Próprio	40688.74	40688.74	40688.74	40688.74	40688.74	40688.74	40688.74	40688.74	40688.74	40688.74	40688.74
Prémios de Emissão	0	0	0	0	0	0	0	0	0	0	0
Reservas Legais	13539.3	13539.3	13539.3	13539.3	13539.3	13539.3	13539.3	13539.3	13539.3	13539.3	13539.3
Outras Reservas	119099.56	119099.56	119099.56	119099.56	119099.56	119099.56	119099.56	119099.56	119099.56	119099.56	119099.56
Resultados Transitados	-573517.28	-744870.79	-430717.28	-102094.82	0	0	0	0	0	0	0
Ajustamentos em Activos Financeiros	0	0	0	0	0	0	0	0	0	0	0
Excedentes de Revalorização	176476.55	0	0	0	0	0	0	0	0	0	0
Outras Variações no Capital Próprio	3183.1	3183.1	3183.1	3183.1	3183.1	3183.1	3183.1	3183.1	3183.1	3183.1	3183.1
Resultado Líquido do Período	-171353.51	314153.51	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45
Interesses Minoritários	0	0	0	0	0	0	0	0	0	0	0
Total do Capital Próprio	85581.29	223258.26	551880.71	880503.17	982597.99	982597.99	982597.99	982597.99	982597.99	982597.99	982597.99
Passivo											
Passivo não Corrente											
Provisões	0	0	0	0	0	0	0	0	0	0	0
Financiamentos Obtidos	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	0
Fornecedores	0	0	0	0	0	0	0	0	0	0	0
Estado e Outros Entes Públicos	0	0	0	0	0	0	0	0	0	0	0
Outras Contas a Pagar	6262.18	0	0	0	0	0	0	0	0	0	0
Total Passivo não Corrente	263155.1	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	256892.92	0
Passivo Corrente											
Fornecedores	455010.12	946443.88	964426.31	964426.31	964426.31	964426.31	964426.31	964426.31	964426.31	964426.31	964426.31
Adiantamentos de Clientes	0	0	0	0	0	0	0	0	0	0	0
Estado e Outros Entes Públicos	157362.85	327322.61	333541.74	333541.74	333541.74	333541.74	333541.74	333541.74	333541.74	333541.74	333541.74
Accionistas/Sócios	0	0	0	0	0	0	0	0	0	0	0
Financiamentos Obtidos	356314.38	838861.99	518332.16	189681.06	87614.89	87614.89	87614.89	87614.89	87614.89	87614.89	356842.63
Outras Contas a Pagar	66466.56	138253.77	140880.6	140880.6	140880.6	140880.6	140880.6	140880.6	140880.6	140880.6	140880.6
Diferimentos	240996.99	240996.99	240996.99	240996.99	240996.99	240996.99	240996.99	240996.99	240996.99	240996.99	240996.99
Passivos Detidos para Negociação	0	0	0	0	0	0	0	0	0	0	0
Passivos não Correntes Detidos p/ venda	0	0	0	0	0	0	0	0	0	0	0
Total Passivo Corrente	1276150.89	2491879.25	2198177.81	1869555.36	1767460.5	1767460.5	1767460.5	1767460.5	1767460.53	1767460.53	2036688.27
Total do Passivo	1539305.99	2748772.16	2455070.72	2126448.27	2024353.5	2024353.5	2024353.5	2024353.5	2024353.45	2024353.45	2036688.27
Total do PASSIVO e CAPITAL PRÓPRIO	1624887.29	2972030.42	3006951.44	3006951.44	3006951.4	3006951.4	3006951.4	3006951.4	3006951.44	3006951.44	3006951.44

Appendix 10: Company A Forecast Balance Sheet – Assets (modified values)

