

Client Case Study: Portfolio Specific Due Diligence

Client

A leading private investment firm, specialising in providing financial resources and operational expertise to help transform undervalued companies.

About TDX Group Ltd

TDX Group delivers innovative debt liquidation solutions to address the needs of major banking, utility and government creditors. Working closely with clients to design bespoke solutions across debt recovery, asset sale and financial difficulties management, TDX Group has revolutionised the UK debt market with solutions like Segmented Sale™ and The Insolvency Exchange (TIX) - a central exchange to manage Individual Voluntary Arrangements (IVAs) on behalf of creditors. Today, clients across the UK, Spain and Europe look to TDX Group to maximise their debt liquidation in challenging market conditions.

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Background

The client was looking for a partner to assist them in assessing the viability of investing in a sub-prime credit business and selected TDX Group on the strength of its reputation as the leading liquidator of non-performing debt in the UK and its experience valuing and working with sub-prime portfolios.

With limited understanding of the sub-prime sector, the client had undertaken a provisional assessment of the potential returns which they might realise from investing in this business.

TDX Group were commissioned to support, validate and challenge their modelling and valuation assumptions and to provide an independent assessment of the sub-prime finance business they were looking to invest in.

Result

The core output of TDX Group's work was a series of revised valuation scenarios enhanced by its unique market data and insight on the sub-prime finance business.

The client used the information provided by TDX Group to help inform its investment decision.

The entire project was completed within 3 weeks, with TDX Group continuing to play a role in on-going discussions.

Solution

TDX Group utilised its market data and industry insight to undertake a detailed assessment of the valuation modelling framework our client had developed to evaluate the sub-prime business including;

- Alternative view of projected roll-rates by accessing benchmark data on comparable portfolios
- Support of cash flow modelling of impaired portfolio in run-off scenarios
- Assessment of other key value drivers and appropriate benchmarking to validate assumptions
- Asset sale price points for impaired loans at various delinquency stages
- Sensitivity analysis around all key modelling assumptions
- Sector wide drivers impacting future value of the sub-prime finance companies book

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