

Insolvency Insights:

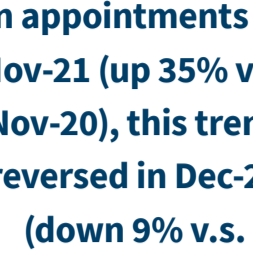
Recent uptick in appointments and what to expect in 2022

The rate of insolvencies for Australian businesses in 2021 continued to fall at less than half pre-COVID-19 levels, however, there has been movement in recent months with a large uptick in appointments occurring in Nov-21 and Dec-21 across a number of states and industries.

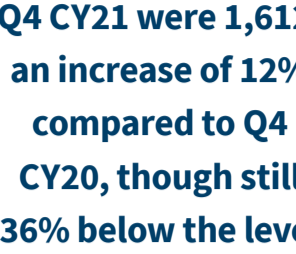
Key takeaways



Monthly insolvency appointments have trended above 2020 levels since May-21, however, still remain between c.35% to c.55% below 2019 volumes.

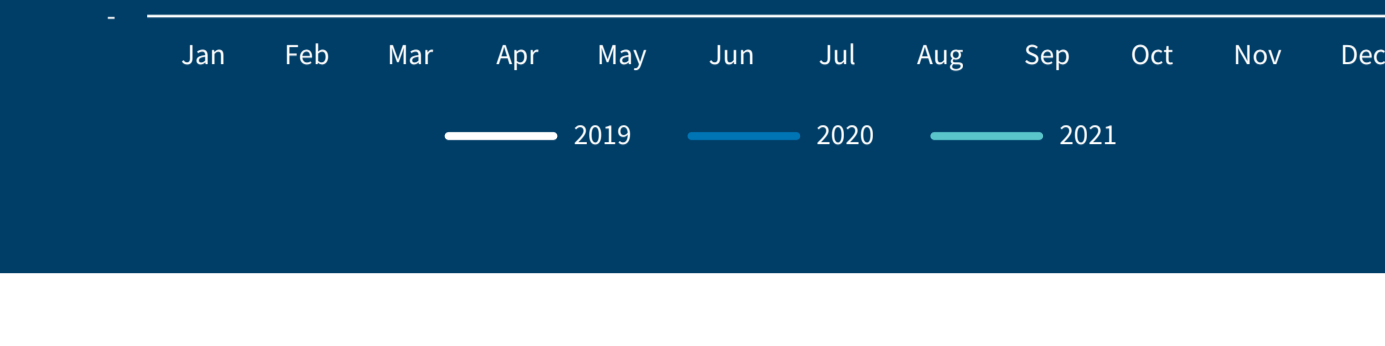


Whilst there was a notable uptick in appointments in Nov-21 (up 35% v.s. Nov-20), this trend reversed in Dec-21 (down 9% v.s. Nov-20).



Overall appointments for Q4 CY21 were 1,612, an increase of 12% compared to Q4 CY20, though still 36% below the level recorded in Q4 CY19.

2021 Appointments vs. Prior Years

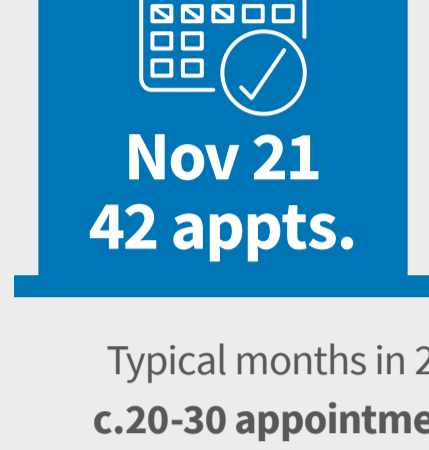


Types of appointments

Receiver and Manager appointments



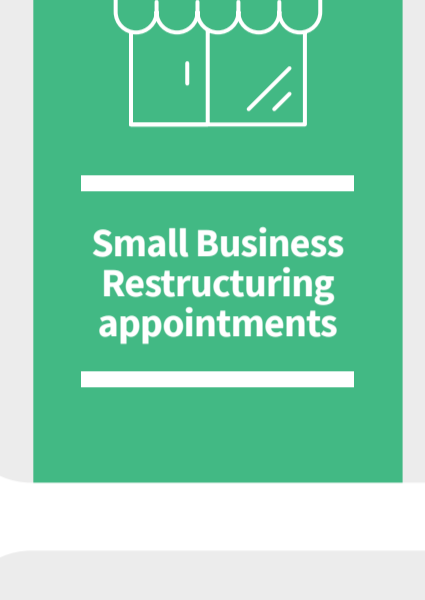
Large uptick in Receiver and Manager appointments in Nov-21 and Dec-21.