Activo	T	T+1	T+2	T+3	T+4	T+5	T+6	T+7	T+8	T+9	T+10
Activo não Corrente											
Activos fixos Tangíveis	30526.63	13935.02	0	0	0	0	0	0	0	0	0
Propriedade de Investimento	795.77	363.26	0	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0	0	0	0
Activos Intangíveis	1616.2	737.78	0	0	0	0	0	0	0	0	0
Activos Biológicos	0	0	0	0	0	0	0	0	0	0	0
Participações Financeiras -MEQ	0	0	0	0	0	0	0	0	0	0	0
Participações Financeiras -OM	0	0	0	0	0	0	0	0	0	0	0
Accionistas/Sócios	0	0	0	0	0	0	0	0	0	0	0
Outros Activos Financeiros	0	0	0	0	0	0	0	0	0	0	0
Activos por impostos Diferidos	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53
Total Activo não Corrente	259587.14	241684.59	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53	226648.53
Activo Corrente											
Inventários	839644.02	1746501.68	1779685.21	1779685.21	1779685.2	1779685.2	1779685.2	1779685.2	1779685.21	1779685.21	1779685.21
Activos Biológicos	0	0	0	0	0	0	0	0	0	0	0
Clientes	225421.13	468887.27	477796.13	477796.13	477796.13	477796.13	477796.13	477796.13	477796.13	477796.13	477796.13
Adiantamentos a Fornecedores	2228.17	4634.7	4722.76	4722.76	4722.76	4722.76	4722.76	4722.76	4722.76	4722.76	4722.76
Estado e Outros Entes Públicos	38379.78	79831.86	81348.66	81348.66	81348.66	81348.66	81348.66	81348.66	81348.66	81348.66	81348.66
Accionistas/Sócios	98226.33	98226.33	98226.33	98226.33	98226.33	98226.33	98226.33	98226.33	98226.33	98226.33	98226.33
Outras Contas a Receber	158392.3	329463.94	335723.75	335723.75	335723.75	335723.75	335723.75	335723.75	335723.75	335723.75	335723.75
Diferimentos	2800.05	2800.05	2800.05	2800.05	2800.05	2800.05	2800.05	2800.05	2800.05	2800.05	2800.05
Activos Fin. Detidos p/ Negociação	0	0	0	0	0	0	0	0	0	0	0
Outros Activos Financeiros	0	0	0	0	0	0	0	0	0	0	0
Activos não Correntes para Venda	0	0	0	0	0	0	0	0	0	0	0
Caixa e Depósitos Bancários	208.36	0	0	0	0	0	0	0	0	0	0
Total Activo Corrente	1365300.14	2730345.83	2780302.9	2780302.9	2780302.9	2780302.9	2780302.9	2780302.9	2780302.9	2780302.9	2780302.9
TOTAL do ACTIVO	1624887.29	2972030.42	3006951.44	3006951.44	3006951.4	3006951.4	3006951.4	3006951.4	3006951.44	3006951.44	3006951.44

Appendix 11: Company A Forecast Income Statement (modified values)

Rendimentos e Gastos	T	T+1	T+2	T+3	T+4	T+5	T+6	T+7	T+8	T+9	T+10
Vendas e Serviços Prestados	1126088.01	2595632.86	2644949.88	2644949.88	2644949.9	2644949.9	2644949.9	2644949.9	2644949.88	2644949.88	2644949.88
Subsídios à Exploração	0	0	0	0	0	0	0	0	0	0	0
Ganhos/perdas imputados de Subs./associadas	0	0	0	0	0	0	0	0	0	0	0
Varição nos Inventários na Produção	121782.31	0	0	0	0	0	0	0	0	0	0
Trabalhos para a Própria Entidade	0	0	0	0	0	0	0	0	0	0	0
CMVMC	-47333.39	-733704.29	-747644.67	-747644.67	-747644.67	-747644.67	-747644.67	-747644.67	-747644.67	-747644.67	-747644.67
Fornecimentos e Serviços Externos	-529028.34	-1100405.5	-1121313.2	-1121313.2	-1121313.2	-1121313.2	-1121313.2	-1121313.2	-1121313.2	-1121313.19	-1121313.19
Gastos com Pessoal	-405268.43	-405268.43	-405268.43	-405268.43	-405268.43	-405268.43	-405268.43	-405268.43	-405268.43	-405268.43	-405268.43
Imparidade de Inventários	0	0	0	0	0	0	0	0	0	0	0
Imparidade de Dívidas a Receber	0	0	0	0	0	0	0	0	0	0	0
Provisões	0	0	0	0	0	0	0	0	0	0	0
Imparidade de Investimentos não Depreciáveis	0	0	0	0	0	0	0	0	0	0	0
Aumentos/Reduções de Justo Valor	-169.23	169.23	169.23	169.23	169.23	169.23	169.23	169.23	169.23	169.23	169.23
Outros Rendimentos e Ganhos	-14350.39	-22142.97	-22142.97	-22142.97	-22142.97	-22142.97	-22142.97	-22142.97	-22142.97	-22142.97	-22142.97
Outros Gastos e Perdas	0	-7792.58	-7792.58	-7792.58	-7792.58	-7792.58	-7792.58	-7792.58	-7792.58	-7792.58	-7792.58
EBITDA	-174279.32	326488.33	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27
Gastos/Reversões de Depreciação e Amortização	-17902.55	0	0	0	0	0	0	0	0	0	0
Imparidade de Activos Depreciáveis	0	0	0	0	0	0	0	0	0	0	0
EBIT	-192181.87	326488.33	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27	340957.27
Juros e Rendimentos Similares Obtidos	43.2	0	0	0	0	0	0	0	0	0	0
Juros e Gastos Similares Suportados	-29443.4	-12334.82	-12334.82	-12334.82	-12334.82	-12334.82	-12334.82	-12334.82	-12334.82	-12334.82	-24669.64
Resultado Antes de Impostos	-221582.07	314153.51	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	316287.63
Imposto Sobre o Rendimento	50228.56	0	0	0	0	0	0	0	0	0	0
Resultado Líquido do Período	-171353.51	314153.51	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	328622.45	316287.63

