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Case Study: Aventiv Technologies LLC

The EDF-X Early Warning System flagged credit distress a year before Aventiv Technologies sought a restructuring

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EDF-X Spots Deteriorating Financial Performance Before Negative Credit Events

Aventiv Technologies, the Dallas-based provider of correctional facility telecommunications and other digital services, finalized a debt restructuring agreement with its lenders in April 2024. The company was unable to refinance its obligations on the open market, necessitating term extensions with its major creditors. This includes Aventiv's private equity owner, Platinum Equity, which announced plans to sell the prison phone service provider by year end.

Aventiv aggressively pursued growth objectives in recent years. The firm expanded into messaging and other media services and rolled out over 600,000 tablets since 2019. Revenues have been stable, thanks to multi-year contracts with various facilities, but the company's upside potential is limited. The U.S. prison population has declined in recent years and the end of stimulus check programs and other pandemic-related support removed a key source of demand for Aventiv's services. Further, the nature of the market in which the firm operates leaves Aventiv perpetually exposed to regulatory scrutiny.

Liquidity pressures began to mount in late 2022, the company's cashflow-to-debt ratio declined from nearly 10% in 2021 to just 5% in 2022, and Aventiv looked to refinance several quick approaching obligations by mid-2023. However, investor demand was muted, and the company was unable to roll over its debts. Aventiv's forward-looking probability of default (PD) pushed past its peer-based trigger in May. Within the EDF-X Early Warning System, when a company's PD crosses its peer-based trigger, the likelihood of a negative credit event significantly increases. Aventiv eventually reached terms for a debt extension in April 2024—nearly a year after being flagged by EDF-X—but the firm's near-term prospects remain downbeat, and many investors believe it is likely that Aventiv will change hands by year's end.

