Learning Module 4
Corporate Restructuring

LOS: Explain types of corporate restructurings and issuers' motivations for pursuing them.

LOS: Explain the initial evaluation of a corporate restructuring.

LOS: Demonstrate valuation methods for, and interpret valuations of, companies involved in corporate restructurings.

LOS: Demonstrate how corporate restructurings affect an issuer's EPS, net debt-to-EBITDA ratio, and weighted average cost of capital.

LOS: Evaluate corporate investment actions, including equity investments, joint ventures, and acquisitions.

LOS: Evaluate corporate divestment actions, including sales and spin-offs.

LOS: Evaluate cost and balance sheet restructurings.

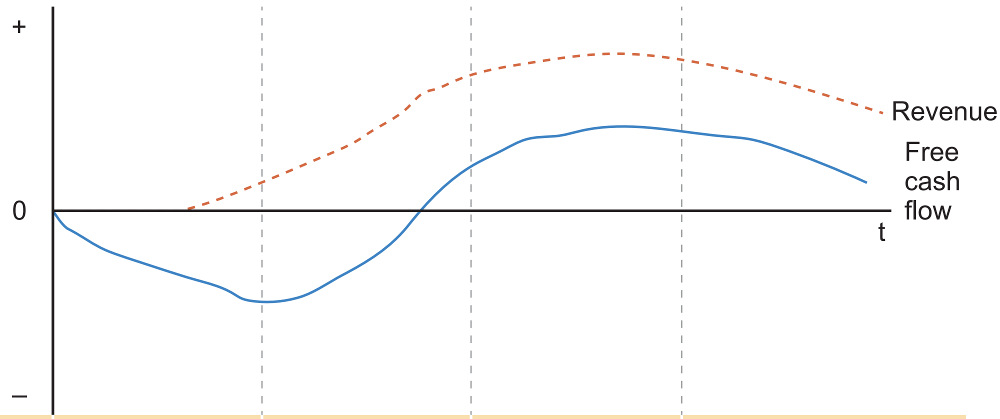
Corporate Evolution, Actions, and Motivations

LOS: Explain types of corporate restructurings and issuers' motivations for pursuing them.

Corporate Life Cycle and Actions

A company will exhibit different growth, profitability, risk, and funding profiles as it moves through various stages in its life cycle.

Exhibit 1 Company life cycle stages



Stage in Life Cycle	Start-up	Growth	Maturity	Decline
Revenue growth	Beginning	Rising	Slowing	Negative
Free cash flow	Negative	Improving	Peak	Declining
Business risk	High	Medium	Low	Medium-High
Debt in capital structure	Close to 0%	0–20%	20%+	20%+

For mature-stage companies, investors can enjoy peak cash flows until the firm's performance declines or company leadership conducts various corporate actions to restructure the firm. These corporate actions are, broadly:

- **Investment actions** (eg, M&A, joint venture), which increase a firm's size and/or scope
- **Divestment actions** (eg, divestiture, spin-off), which decrease a firm's size or scope
- **Restructuring actions** (eg, cost or balance sheet restructuring), which do not change a firm's size or scope but improve its cost and capital structure

Most large corporations (ie, corporate issuers) are fundamentally portfolios of different business lines that vary in age, geography, and competitive landscape. Some portfolios achieve synergies, while others create costs and inefficiencies (eg, cannibalizing sales, duplicating functions). Motivations for restructuring a firm vary based on the underlying circumstances.

Motivations for Corporate Structural Change

Motivations behind structural changes can be issuer-specific or macroeconomic/industry-driven (ie, top-down). Management can choose the type of restructuring based on the issuer-specific motivation.

Exhibit 2 Issuer-specific motivations for corporate structural changes

Category	Motivations
Investment	• Creation of cost or revenue synergies • Higher revenue growth • Unique capabilities (eg, products, brands) • Secure resources (eg, vertical integration) • Acquisition of undervalued targets
Divestment	• Focus on specific business segments • Overvalued business segment or operation • Liquidity, due to high financial leverage • Regulatory requirements (eg, antitrust)
Restructuring	• Opportunistic: Improving returns on capital • Forced: due to decreasing margins

However, corporate actions driven by top-down motivations will generally span multiple restructuring categories.