Appendix 12: Company B Most Relevant Financial Records (modified values)

Dados Financeiros Chave	T	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10
Proveitos Operacionais	181102.73	281609.07	259002.07	236311.03	283483.6	333834.18	331539.8	294605.67	286117.62	277165.47	281272.94
Resultados Correntes	-88717.74	874.08	1819.14	3334.93	4932.21	3295.14	2905.21	4259.62	3655.47	-1823.28	1622.11
Resultado Líquido do Exercício	-90061.33	477.15	1433.99	2731.1	1959.83	1869.12	3552.02	3205.7	3154.45	152.79	764.9
Total Activo	245220.21	419420.07	421385.63	404346.82	372307.66	357922.6	316121.82	277606.65	248266.75	219947.67	195964.3
Capital Próprio	2862.56	82266.24	81789.09	80355.1	77624	61340.22	59471.11	55919.41	52713.71	49559.26	49340.9
Rendibilidade Económica (%)	-36.18	0.21	43	0.82	1.32	0.92	92	1.53	1.47	-0.83	83
Rendibilidade Financeira (%)	-3099.4	1.06	2.22	4.15	6.35	5.37	4.88	7.62	6.93	-3.68	3.29
Liquidez Geral	2.03	1.52	1.63	2.62	2.48	1.07	1.52	1.47	1.7	0.99	1.8
Endividamento (%)	98.83	80.39	80.59	80.13	79.15	82.86	81.19	79.86	78.77	77.47	74.82

Appendix 13: Company B Forecast Balance Sheet – Assets (modified values)

Activo	T	T+1	T+2	T+3	T+4	T+5	T+6	T+7	T+8	T+9	T+10
Activo não Corrente											
Activos fixos Tangíveis	96390.2	89642.9	82895.6	115937	109189.7	102442.4	95695.1	71440.7	48777.9	42030.6	59156.5
Propriedade de Investimento	0	0	0	0	0	0	0	0	0	0	0
Goodwill	97804.8	97804.8	97804.8	97804.8	97804.8	97804.8	97804.8	97804.8	58016.1	58016.1	0
Activos Intangíveis	0	0	0	0	0	0	0	0	0	0	0
Activos Biológicos	0	0	0	0	0	0	0	0	0	0	0
Participações Financeiras -MEQ	0	0	0	0	0	0	0	0	0	0	0
Participações Financeiras -OM	0	0	0	0	0	0	0	0	0	0	0
Accionistas/Sócios	0	0	0	0	0	0	0	0	0	0	0
Outros Activos Financeiros	0	0	0	0	0	0	0	0	0	0	0
Activos por impostos Diferidos	0	0	0	0	0	0	0	0	0	0	0
Total Activo não Corrente	194195.1	187447.8	180700.5	213741.9	206994.6	200247.2	193499.9	169245.6	106794	100046.7	59156.5
Activo Corrente											
Inventários	70298.7	67971.9	64187.2	56479	54576.5	46390.1	32993.9	24391	49229.5	50214.1	51218.4
Activos Biológicos	0	0	0	0	0	0	0	0	0	0	0
Clientes	64158.5	71428.7	72857.3	37157.2	27793.6	28349.5	28916.5	29494.8	30084.7	30686.4	31300.1
Adiantamentos a Fornecedores	0	0	0	0	0	0	0	0	0	0	0
Estado e Outros Entes Públicos	0	0	0	0	0	0	0	0	0	0	0
Accionistas/Sócios	0	0	0	0	0	0	0	0	0	0	0
Outras Contas a Receber	3934.8	3882.7	4296.9	4490.3	4692.3	4903.5	5124.1	5354.7	5595.7	5847.5	6110.6
Diferimentos	9579.9	8685.7	8859.4	9036.6	9217.4	9401.7	4815.1	9781.5	9977.2	10176.7	10380.3
Activos Fin. Detidos p/ Negociação	0	0	0	0	0	0	0	0	0	0	0
Outros Activos Financeiros	0	0	0	0	0	0	0	0	0	0	0
Activos não Correntes para Venda	0	0	0	0	0	0	0	0	0	0	0
Caixa e Depósitos Bancários	27277.7	47772	27390.2	255	1635.3	2773	684	2366	8601.3	7082.9	39725.9
Total Activo Corrente	175249.6	199970.2	177591.1	107418.1	97915.1	91817.7	72533.6	71388	103488.3	104007.6	138735.2
TOTAL do ACTIVO	369444.7	387417.9	358291.5	321160	304909.7	292065	266033.5	240633.6	210282.3	204054.3	197891.7

