



Spanish Court Upholds Naviera Armas' Restructuring Plan, Highlighting the Importance of Expert Testimony

Spain's new restructuring framework, introduced in 2022, has expanded the role of expert testimony in the approval process of restructuring plans. This expanded role was recently brought into focus in the complex restructuring of Naviera Armas – a leading Spanish ferry operator in the Canary Islands – after minority creditors challenged the company's 2023 restructuring plan. Multiple experts testified on critical issues, including the company's financial situation, the reasonableness of the plan and the company's valuation. Based on experts' testimony, the Provincial Court of Las Palmas de Gran Canaria dismissed all objections and approved Naviera Armas's restructuring plan in March 2025.

In 2023, Naviera Armas faced severe financial difficulties, leading to the approval of a restructuring plan by the Commercial Court No. 3 of Las Palmas. At the time, the company had nearly €600 million in total debt: €441 million in secured bonds, a €58 million emergency bridge loan from bondholders, and €100 million in bank loans and credit facilities backed by the Official Credit Institute (ICO). A court-appointed expert valued the company at €403 million, rendering certain creditors – such as Banco Santander, CaixaBank, Banco Sabadell, the ICO, and Acciona – out of the money, meaning they had no realistic prospect of recovering their investment.

Based on different experts' analyses, minority creditors objected to the restructuring plan. Some claimed that Naviera Armas had been insolvent since 2021 and thus that they would have received a higher value under a liquidation scenario. Others, however, argued that Naviera Armas was *not* insolvent in 2023. These minority creditors claimed that the court-appointed expert's valuation of the company was flawed – leading to an excessive write-off of their debt – and that allocating 6% of the restructured equity to the founding Armas family (the "Gifting") was unfair.

The Brattle Group – with a team comprising Principals Dr. José Antonio García and Dr. Pedro Marín, Senior Associate Dr. Fernando Bañez, and Associate Piero Fortino – was retained by the law firm Garrigues to respond to the minority creditors' objections. Dr. Bañez testified at the hearing in January 2025.

In its March 2025 ruling, the Court dismissed all arguments raised by the minority creditors. The ruling emphasised the relevance of expert evidence in resolving the disputed issues, underscoring

that experts' analyses must be grounded in solid and reliable data and employ sound methodologies to derive prudent, economically meaningful estimates and projections. After analysing the expert submissions and testimony, the Court concluded that the expert reports submitted on behalf of the creditors lacked credibility.

Specifically, the Court determined that:

- Naviera Armas was indeed insolvent in 2023.
- The company's restructuring plan was robust, with projections based on historical performance and contemporaneous market data. The Court noted that it is insufficient to challenge the plan's projections in general terms; experts should provide alternative projections.
- The liquidation value should reflect the loss of synergies and the forced-sale nature of asset disposals, among other things, which justifies an additional discount to fair market value. Accordingly, the write-off to minority creditors in liquidation would be higher than under the restructuring plan.
- The objections to the company's valuation were baseless. Moreover, the higher leverage ratio that the creditors' experts proposed for the restructuring plan would not lead to a lower write-off for minority creditors. Accordingly, the Court concluded that the write-offs to minority creditors under the restructuring plan were not excessive.
- The Gifting – the allocation of 6% of the restructured equity to the Armas family – did not harm the opposing creditors, who were “out of the money” and thus “lacked standing to claim what is not theirs.”

The Court therefore allowed Naviera Armas's bondholders – including JP Morgan, Barings, Bain Capital, and others – to (a) take full control of the company and (b) voluntarily allocate a 6% equity stake to the Armas family, ensuring business continuity.

Importantly, the Court reaffirmed that out-of-the-money creditors may face full write-offs in non-consensual restructurings and that bondholders have the discretion to transfer the equity they receive under the plan, as long as such transfers do not negatively impact other creditors. As far as we know, this is the first time a European court has ruled directly on the fairness of the Gifting in a restructuring context.

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