Exhibit 3 Top-down motivations for corporate restructuring

Driver	Motivations
High security prices	• Increased CEO confidence about future • Lower interest rates and equity premiums • Opportunity to sell overvalued stock
Industry shocks	Adaptations to disruptions caused by shocks such as regulations and technological changes

With top-down motivation, the relationship between asset prices and corporate transactions can be explained by CEO optimism, lower interest rates and overvalued stock to finance acquisitions, and overvalued divisions to divest. In addition to asset price drivers, corporate activities tend to be correlated to industry shocks, which encompass changes to regulation, technological trends, and the industry's growth trajectory.

Types of Corporate Restructuring

The three categories of corporate restructuring can be identified with nine types of actions.

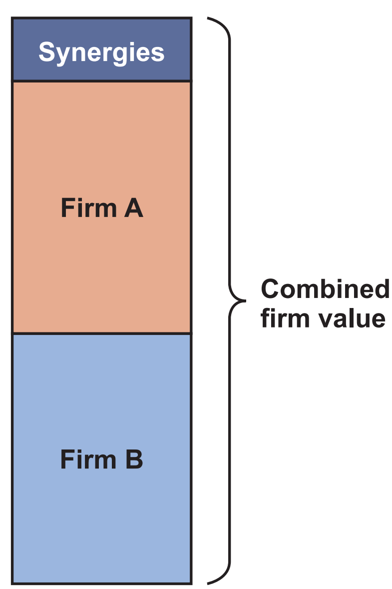
Exhibit 4 Types of corporate structural changes

Type	Category	Effect on company
• Equity investment • Joint venture • Acquisition	Investment	• Increases size or scope • Inorganic growth of sales and margins
• Sale (divestiture) • Spin-off	Divestment	• Decreases size or scope • Divesting of slow-growth, less profitable, or riskier businesses
• Costs • Balance sheet • Reorganization	Restructuring	• Improves cost and capital structure • Seeks higher growth or lower risks • Not focused on size or scope
• Leveraged buyout	Includes elements of all three categories	

Investment Actions: Equity Investments, Joint Ventures, and Acquisitions

Issuers generally carry out investment actions intending to unlock synergies, expand economies of scale and scope, acquire additional resources, and find undervalued opportunities.

Exhibit 5 Synergies



Synergies occur when the total value from combining two firms is greater than the sum of their individual standalone values. Synergies can be categorized as cost or revenue synergies. Cost synergies are achieved through *economies of scale* and consolidating redundant functions, which ultimately lower per-unit production costs.

Revenue synergies are achieved through *economies of scope* (eg, cross-selling different products) or from decreasing the bargaining power of customers (eg, acquiring a competitor so customers have fewer suppliers).

Historically, synergies have been fueled by ambitions for growth as well as desire to improve capabilities and access to resources. To implement growth, companies often make cross-border acquisitions to access global production and distribution resources. The growth in international trade and waves of deregulation have aided in this phenomenon.

Additionally, companies often acquire suppliers or distributors in a process known as vertical integration. Vertical integration gives companies more control in different stages of their supply chains and distribution networks. This creates opportunities to improve efficiency and reduce costs.

There are three types of investment actions:

- **Equity investment:** The investor attains a significant, but nonmajority stake (ie, less than 50%) in the investee. The two entities remain independent. However, the investor may face significant exposure and often has significant influence via board representation. Equity investments can be made for various reasons, including forming strategic partnerships, starting a gradual acquisition, or finding undervalued investments.
- **Joint venture (JV):** Two or more companies form and operate a new separate legal entity to achieve a specific objective (eg, enter a new market). Each party remains independent but contributes resources and shares the venture's profits and losses.
- **Acquisition:** The acquirer gains full control by buying most or all of the target company's shares with cash or stock. Once the target is acquired, it becomes a subsidiary and its financial results are consolidated into the acquirer's reporting.

