



Case Study: IBC Case Study

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Client Mandate

Interstate Bakeries Corporation (“IBC”), the largest wholesale baker and distributor of fresh baked food products in the U.S., with the iconic Wonder Bread and Hostess brands, entered complex bankruptcy proceedings. A&M served as interim Chief Executive Officer and Chief Restructuring Officer during the reorganization. The complexity of the engagement involved several A&M practices, including the Real Estate Advisory Services (A&M REAS). While not its core business, IBC had a large portfolio of owned and leased real estate assets spread among its business units. There was little accountability or monitoring of real estate assets and no contribution benchmarks. A&M REAS was engaged to assess and improve corporate real estate management, renegotiate and restructure lease commitments and to unlock trapped value by selling surplus, functionally obsolete and underutilized real properties.

A&M's Approach

Our professionals immediately began to improve performance and reduce the financial commitment of the portfolio through the renegotiation and restructuring of lease commitments under bankruptcy protection.

A&M also identified and managed the disposal of surplus, obsolete and underutilized real property across the country. The process began with A&M forging consensus within IBC on properties chosen for disposal and educating IBC on the complex requirements of sales under §363 of the Bankruptcy Code. A&M managed the disposition transaction process for IBC; coordinating with brokerage firms across the U.S. to maximize recovery values. In addition to transaction management, IBC engaged A&M to broker its highest value bakeries along with a dozen outlet locations in California through the §363 bankruptcy sale process.

Results

A&M provided services that effectively monetized non-core real estate holdings, and renegotiated lease and debt agreements under the bankruptcy code. We created a platform and cost center to monitor future real estate financial and operational performance while concurrently generating value through lease restructuring and property sales.

As an example, sales proceeds from the California properties exceeded \$60 million dollars and operating and maintenance expenses were reduced at a time when liquidity was essential to IBC.

Another notable transaction involved the sale of the Company's San Pedro bakery. A&M's initial research and analysis identified issues that would prevent capturing the value of the property. IBC's Executive Committee accepted a recommendation from A&M to defer the sale of this property. We worked closely with a strategic communications and various constituents to resolve issues.

Drawing on our experience with investment and auction sales, A&M provided strategic advisory services relating to the overall sales and auction process. After securing creditor and Board approval for a stalking horse contract at \$14.4 million, A&M REAS conducted an auction for the sale of the property with three qualified bidders and, after several rounds of spirited bidding, the property was sold for \$18.7 million.

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