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# Mike Kramer, who made his name battling bankrupt entities from Hertz to Puerto Rico, outlines the types of companies in greatest peril as inflation squeezes consumer spending

**Aaron Weinman**

- **Mike Kramer, known as a "predator" in the boardroom, is a renowned restructuring expert.**
- **As the economy cools, Kramer and his firm, Ducera Partners, are gearing up for a wave of activity.**
- **Kramer sat down with Insider to share his thoughts on restructuring, crypto, and hiring.**

WARREN FAIDLEY

Mike Kramer is a renown bankruptcy banker who is fielding a lot more calls now that the economy is slowing. He talks to Insider about the companies most in harm's way.

Most investment bankers are down about the end of the easy-money era that fueled sky-high stock valuations and record-breaking M&A volumes.

Not Michael Kramer.

Kramer – the founder of boutique investment bank Ducera Partners – made his name working on bankruptcies, distressed situations, and helping troubled companies restructure debt so they can survive. He's also worked on the other side, helping creditors get repayment from distressed businesses and governments.

Kramer has a reputation in restructuring circles as someone to be respected – or feared – depending on who you ask. One rival described him to Insider as a "predator," while a colleague dubbed him an "elite thinker" because of his ability to iron out solutions for his clients in what can sometimes be confrontational situations.

His firm has represented large lenders looking to protect their assets in numerous high-profile bankruptcy cases. Ducera backed creditors against Hertz, the car rental firm that left bankruptcy last October. Ducera also supported creditors on Puerto Rico's nearly $19 billion debt restructuring. To understand how long, and sometimes messy, bankruptcies can be, Puerto Rico sought bankruptcy relief in May 2017, and only exited in March this year.

Transactions like this make restructuring bankers a rare breed. And now, after years of little activity, it's looking like Kramer, and Ducera's, time to shine.

Companies face a world of rising rates that will strain their balance sheets. Some – like Revlon – have already filed for bankruptcy. Other companies may default on their debt, seek rescue financing, or undertake other forms of corporate overhaul to survive.

DUCERA

**Bankruptcy banker Mike Kramer is founder of Ducera Partners. His boardroom battles have earned him a reputation as a "predator" and "elite thinker."**

While actual bankruptcy filings may take months to really start piling up, the cracks are already beginning to show. And that's led to an influx of inquiries for Kramer and his roughly 45-strong team at Ducera.

Kramer – a proud California State Northridge grad who sports a military-like crew cut – earned his restructuring stripes at rival boutique Houlihan Lokey. Today, he has the ear of restructuring pros like Scott Adelson, Houlihan's co-president, and Alan Kornberg, a partner with Paul, Weiss, who co-chair's the law firm's restructuring department.

"Mike's the guy you want in your corner when you're fighting for your business," one senior banker who was not authorized to speak publicly, said about the Ducera founder.

Insider interviewed Kramer at Ducera's Times Square Offices in New York City. He dissected what sectors are most exposed to restructuring, the evolving crypto space, and the tools companies can utilize to adjust to higher interest rates and a Federal Reserve focused on cooling an economy stifled by inflation.

## The pressure is on retail, entertainment, and travel

Heightened inflation has consumer-facing industries like retail, entertainment, travel, and leisure all poised for a slowdown as folks pare back discretionary spending.

Areas like these, alongside industries exposed to commodity-price swings, present a bevy of opportunities for restructuring folks like Kramer.

"The hot topic is inflation, so any type of business that touches the consumer is going to feel pressure," Kramer said. "Hard goods, entertainment are going to feel pressed as consumer spending goes down. Businesses that have exposure to oil or gas, and don't have the ability to pass that on will have trouble."

And while restructurings are an expensive exercise – comprised of costly loans, and collateral-backed, or securitized financings – they're necessary for companies under duress.

"As companies are faced with challenges, and not generating as much profits, they're going to need capital to refinance their existing capital structures." Kramer said, "Liquidity is the life's blood of any company and access to capital is important."

Some tools include debtor-in-possession (DIP) financings – typically loans companies receive during bankruptcy proceedings. This debt is usually senior to other financing a company owes its creditors, meaning the DIP lenders will get repaid first. Because they're provided to a company during its most uncertain time, DIP financings often come with high interest rates.