Divestment Actions: Sales and Spin-Offs

Issuers carry out divestment actions to:

- Narrow their focus: By separating certain segments, management can focus attention on core segments.
- Improve valuation: Companies often divest overvalued business segments to reposition for better valuation. Sometimes a divested segment can be worth more as a standalone than as a part of a conglomerate due to diseconomies of scale or scope, lack of focus, weak management effort, incompatibility, or overvaluation. As such, a segment can actually create a *conglomerate discount*, in effect, a cost, when it is a part of a conglomerate.
- Raise liquidity: An over-leveraged company may sell a business to deleverage. Sometimes an issuer will divest a segment at a discount to quickly raise cash.
- Meet regulatory requirements: Regulators may force companies to divest for anti-competitive reasons.

The two primary forms of divestments are divestitures and spin-offs. In a divestiture, a company sells a segment to a buyer. The seller relinquishes full control and is no longer exposed to the divested segment after the sale. The seller can invest the proceeds in other areas of the business or distribute it to capital providers. In a spin-off, a parent company splits off a distinct part of its business into a new separate standalone entity. The existing shareholders of the parent company will receive shares of the spun-off entity.

Restructuring Actions: Cost and Balance Sheet Restructuring and Reorganization

Opportunistic improvement and forced improvement are the two main issuer-specific motivations for restructuring. Opportunistic improvements represent the chance to improve returns by altering a firm's business model, cost structure, or balance sheet. An example of opportunistic improvement is franchising. A franchisor licenses intellectual property to a franchisee. The franchisee supplies most of the capital, takes on the risk of operating the business, and pays royalties to the franchisor in return for guidance, expertise, and brand recognition.

Forced improvements represent drastic actions taken to recover returns when firms are underperforming. Circumstances leading up to these include poor management, diminishing customer demand, a challenging competitive landscape, or increasing idle capacity. There are three types of forced improvement:

- **Cost restructuring** involves reducing costs through improving operational efficiency, which in turn enhances profitability. Often, cost restructuring actions negatively impact performance in the short run but create benefits in the long run. Outsourcing and offshoring are two common forms of cost restructuring.
  - Outsourcing involves contracting business processes (eg, recruiting, customer support) to external service providers that have significant economies of scale through specialization.
  - Offshoring involves moving operations to another country with lower labor costs. This often creates centralization benefits in which an offshore cost center can support multiple locations globally.
- **Balance sheet restructuring** involves changing the composition of assets and/or sources of financing. These changes allow companies to reduce risk exposure from holding certain assets and to potentially lower their cost of capital.
  - A sale-leaseback transaction is typically used to remove assets from the balance sheet: a company sells fixed assets (eg, property) to another party and then leases them back. This transaction allows companies to increase liquidity in a cost-efficient manner.
  - A dividend recapitalization process is commonly used to alter capital structure through issuing additional debt to repurchase common shares or to pay dividends. This, in theory, reduces the firm's WACC by replacing equity with cheaper debt.
- Reorganization is a restructuring process directed by a bankruptcy court that involves the company, creditors, shareholders, legal advisors, and other key stakeholders. The company must first reach an agreement with its creditors on its reorganization plan. The reorganization plan may involve the sale of assets, conversion of debt to equity, refinancing, settlement of debt, etc. After the creditors agree to the plan, and the court approves, the company will proceed with the reorganization process, which can last up to several years. In the US, this process is known as Chapter 11 bankruptcy. Chapter 11 bankruptcy is different from Chapter 7 bankruptcy, also known as liquidation. In liquidation, a firm liquidates the entire company to settle with creditors.

Leveraged Buyouts

A leveraged buyout (LBO) is a process that involves investment, divestment, and restructuring actions. LBOs are typically led by a private equity (PE) firm. The PE firm first purchases a company (eg, investment action) using significant levels of debt financing (eg, balance sheet restructuring), improves the company's operations (eg, cost restructuring), and exits the company (eg, divestment actions) using an IPO or secondary sale.

Example 1

1. Investment actions

A paper manufacturer will purchase 55% of the common shares of a pulp producer by issuing significant amounts of debt. Management anticipates €2 billion in annual cost-saving synergies from this transaction. Which of the following *least likely* describes this corporate structural change?

A. Equity investment

B. Vertical integration

C. Balance sheet restructuring

Solution

A is correct. An equity investment involves investing in less than 50% of another company. In this scenario, 55% of the target company is acquired. This transaction is considered a vertical integration since the paper manufacturer is acquiring a partner in a different stage of its supply chain. Balance sheet restructuring took place since the acquirer increased its financial leverage to fund the purchase.

