

Man Who Helped Bury Lehman Turns to Saving Troubled Trader Noble

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By Jack Farchy

(Bloomberg) -- As Noble Group Ltd. investors head for the door, the embattled commodity trader has turned to a man whose resume is a roll-call of Asia's highest-profile corporate collapses.

Paul Brough, a British-born former KPMG LLP executive, was appointed chairman of Noble last week as the company's stock and bonds plummeted. The Hong Kong restructuring veteran's most recent jobs include liquidating Lehman Brothers's assets in Asia, running what emerged from the bankruptcy of plantation developer Sino-Forest Corp., and restructuring failed fishmeal supplier China Fishery Group Ltd.

Reviving Noble Group will be no easy trick after two turbulent years marked by falling commodities prices, losses, mounting debt and accusations of improper accounting. Its stock market value has shrunk to less than \$600 million from more than \$10 billion in 2010. The latest collapse came after Noble reported another loss for the first quarter.

"The situation of Noble is precarious: trading struggles, liquidity shrinks, liquidity costs are sky rocketing," said Jean-Francois Lambert, a consultant and former head of global commodity trade finance at HSBC Holdings Plc. "This is clearly untenable."

The company's shares have fallen more than half since the start of last week to their lowest in more than 15 years, while its bonds due in 2020 have lost 50 percent of their value, pushing the yield up to 40 percent on Monday.

Noble Group told investors that Brough's first job after taking over from founder Richard Elman would be to conduct a "strategic review of the business." Noble also said he will also "explore strategic alternatives," often corporate-speak for finding a buyer for the business.

Noble isn't in as desperate situation today as some of the other companies Brough has worked for. The commodities trader survived a near-death experience a year ago, when its bonds briefly traded at less than 50 cents on the dollar. At the end of the first quarter, it was sitting on roughly \$1.5 billion in cash, which the company told investors on a conference call last week would be sufficient to cover its debts maturing next month.

Brough, 60, has been a non-executive director at Noble since 2015 and knows the company.

"I haven't come in to Noble to conduct a restructuring at the moment," Brough said by phone on Sunday. "I didn't join the board two years ago as a restructuring specialist. At the moment, all I'm concerned with is conducting the strategic review."

Also on the table are potential further asset sales and shutting down business units that Noble Group is now struggling to fund because of credit shortages. There's also the possibility of finding a potential new investor that injects fresh equity in the business, according to a person familiar with the company's thinking who asked not be named discussing internal matters.

In the past, the company has been in talks with China's Sinochem Group. China Investment Corp., the nation's sovereign wealth fund, is already one of Noble's largest shareholders. Noble Chief Financial Officer Paul Jackaman would only say last week that "the conversations are ongoing" with potential strategic partners. Brough declined to comment on the possibility of a deal.

A Troubleshooter

Brough moved to Hong Kong in 1983 to work for KPMG, rising in 2001 to become the head of the accounting firm's transactions and restructuring division in the Asia-Pacific region. From there, he went on to solve some of the region's most prominent - - and often, controversial -- corporate failures.

His work included "over 30 restructuring and insolvency assignments in Hong Kong and China," according to a biography published by a unit of Sino-Forest. He was also part of a team that worked round the clock to secure the sale of the Asian branch of Lehman to Nomura in 2008.

"When things go wrong -- a client may get into financial difficulty or an IPO goes wrong -- despite your best efforts to prevent it, you have to deal very swiftly with the impact of those problems and get everything under control," Brough told the in-house magazine of the British Chamber of Commerce in Hong Kong in 2011.

What's for sure is that Noble's plans aren't working.

Elman, who founded the company in 1986 in a small Hong Kong office to supply Chinese steelmakers with iron ore, manganese and chrome, admitted as much in a valedictory note to investors. He said he couldn't promise a return to profits by 2019. "I live

under no illusion that this remains the likely timescale," he wrote.

"Elman is now clearly bowing out," said Lambert, the consultant. "Appointing a restructuring expert in his stead confirms that the objective is probably one of orderly retreat."

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