Appendix 14: Company B Forecast Balance Sheet – Liabilities and Equity (modified values)

Capital Próprio e Passivo	T	T+1	T+2	T+3	T+4	T+5	T+6	T+7	T+8	T+9	T+10
Capital Próprio											
Capital Realizado	31831	37890.8	37890.8	37890.8	37890.8	37890.8	37890.8	37890.8	37890.8	37890.8	37890.8
Acções (quotas) próprias	0	0	0	0	0	0	0	0	0	0	0
Outros Instrum. de Capital Próprio	14323.9	14323.9	14323.9	14323.9	14323.9	14323.9	14323.9	14323.9	14323.9	14323.9	14323.9
Prémios de Emissão	0	0	0	0	0	0	0	0	0	0	0
Reservas Legais	36111.2	36111.2	36111.2	36111.2	36111.2	36111.2	36111.2	36111.2	36111.2	36111.2	36111.2
Outras Reservas	0	0	0	0	0	0	0	0	0	0	0
Resultados Transitados	0	0	0	0	0	0	0	0	0	0	0
Ajustamentos em Activos Financeiros	0	0	0	0	0	0	0	0	0	0	0
Excedentes de Revalorização	0	0	0	0	0	0	0	0	0	0	0
Outras Variações no Capital Próprio	-52232.3	-52232.3	-52232.3	-52232.3	-52232.3	-52232.3	-52232.3	-52232.3	-52232.3	-52232.3	-52232.3
Resultado Líquido do Período	11364.2	40071.3	44984.1	45019.2	45087.9	45656	46259.3	46898.3	48494.1	50127.3	51798.7
Interesses Minoritários	0	0	0	0	0	0	0	0	0	0	0
Total do Capital Próprio	41398.1	76165.1	81077.8	81112.9	81181.6	81749.7	82353	82992	84587.8	86221	87892.4
Passivo											
Passivo não Corrente											
Provisões	0	0	0	0	0	0	0	0	0	0	0
Financiamentos Obtidos	253287.7	213970.3	180843.5	144621.5	108399.4	72177.4	48118.3	24059.1	0	0	0
Fornecedores	61906.4	58811.1	55715.8	52620.5	46429.8	40239.2	34048.5	27857.9	18571.9	9286	0
Estado e Outros Entes Públicos	0	0	0	0	0	0	0	0	0	0	0
Outras Contas a Pagar	6059.8	0	0	0	0	0	0	0	0	0	0
Total Passivo não Corrente	321253.9	272781.4	236559.3	197242	154829.3	112416.6	82166.8	51917	18571.9	9286	0
Passivo Corrente											
Fornecedores	3991.6	12757.2	14425.8	16051.9	41610.6	54098.2	57382.6	60789.5	61368.7	61959.4	62562
Adiantamentos de Clientes	0	0	0	0	0	0	0	0	0	0	0
Estado e Outros Entes Públicos	2801.1	2857.2	2914.3	2972.6	3032	3092.7	3154.5	3217.6	3282	3347.6	3414.6
Accionistas/Sócios	0	0	0	0	0	0	0	0	0	0	0
Financiamentos Obtidos	0	22857.2	23314.3	23780.6	24256.2	24741.4	25236.2	25740.9	26255.7	26780.9	27316.5
Outras Contas a Pagar	0	0	0	0	0	8148.7	8877.7	9010.8	9146	9283.2	9422.4
Diferimentos	0	0	0	0	0	7817.7	6862.8	6949.8	7070.2	7176.2	7283.9
Passivos Detidos para Negociação	0	0	0	0	0	0	0	0	0	0	0
Passivos não Correntes Detidos p/ venda	0	0	0	0	0	0	0	0	0	0	0
Total Passivo Corrente	6792.7	38471.5	40654.4	42805.1	68898.9	97898.7	101513.8	105724.6	107122.6	108547.3	109999.4
Total do Passivo	328046.6	311252.9	277213.7	240047.1	223728.1	210315.2	183680.6	157641.6	125694.5	117833.3	109999.4
Total do PASSIVO e CAPITAL PRÓPRIO	369444.7	387417.9	358291.5	321160	304909.7	292065	266033.5	240633.6	210282.3	204054.3	197891.7