2. Acquisition synergies

With acquisitions, cost synergies primarily arise from:

A. Economies of scale

B. Economies of scope

C. Lower cost of capital

Solution

A is correct. Cost synergies primarily result from economies of scale since an acquisition is likely to increase a company's capacity and consolidate redundant functions. This allows for lower unit production costs.

Revenue synergies arise from economies of scope in which more products or capabilities can be offered to customers.

Lower cost of capital is a result of improved performance from cost synergies, not a cause.

3. Divestment actions

Compared with a divestiture, generally in a spin-off:

A. Shareholders will receive lower prices for their shares.

B. The transaction will face much more regulatory scrutiny.

C. The parent company retains partial ownership of the new entity.

Solution

A is correct. In a spin-off, the parent splits off a segment into a new independent company. Shareholders of the parent company will automatically receive shares in the new company. A spin-off involves no acquirer, so there is no takeover premium and the transaction is less likely to receive regulatory scrutiny. After the spin-off is complete, the parent company is no longer exposed to the spun-off entity.

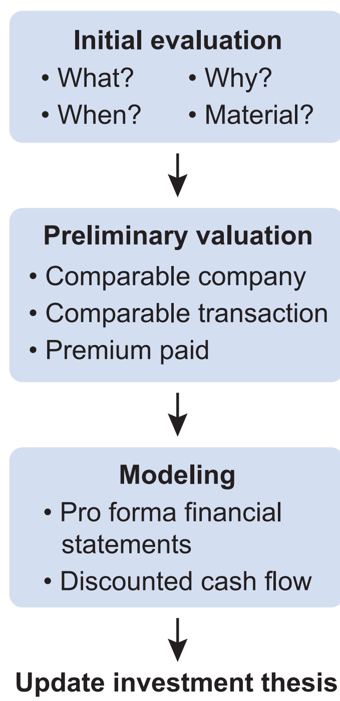
Evaluating Corporate Restructurings

LOS: Explain the initial evaluation of a corporate restructuring.

LOS: Demonstrate valuation methods for, and interpret valuations of, companies involved in corporate restructurings.

The three steps for evaluating corporate restructurings consist of an initial evaluation to answer basic questions, a preliminary valuation based on relative valuation methods, and discounting free cash flows from *pro forma* financial statements.

Exhibit 6 Evaluating corporate structural changes



Initial Evaluation

In the initial evaluation stage, analysts research press releases, securities filings, call transcripts, and other sources of information to determine what is happening and why it is happening. When reviewing information, analysts should filter for materiality based on size and fit.

Size can be gauged by the size of the transaction relative to the firm's enterprise value. Commonly, a sizable transaction may impact at least 10% of EV (eg, a company may reduce its EV by 10% by divesting a segment). Additionally, analysts should assess how a corporate action *fits* into an issuer's previously communicated strategies. For example, a firm taking on additional debt after management had announced plans to deleverage would indicate signs of inconsistency.