There's also equity injections from creditors. This could be from existing shareholders, or new investment firms that are willing to invest in a distressed company in exchange for shares and perhaps board seats. Private-equity firms, for example, could swoop in – sometimes opportunistically – and take stakes in vulnerable companies.

"There'll be opportunities for private equity to help companies deleverage," Kramer said of opportunities for the cashed-up private-investor community. "We're coming out of a period over the last two-to-three years where there was unprecedented availability of debt capital. While it's low-cost capital, companies still have to pay that back."

And if companies are trying to repay lenders when their earnings are impaired, it'll be harder for them to justify carrying high amounts of leverage, Kramer said.

## Capitalizing on the crypto phenomenon

Crypto, and the entire digital assets space, is another sweet spot for Kramer.

When crypto prices were riding high, Ducera started fine-tuning its strategy toward the burgeoning asset class.

Last November, Ducera advised Digital Currency Group (DCG) on a $600 million transaction in the debt capital markets. DCG, a blockchain tech company, is the parent of data firm CoinDesk and crypto platform Luno, among others.

For Kramer, the DCG deal was a building block that exposed Ducera to more companies meshed in digital assets.

Now, with the meltdown in crypto prices, the restructuring firm sees opportunity to help shore up struggling businesses. The slump in crypto's value has led industry lenders Celsius and Babel Finance to stop its users from withdrawing their holdings, while Coinbase laid off more than 1,000 staff earlier this month.

"It's no question, when the prices go down it's harder to get people excited about investing in the product," Kramer said of crypto's declining value.

The volatility hasn't dampened Kramer's interest in the space. If anything, volatility has "reinforced" Ducera's commitment to crypto companies feeling the pinch of weaker prices, Kramer said.

"Volatility is when people need bankers more. Transformative events are taking place as prices drop and some of the lenders in crypto have challenges. That's when they're going to need more advice," Kramer said.

## Staffing up

Kramer founded Ducera in 2015 after splitting from Perella Weinberg Partners, a fellow boutique that Kramer joined in 2007 to build a restructuring practice.

Perella fired Kramer – alongside Derron Slonecker, Joshua Scherer, and Adam Verost, all of whom are partners at Ducera today. Perella also sued Kramer, claiming he plotted to leave the firm and launch a rival while on Perella's payroll. Kramer countersued and denied he and his partners planned to leave Perella, and alleged that Perella defamed them and held back millions of dollars in equity they were owed.

Due to the ongoing lawsuit against his former employer, Kramer is tight-lipped about proceedings against Perella. But he said he remained committed to working with his fellow Perella outcasts, after they were all let go.

"They threw me out of Perella. I had to work," Kramer told Insider.

And that work has been fruitful. With Ducera barely a year old, Kramer advised Monsanto on its $63 billion tie-up with Germany's Bayer in 2016. That mandate netted Ducera between $50-$55 million in advisory fees.

Monsanto, importantly, wanted Kramer, having worked with him throughout his career at other firms. After his ouster from Perella, Monsanto pleaded with Kramer's former employer to allow the company to continue working with Kramer.

"It all started with Monsanto. I literally cold-called the then CFO Terry Crews, worked our way in and developed a relationship and stuck with them," Kramer said, adding that the bond started in 1998. "You gotta start somewhere, and Monsanto's a relationship that has transcended different firms."

What started as a tight-knit team of six restructuring experts has morphed into a 45-person team. And in the next 12 months, Kramer wants to grow to 60-65 people across offices in New York and Los Angeles.

In addition to restructuring efforts, Kramer's wants to tackle more M&A advisory services, not just for companies under duress, but businesses that may look to shed assets or merge with peers.

He's also trying to win business in private-credit markets, a burgeoning part of capital markets that's picking up share from bank-led bonds and loans.

This summer, Ducera is also welcoming nine interns, and eyeing new mid-tier bankers just above the analyst level in the coming months as workflow picks up, Kramer said.

And while Ducera – like most boutiques – is known to push its staff with longer-than-usual work hours, the firm remunerates its team handsomely. Total comp can swell to more than $300,000 for a third-year analyst, according to efinancialcareers, while associates can pocket upwards of half-a-million dollars.

"I've heard that's a bit of a reputation that we have," Kramer said when asked about the long hours his team puts in. "I'm not sure it's warranted, but we have our culture, we like our culture, and we're comfortable with our culture."