Walter Energy — A former coal giant edges closer to bankrupcy

Walter Energy {NYSE: WLT} seems to be teetering on the verge of bankruptcy according to people close to the matter.

Bloomberg report that Walter is reported to be negotiating with senior lenders that may put the former coal colossus into bankruptcy by the end of June,

Comment

To appreciate the loss of value and the value destruction here, at the height Walter's shareprice was \$141 per share, and today is 30 cents and falling!

We are witnessing the fall of a former giant company, who completed the purchase of Western Canadian Coal some four years ago for \$3.2 Billion, yet now have a market cap of a mere \$30 million!

Of course the lenders of the funds to make the Western Canadian Coal purchase are the ones with whom WLT is now negotiating, in hindsight those lenders must regret the day they heard about that deal!

Walter Energy Inc.{NYSE: WLT} is negotiating a debt restructuring with senior lenders that may put the unprofitable coal producer into bankruptcy as early as this month, according to two people with knowledge of the discussions.

The coal mining former giant, which has rejected proposals sent by their creditors, is expected to send a revised plan to first-lien lenders, Blackstone Group LP's credit arm, Franklin Resources Inc. and Cyrus Capital Partners, which would include a request for a debtor-in-possession loan that would allow the company to operate whilst in bankruptcy, said people, who requested not to be identified because the talks are private.

William Stanhouse, a spokesman for Walter, declined to comment on the talks, as did the spokespeople for the senior lenders.

The first lien creditor group which includes Appollo Global Management has apparently been pushing Walter to convert their debt to equity and hand over the company for them to run.

Walter, has been in talks with lenders for almost two months on a reorganization as it struggles amid the worst downturn for coal in decades. Prices of metallurgical coal have been undermined by excess supply and slowing demand from China.

Walter warned last month that there was "substantial doubt" that it could continue as a so-called going concern. If Walter is unable to restructure, it "may consider filing voluntary petitions for reorganization under Chapter 11," according to a May 5 regulatory filing.

Walter has reportedly rejected a proposal by their creditors that floated pursuing a sale of the company through the bankruptcy maneuver known as a 363 sale, said one of the people. The first-lien creditor group, which includes Apollo

Global Management LLC, has been pushing for the company to convert its debt holdings into equity and hand over ownership to them, said the people.

The final chapter of Walter Energy is currently being written, and as this former giant of the coal industry heads for the scrapyard, one wonders what opportunities this may create for other coal companies as assets may well be sold off?