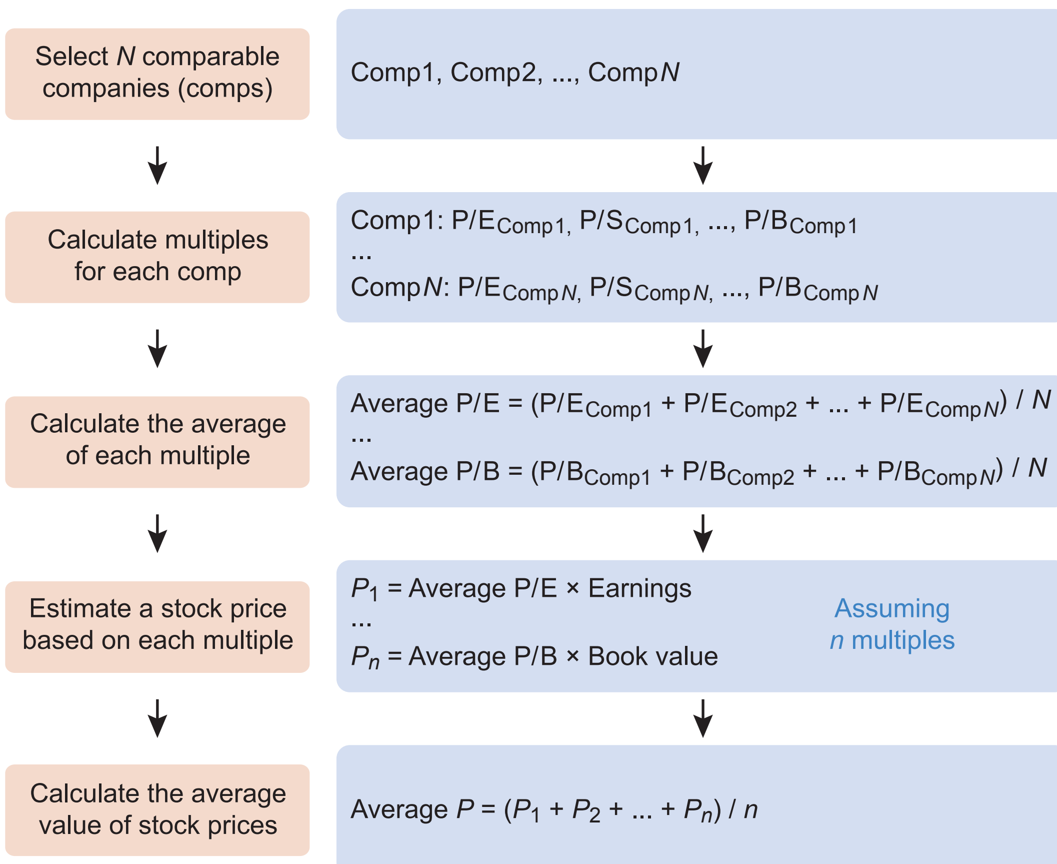
Finally, analysts should evaluate the timing between the announcement date of a corporate action and its actual transaction date. A small and simple restructuring process involving few parties may take just a few months, while a large and complex acquisition may take years since timing is impacted by the status of shareholder, credit, and regulatory approvals.

Preliminary Valuation

After initial evaluation, analysts use relative valuation methods in the preliminary valuation stage to assess whether a company has been sufficiently generating returns for investors. Relative valuation methods include comparable company analysis, comparable transaction analysis, and premium paid analysis.

Comparable Company Analysis

Exhibit 7 Comparable company analysis



Comparable company analysis (CCA) compares the subject company's relative valuation multiples to those of companies with similar characteristics (eg, size, revenue growth). The selected multiples from the peer group are usually the most relevant to the subject's industry, and analysts often examine the mean, median, and range of each multiple. Comparable companies can be found in the subject company's financial filings and in market research data.

At times, analysts prefer to compare EV multiples (eg, EV-to-EBITDA, EV-to-FCFF) over equity value multiples (eg, P/E) since EV multiples ignore differences in capital structure across companies.

It is important to note that comparable company analysis assesses the fair value for the subject company's trading price since comparisons are made to other publicly traded companies. Therefore, CCA is not directly used to estimate the fair acquisition price. Estimating the fair acquisition price requires adding a takeover premium to account for the added value of the acquirer's control.

Instead, CCA is appropriately used for valuing spin-off segments. In a spinoff, a parent company splits off a segment into a new entity in a transaction that does not involve a sales transaction.

Example 2 Valuation using comparable company analysis

Soahflow Inc. is considering spinning off a segment of its business. The CFO reviews the trading multiples for several public companies that compete with this segment.

Competitor	P/E ratio
1	21.5
2	23.8
3	18.9

Suppose the CFO will use the mean of the peer group to value Soahflow. Based on CCA, if Soahflow's EPS is AUD 5.82, then the value per share is *closest* to:

Solution

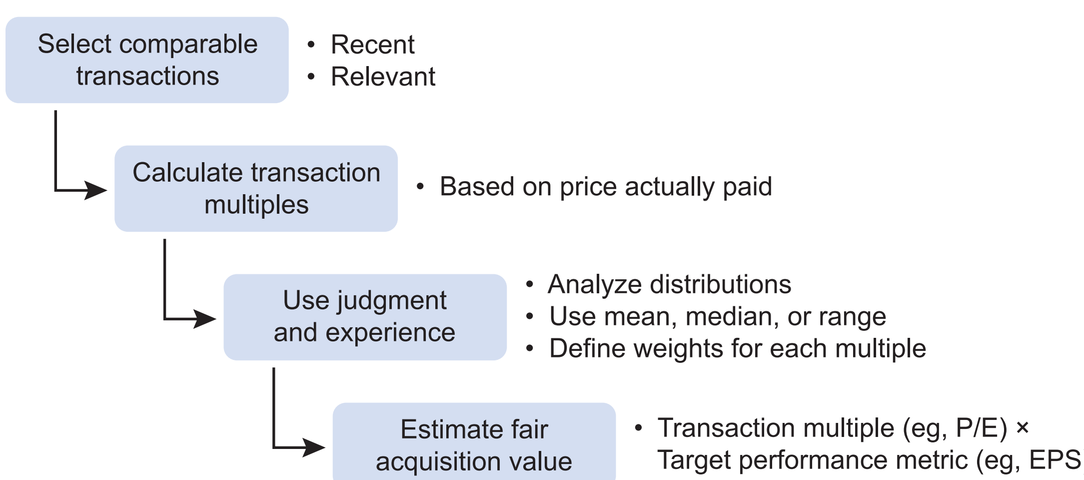
The peer group mean P/E ratio is 21.4. Multiplying 5.82 by 21.4 results in value per share of AUD 124.55.

The advantages of CCA are the straightforward rationale of similar assets being valued similarly, the wide accessibility of comparable data, and the use of estimates based on observed market prices and not on assumptions used in discounted cash flow models. The main disadvantage of CCA is that it may be hard to find appropriate comparables for unique companies.

Comparable Transaction Analysis

Comparable transaction analysis (CTA) compares recently completed transactions, similar to the proposed merger transaction, to derive a takeover value. This method resembles comparable company analysis but uses information from actual acquisition multiples, not trading multiples. As a result, CTA produces an estimate of the fair *acquisition* value, which already accounts for some takeover premium.

Exhibit 8 Comparable transaction analysis



Similar to CCA, CTA utilizes observable prices instead of relying on assumptions and estimates associated with discounted cash flow models. Another advantage is that CTA multiples already reflect a takeover premium.

The disadvantages of CTA are that data may not be readily available due to low transaction volumes, historical multiples may be less relevant in current market conditions, and past multiples may be too high (low) due to overpayment (underpayment).

Example 3 Valuation using comparable transaction analysis

The corporate development manager of Laharge Co. evaluates potentially acquiring Schmahl Co. The manager reviews several recent acquisition multiples and Schmahl's recent fundamental per-share metrics.

Relative metric	Comp 1	Comp 2	Comp 3	Mean	Subjective weight of each metric
P/E	10.5	9.8	12.5	10.9	40%
P/CF	6.5	5.8	7.3	6.5	30%
P/B	2.8	2.2	2.8	2.6	30%

Fundamental metric ($)	Schmahl
Earnings per share	5.5
Cash flow per share	5.3
Book value per share	12.2

Based only on this information and using CTA, what is the appropriate purchase price for Schmahl?

Solution

Relative metric	Schmahl fundamentals ($)	Mean acquisition multiple	Weight of multiple	Weighted estimate
P/E	5.5	10.9	40%	24.1
P/CF	5.3	6.5	30%	10.4
P/B	12.2	2.6	30%	9.5
Weighted Avg. Estimate				44.0

**Weighted estimate = Product of all 3 columns to the left*

In this scenario, the manager multiplies each of Schmahl's fundamental metrics (eg, EPS, cash flow per share, book value per share) by the peer mean multiples and the associated significance of weighting to derive a weighted average price per share of $44.00.

Premium Paid Analysis

Takeover premium percent

$$\text{PRM} = \frac{DP - SP}{SP}$$

where:

PRM = Takeover premium (as a percentage of stock price)

DP = Deal price per share of the target

SP = Unaffected stock price of target

The takeover premium is the percent difference between the acquisition share price and the unaffected share price (ie, share price prior to announcement of takeover bid). Analysts commonly use the mean or median of a peer set to calculate takeover premium.