Appendix 15: Company B Forecast Income Statement (modified values)

Rendimentos e Gastos	T	T+1	T+2	T+3	T+4	T+5	T+6	T+7	T+8	T+9	T+10
Vendas e Serviços Prestados	280112.7	285714.95	291429.25	297257.84	303202.99	309267.06	315452.4	321761.44	328196.67	334760.61	341455.82
Subsídios à Exploração	0	0	0	0	0	0	0	0	0	0	0
Ganhos/perdas imputados de Subs./associadas	0	0	0	0	0	0	0	0	0	0	0
Variação nos Inventários na Produção	0	0	0	0	0	0	0	0	0	0	0
Trabalhos para a Própria Entidade	0	0	0	0	0	0	0	0	0	0	0
CMVMC	-159664.24	-134286.03	-131143.16	-133766.03	-136441.35	-139170.18	-141953.58	-144792.65	-147688.5	-150642.27	-153655.12
Fornecimentos e Serviços Externos	-50420.29	-45714.39	-46628.68	-47561.26	-48512.48	-49482.73	-50472.38	-51481.83	-52511.47	-53561.7	-54632.93
Gastos com Pessoal	-59603.53	-60199.56	-60801.56	-61409.57	-62023.67	-62643.9	-63270.34	-63903.05	-64542.08	-65187.5	-65839.37
Imparidade de Inventários	-1756.31	-1477.15	-1442.57	-1471.43	-1500.85	-1530.87	-1561.49	-1592.72	-1624.57	-1657.06	-1690.21
Imparidade de Dívidas a Receber	-5602.25	-5714.3	-5828.59	-5945.16	-6064.06	-6185.34	-6309.05	-6435.23	-6563.94	-6695.21	-6829.12
Provisões	0	0	0	0	0	0	0	0	0	0	0
Imparidade de Investimentos não Depreciáveis	0	0	0	0	0	0	0	0	0	0	0
Aumentos/Reduções de Justo Valor	0	0	0	0	0	0	0	0	0	0	0
Outros Rendimentos e Ganhos	7002.82	7142.87	7285.73	7431.45	7580.08	7731.68	7886.31	8044.03	8204.92	8369.02	8536.4
Outros Gastos e Perdas	-1960.79	-2000	-2040	-2080.8	-2122.42	-2164.87	-2208.17	-2252.33	-2297.38	-2343.32	-2390.19
EBITDA	8108.12	43466.4	50830.42	52455.04	54118.24	55820.84	57563.69	59347.67	61173.66	63042.55	64955.28
Gastos/Reversões de Depreciação e Amortização	0	0	0	0	0	0	0	0	0	0	0
Imparidade de Activos Depreciáveis	-6747.32	-6747.32	-6747.32	-6747.32	-6747.32	-6747.32	-6747.32	-6747.32	-6747.32	-6747.32	-6747.32
EBIT	1360.8	36719.08	44083.1	45707.72	47370.92	49073.52	50816.38	52600.36	54426.34	56295.23	58150.66
Juros e Rendimentos Similares Obtidos	2240.9	2285.72	2331.44	2378.06	2425.62	2474.14	2523.62	2574.09	2625.57	2678.08	2731.65
Juros e Gastos Similares Suportados	9767.95	8137.96	6507.97	4877.97	3247.98	2165.32	1082.66	0	0	0	0
Resultado Antes de Impostos	13369.65	47142.76	52922.5	52963.76	53044.53	53712.98	54422.66	55174.45	57051.91	58973.32	60939.61
Imposto Sobre o Rendimento	2005.45	7071.41	7938.37	7944.56	7956.68	8056.95	8163.4	8276.17	8557.79	8846	9140.94
Resultado Líquido do Período	11364.2	40071.34	44984.13	45019.2	45087.85	45656.03	46259.26	46898.28	48494.13	50127.32	51798.67

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