

Lead Case Name Toys "R" Us, Inc.
Court Virginia Eastern Bankruptcy Court
Case Number 3:17-bk-34665
Date Filed Sep 18, 2017

Want to discuss your claim or the case further? Call (312) 766-2301 or email ClaimReports@bClaim.com
 Updated as of April 30, 2018

Amounts in Millions of USD

Case Synopsis

- TRU filed in September 2017 after a quick compression of trade terms to protect its operations through the holiday season, when it typically makes about 40% of its revenue. The aging stores had been carrying a heavy debt burden since a 2004 LBO by KKR, Bain, and Vornado Realty, with cash interest of approximately \$400 million per year and principal over \$5 billion.
- Cash burn has been between \$50 and \$100 million a month throughout the case, and the dismal holiday season necessitated sharper cuts to preserve going concern value in the US. In response, a second round of US store closures was announced (not too alarming in retail bankruptcy). Liquidation yielded about \$400 million, including \$100 million of distribution inventory.
- Toys faced default on its DIP loan after new forecasts, even with a smaller footprint, projected significantly higher investment needs. Rather than commit new cash, the DE Secured Term lenders opted to liquidate or sell all US locations.
- Bids have been accepted for Canada, Central Europe, and Asia. It is likely that each will be approved by the respective courts. The US liquidation has begun and is scheduled through July while real estate assets will be liquidated through the fall of 2018.

First Day Motions

		<u>Amt</u>	
✓ Wages	✓ DIP Financing	3,100	Additional liquidity: \$520M to US/CA and \$375M to Europe/Asia
✓ Utilities	✓ Critical Vendor	325	Payments approved in weekly process; requires trade agreement
✓ Insurance	✓ 503(b)(9)	100	Goods delivered within 20 days; Authorized to pay claims immediately
✓ Customer Programs	✓ Lienholders	51	Shippers, Toll-processors, Warehousemen, General Contractors with possessory lien on goods or construction lien on real estate
✓ Taxes	✓ Foreign	56	

Current Forecast

In the US, interested parties may pick a small subset of US stores to purchase out of the liquidation sales, however trade debt will be left behind with the estate. At this point our valuation shows nothing remaining for US GUCs. Because the Canadian sale is equity, all Canadian trade debt will be paid or assumed. You should file a claim with the CCAA monitor to ensure payment.

GUC Payout

Principal	DIP, \$1,065	DE Secured, \$1,182	Notes, \$230	US GUCs, \$2,254
Value	\$1,065	\$939	Shortfall, \$2,727	

Major Financial Risks

Liquidation sales yield less and/or take longer. Cash burn continues and eats into minimal GUC returns. While the Asia purchase helps, value gets eaten up by secured debt on DE.

Major Legal Risks

Sale of Central European (Germany, Austria, Switzerland) stores is subject to bankruptcy court approval. CA sale must pass through court approval process in US and CA.

DIP and Liquidity Comments

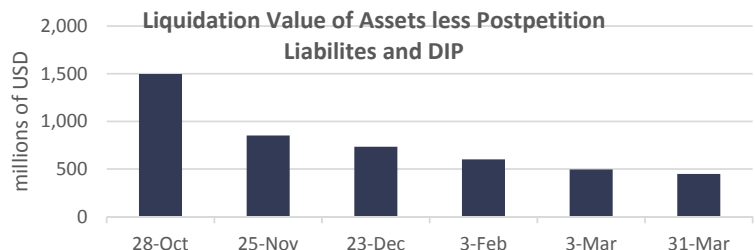
Oct 24 The DIP does not provide significant milestones for restructuring which should give the debtors some latitude. It does primarily refi existing facilities and/or allow the payment of special prepetition amounts, netting less than \$400M of new cash.

Feb 21 Warnings of a covenant breach and a second round of US store closures surfaced. The covenant breach raises the likelihood of liquidation.

Mar 14 Revised projections with lower liquidity after dismal holidays caused DIP defaults which ultimately led to the liquidation of the US stores.

Monthly Operating Report

The chart on the right shows a substantial decline in the liquidation value of assets relative to the outstanding DIP loans. This reflects poor profitability and the significant expense of being in bankruptcy.



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Important Dates

Date Filed	Sep 18, 17
503(b)(9) Date	Aug 29, 17
Stmnt of Fin Affairs	Nov 16, 17
Creditors Meeting	Dec 6, 17
Claims Bar Date	Apr 6, 18
Admin Bar Date*	Jul 15, 18
Disclosure Filed	TBD
Disclosure Hearing	TBD

*Claims prior to June 30, 2018

Current Debt Structure

Name	Seniority	Principal	Recovery
DIP ABL	Sr Secure	165	100%
DIP FILO	Sr Secure	450	100%
DIP Term	Sr Secure	450	100%
DE Secured ABL	Secured	1,025	Paid
FILO	Secured	280	Paid
DE Secured Term	Jr. Sec	1,182	79%
Toys, Inc. Senior Notes	Unsec	208	0%
DE Unsecured Notes	Unsec	22	0%
Propco I Term	Secured	859	92%
Propco II Mortgage	Secured	507	100%
Giraffe Jr. Mezz	Secured	70	81%

International

Name	Seniority	Principal	Recovery
DIP TAJ Incremental Notes	Sr Secure	375	100%
Euro ABL	Secured	84	100%
Taj Senior Notes	Secured	583	100%
UK RE Credit Facility	Sr Secure	355	100%
French RE Credit Facility	Secured	54	100%
Toys - Japan Bank Loans	Unsecured	36	100%

Bond Pricing

	Coupon	Maturity	Principal	Price
Toys, Inc. Senior Notes	7.375%	Oct-18	7.375%	13.755
DE Unsecured Notes	8.75%	Sep-21	8.75%	14.100

Major Assets

	Status	Close/End
US (Toys Delaware)	Liquidating	Jul 31, 18
Canada	Equity Sale	May 31, 18
Europe (TRU Taj)		
UK	Liquidating	Apr 30, 18
Central Europe	Sale	May 31, 18
Asia	Sale	May 31, 18
Real Estate	Liquidating	Nov 30, 18

Recent News Headlines

- Apr 23, 18 The auction for the Canadian stores was cancelled after no other qualified bids came through. That means the Fairfax bid is accepted and won't change much, other than typical working capital adjustments. Canadian trade will get paid in full or reinstated if claims have been properly submitted.
- Apr 17, 18 The CEO of MGA Entertainment, Isaac Larian, submitted a \$675 million bid for 274 US stores. That bid was immediately dismissed as being too low. In our estimation, the Larian bid needed to be about double before it would yield as much as the full US liquidation.
- Mar 20, 18 Toys was denied the administrative stay requested, however there will be a process for administrative claims to be filed. More information will be up in a post on our website.
- Mar 15, 18 Toys filed a motion seeking to wind down US operations and establish bidding procedures for Canadian equity. Additionally, the debtors requested an administrative stay, or bankruptcy protection within a bankruptcy, in order to avoid a wave of suppliers from demanding payment.

Claim Transactions

	Transactions		Pricing Graph	Price (Cents per \$1 of face value)			
	Number	Claim Amt		Low	High	Mean	Median
Month	Subscribers Only						
Quarter							
All-time							