Exhibit 9 presents a summary of comparable company analysis and comparable transaction analysis:

Exhibit 9 Target company valuation approaches

Comparable company analysis	Comparable transaction analysis
Advantages	**Advantages**
• Provides reasonable estimation of company value based on "rule of one price" • Most required data are available • Estimates derived directly from the market	• Takeover premium is included in price • Estimates derived directly from the market • Reduces litigation risk for managers due to mispricing
Disadvantages	**Disadvantages**
• Sensitive to market mispricing • Estimates a fair stock price, not takeover price • Difficult to incorporate specific plans acquirer has for target • Available data may not be timely	• Risk that values are not accurate • May be few to no comparable transactions • Difficult to incorporate specific plans acquirer has for target

Modeling and Valuation

LOS: Demonstrate how corporate restructurings affect an issuer's EPS, net debt-to-EBITDA ratio, and weighted average cost of capital.

After preliminary evaluations, the next stage is modeling pro forma financial statements that include the impact from restructuring. *Pro forma* financials are critical to equity and credit evaluation.

In the case of an acquisition, analysts can take the following steps to produce pro forma financials:

- Combine the acquirer and the target's financials
- Adjust for financing impacts such as issuing debt, interest expense, issuing stock, and decreasing cash used in purchase
- Model the impact of any potential synergies (or costs)
- Incorporate the impact of any divestitures, either voluntarily or involuntarily, from internal or external drivers

Exhibit 10 Combined (acquirer + target) *pro forma* financial statements (simplified)

Income statement	Calculation
Revenue	Combined revenues + Revenue synergies
(−) Operating expenses	Combined expenses − Cost synergies
(−) D&A	Combined D&A + Amortization of acquired intangibles
(−) Interest expense	(Existing + Assumed + New debt) × Cost of debt (%)
(−) Income taxes	EBT × Effective income tax rate (%)
= Net income	
D&A = Depreciation and amortization	

Once pro forma financials are compiled, analysts can forecast free cash flows for discounted cash flow valuation.

Pro Forma Weighted Average Cost of Capital

Restructuring can alter a firm's WACC by changing the capital components' weights and costs within its capital structure. While estimating the new weights is relatively simple, estimating the new costs of debt and equity is somewhat difficult.

Exhibit 11 Factors influencing cost of capital

Factor	Measured by
Leverage	Debt-to-EBITDA, net debt-to-EBITDA
Profitability	Operating income, EBITDA, EBIT, net income
Volatility	Standard deviation of revenues or EBITDA
Collateral	Liquidity, market demand
Interest rates	Reference rates, credit spreads

Different internal and external factors may influence how a company will financially structure a corporate action. Since debt is typically cheaper than equity, many issuers will issue debt as long as they can maintain their investment-grade rating. For example, if interest rates are low, and the acquirer's stock is undervalued, then it may choose to issue additional debt to finance an acquisition, which in turn increases the acquirer's financial leverage and potentially lowers its WACC.

Evaluating Investment Actions

LOS: Evaluate corporate investment actions, including equity investments, joint ventures, and acquisitions.

The following sections showcase case studies of corporate actions.

Equity Investment

Example 4 Softbank's equity investment in WeWork

In 2017, SoftBank Vision Fund invested $4.4 billion for a 20% equity stake in WeWork, a rapidly growing US-based global coworking space provider.

SoftBank aimed to leverage its global connections and operational expertise to achieve revenue and cost synergies. Softbank's CEO viewed this opportunity as another technology investment, similar to Uber or Alibaba. However, WeWork exhibited very different growth and risk profiles from Softbank's software holdings. In 2019, SoftBank reported a $9.2 billion write-down from this investment.

One reason was the failure to anticipate the impact of WeWork's cost structure. WeWork operated more like a real estate company than a technology company. Most of WeWork's costs were comprised of its fixed rent payments on its long-term lease commitments. This cost structure was dissimilar to SoftBank's other holdings with flexible cost structures. High operating leverage led to high profit volatility, which negatively impacted the firm's performance, especially during the COVID pandemic.

