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After Bankruptcy Filing, Digicel Says It's Business as Usual

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HAMILTON, Bermuda, CMC — Digicel Group One Ltd, the telecommunications group's Bermuda-based holding company, has gone into provisional liquidation here and also filed for Chapter 15 recognition at US bankruptcy court in Manhattan.

But a spokesperson for Digicel, which operates in more than 30 markets in the Caribbean and South Pacific, said the moves would not impact the regular operations of the company and were aimed at strengthening the balance sheet.

“It's important to point out that this will have no impact on our day-to-day operations, our staff, our suppliers, our customers or any aspect of our ongoing activities — it is business as usual,” the spokesperson said.

Digicel, which is owned by Irishman Denis O'Brien, is going through a major restructuring of some of the approximately US\$7.4 billion of debt it carries so that it can continue operating as a going concern.

Mike Morisson, Charles Thresh and James Bennett, of KPMG, were appointed joint provisional liquidators of Digicel Group One by the Bermuda Supreme Court on April 29.

The petition for Chapter 15 recognition was lodged in US bankruptcy court for the Southern District of New York by the provisional liquidators.

Background details set out in the US court document shows that Digicel's revenue for the year ended March 31, 2019, were approximately US\$2.3 billion, with an operating profit of approximately US\$479 million.

The petition states: "However, in recent years the group has seen significant reductions in voice revenues, which are largely due to the industry-wide trend of voice services being substituted by data usage by mobile subscribers.

"The growth of data revenues and revenues from other related services such as Digicel's business solutions and cable television and broadband businesses has not been sufficient to offset the decline in voice revenues.

"In addition, the expansion of Digicel's business solutions and cable television and broadband businesses has required significant capital expenditures, which have reduced the Group's ability to generate operating free cashflow and reduce its finance costs."

The petition also adds that increased competitive pressures had negatively impacted Digicel's businesses.

"As a result, the group finds itself with unsustainable levels of indebtedness. As described above, the group's total outstanding debt was approximately \$7.4 billion as of September 30, 2019, and the finance costs of the group have been steadily increasing," notes the petition.

It further states "in the face of near-term maturities, increasing finance costs and widening losses, the group determined that there was a need for a comprehensive restructuring of its capital structure that would reduce aggregate liabilities, improve its liquidity profile and provide flexibility for the group to access further capital in the future to fund its businesses."

A Digicel spokesperson said on Monday that the company had announced refinancing activities at the start of April, "which, when complete, will strengthen our balance sheet by reducing our debt, extending our maturities and reducing our ongoing financing costs.

"Following overwhelming support from our debt holders for these proposals, we are now progressing with the required administrative processes," the spokesman added.