# Trader Pay Said to Be Next Challenge for Noble Group Debt Talks

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By Jack Farchy and Javier Blas

(Bloomberg) -- As Noble Group Ltd. and creditors wrestle over a $3.5 billion debt restructuring, one of the most urgent issues to be resolved is the future of the company’s traders. Managers and top traders have been pushing for a pay deal that would reward them handsomely if they steer the company through a restructuring, according to people familiar with the matter. Their demands are pressing as many key executive contracts, including that of Will Randall, Noble’s chief executive officer, expire in early December, the people said.

The prospect of Noble’s senior managers leaving is the latest headache for the embattled commodity trader, which has seen its market value collapse by 90 percent this year as it racked up more than $3 billion in losses. The talks also complicate wider restructuring efforts that Noble began last week in London with holders of a $1.1 billion revolving credit facility and bonds due in 2018, 2020 and 2022.

The trading house has met this week in Hong Kong with Houlihan Lokey Inc., which is representing a group of creditors, and will hold further conversations next week, said the people familiar with the matter. The staff incentives are part of those discussions, the people said, and creditors accept that the company’s management will be an important part of any restructuring, according to one person familiar with their thinking.

A spokeswoman for Hong Kong-based Noble declined to comment on the talks and management compensation.

The board and top managers have discussed several potential pay packages. The latest proposal would give the managers significant equity in the restructured company, the people said, although they cautioned that talks were still ongoing and the plan could still evolve. Noble has hired boutique investment bank PJT Partners Inc. to advise on compensation and the restructuring, the people said.

"Without traders you cannot trade," said Jean-Francois Lambert, a consultant and former head of global commodity trade finance at HSBC Holdings Plc. "If you’re working in this company, you’ll certainly be on the edge. You’ll need to be reassured in some way."

Noble’s senior management, who built the business over decades and have personal relationships with many of the trading counterparties, argue their presence is critical to steering the smaller, Asia-focused company back to profitability after the restructuring. The company has said its remaining business -- largely buying and selling coal -- could generate $250 million to $300 million of operating cash flow a year.

Still, any deal with Noble’s senior management may be controversial. This week, Iceberg Research, a long-time critic of the company, lambasted managers and urged creditors to call for them to be replaced.

It’s not uncommon for companies to reward top executives for performance during a crisis, though the practice is often widely criticized. Coal miners Walter Energy and Peabody Energy Corp. both approved bonus plans that would pay up to 10 percent of the company’s diluted equity to key employees as part of bankruptcy plans in recent years.

Noble has already made retention payments to key traders this year. Selling, administrative and operating expenses rose to $172 million in the second quarter from $100 million in the

first quarter, according to financial reports.
"Fundamentally, people decide to stay or not because they either believe that there's a future for the company or they don't," said Lambert. "If they believe that there's a future, they'll stay."

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