Furthermore, the lack of corporate governance enabled Adam Neuman, cofounder and CEO, to make poor operational decisions by reorganizing WeWork into WeLive, WeGrow, and WeWork. Much time, money, and resources were allocated to the two unproven subsidiaries. In 2019, WeWork's overall occupancy rate declined by approximately three percentage points.

Eventually WeWork's losses compounded due to the miscalculations in scalability and poor management. Over time the company would face mounting legal issues, management reshuffles, and a delayed IPO. To this day, WeWork is viewed as one of Softbank's biggest failed investments.

Joint Venture

Example 5 Sony-Ericsson joint venture

In 2001, the Japanese-based electronics company Sony Corporation and the Swedish-based telecom company Ericsson formed the Sony Ericsson Mobile Communications JV. Sony was a leader in the multimedia consumer electronics market but lacked presence in the global mobile phone market. Ericsson was a global mobile phone market leader but was starting to lose market share to Nokia and Motorola.

The objective of the JV was to achieve significant global presence with multimedia-enabled mobile phones through synergies by combining hardware with digital capabilities.

Each party contributed $300 million toward R&D, marketing, and production. Initially Sony Ericsson enjoyed success in the mobile phone market and was able to achieve healthy growth in Asia and Europe. However, over time various issues led to the JV's decline.

Two main reasons for the unsuccessful JV were:

- Integration issues: Differences in company culture and clear hierarchy made it difficult to enable effective decision making in areas such as product design and marketing.
- Shifts in technology trends: The introduction of smart phones caused Sony Ericsson's mobile phones to lose market share to Apple and Samsung.

In 2012 Sony acquired Ericson's 50% stake and renamed the unit Sony Mobile Communications.

Acquisition

Example 6 Microsoft's acquisition of LinkedIn

In 2016 Microsoft acquired LinkedIn for $26.2 billion in an all-cash transaction. Microsoft aimed to achieve synergies by leveraging its cloud services and software with LinkedIn's vast user base and market data.

Post acquisition, Microsoft was able to successfully integrate LinkedIn's features with its B2B and B2C offerings. Furthermore, Microsoft was able to leverage its global reach to grow LinkedIn's user base and generate cross-selling revenue. The acquisition ultimately allowed Microsoft to strengthen its position as a wholistic solutions provider in the enterprise space.

Evaluating Divestment Actions

LOS: Evaluate corporate divestment actions, including sales and spin-offs.

Example 7 GE's divestiture of its biopharma business

In 2019 General Electric divested its biopharma business to Danaher Corporation for $21.4 billion in efforts to deleverage debt to restructure its balance sheet. The biopharma business provides instruments, consumables, and software. Danaher operates in the science and technology space, which allowed this acquisition to strengthen its product portfolio.

Following the announcement, GE's stock price increased. By the end of 2017 GE was able to erase $20 billion in debt.

This was one of the largest divestitures in the healthcare industry. This divestiture allowed GE to strengthen its balance sheet and refocus on its core industrial business. On the other side, Danaher was able to successfully grow its presence in the life science space.

Example 8 PayPal spin-off from eBay

eBay originally acquired PayPal to leverage a secure payment processing system for its online marketplace. Over time the two companies diverged in their focuses. PayPal was experiencing rapid growth in the payment and fintech sector while eBay continued to focus on e-commerce. Due to such differences, holding PayPal actually led the market to value eBay at a conglomerate discount.

The market believed that PayPal would be worth more as a standalone than as a part of eBay. In 2015, eBay spun off PayPal into an independent public company. After the spin-off, PayPal was able to direct its focus on the payment sector and unlock value for its shareholders, which manifested in its stock price appreciation. Similarly, eBay's stock price appreciated for a period after the transaction.

Evaluating Restructuring Actions

LOS: Evaluate cost and balance sheet restructurings.

Example 9 Boeing cost restructuring

From 2019 to 2020, Boeing, a leading aerospace and defense manufacturer, faced significant challenges from two fatal crashes and the COVID pandemic. Management announced major cost restructuring initiatives to alleviate the company's position. These initiatives are estimated to achieve $3.5 billion in annual cost savings over several years.

The plan involved laying off approximately 19,000 employees, consolidating production facilities, shifting production to higher margin aircrafts, renegotiating contracts with suppliers, and investing more in technology to create efficiency within company operations.