

Restructuring and turnarounds

Update | **19 July 2017**

Chief Investment Office Americas, Wealth Management

Nicole Decker, Energy Equity Sector Strategist Americas, nicole.decker@ubs.com; Robert Samuels, Consumer Discretionary Equity Sector Strategist Americas, robert.samuels@ubs.com

- A restructuring may be the best path when a company sees an urgent need to turn around its fortunes, improve its reputation, or restore its competitive position.
- A well-executed restructuring or turnaround can transform a company into a strong competitor with dramatically improved financial results.
- We identify companies that are currently undergoing restructurings that we believe have a high probability of success. We believe the stocks of these companies could outperform the broader market in the next one to two years.



Source: iStock

Synopsis

A restructuring marks a challenging and sometimes disruptive time in the history of any corporation that has ever undertaken one. Managements rarely aspire to undergo a restructuring. The process can entail major changes in the organizational structure, staff, asset base/product line, or cost structure. History tells us that a positive outcome is not assured, as not all restructuring plans are carried out effectively.

A successful restructuring begins with a vision and an achievable strategy for implementation. A well-executed restructuring or turnaround can transform a company that is weighed down – by an inferior product line, a heavy debt burden, inefficient operations, or a damaged reputation – into a strong competitor with dramatically improved financial results.

In our view, restructuring stories can be compelling investment ideas. For investors in this theme, we identify companies that are currently undergoing restructurings that we believe have a high probability of success. If successful, we believe the stocks of these companies could outperform the broader market in the next one to two years.

A version of this report is available with specific security recommendations for the US onshore investors. For a copy, please consult your UBS Financial Advisor

Appendix

Disclaimer

Research publications from Chief Investment Office Americas, Wealth Management, formerly known as CIO Wealth Management Research, are published by UBS Wealth Management and UBS Wealth Management Americas, Business Divisions of UBS AG or an affiliate thereof (collectively, UBS). In certain countries UBS AG is referred to as UBS SA. This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. We recommend that you obtain financial and/or tax advice as to the implications (including tax) of investing in the manner described or in any of the products mentioned herein. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any prices indicated are current only as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is considered risky. Past performance of an investment is no guarantee for its future performance. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in FX rates may have an adverse effect on the price, value or income of an investment. This report is for distribution only under such circumstances as may be permitted by applicable law.

Distributed to US persons by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Deutschland AG, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS Securities Japan Co., Ltd, UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc. UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule. UBS specifically prohibits the redistribution or reproduction of this material in whole or in part without the prior written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect.

Version as per May 2017.

© UBS 2017. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.