Typical months in 2021 have seen between **c.20-30 appointments, whereas 42 and 37 appointments** were made in Nov-21 and Dec-21 respectively.



Small Business Restructuring appointments

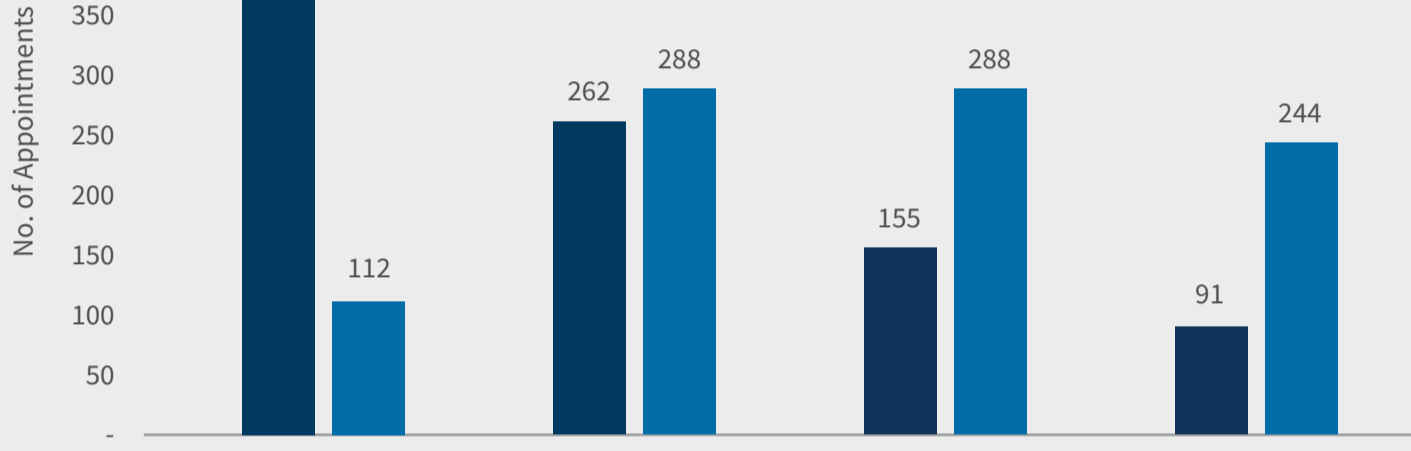


Large increase in Small Business Restructuring appointments (i.e. post plan implementation) in Nov-21, from a typical range of between **one and three appointments per month to eight.**

Increase in Small Business Restructuring Plan appointments in Nov-21 and Dec-21 to **four and six appointments respectively** (from a typical range of between one and three appointments). Whilst these volumes are small, it indicates an increasing level of adoption of these new provisions.

Court Winding Ups

After a subdued Q1 CY21 (total of 112 appointments), Court Winding Ups have remained above 2020 levels from Q2 onwards, recording **288 appointments in both Q2 and Q3 (compared to 262 and 155 in CY20) and 244 appointments in Q4 (compared to 91 in CY20).**



Liquidations

No notable change in the volume of Liquidations or Administrations in Q4 CY21.

State breakdown



In NSW, insolvency appointments **in Nov-21 were up 58% on Nov-20**, driven by an uptick in liquidation appointments. This trend did not continue in Dec-21, largely due to the significant NSW of appointments still increased month-on-month by 9% (v.s. Nov-21).

All other states and territories remain broadly in line with 2020 appointment volumes.

Industry breakdown

Construction

- Since Apr-21, appointments across the construction industry have remained notably higher than 2020 levels. **Insolvency appointments in construction were 38% higher in Q4 CY21 (compared to Q4 CY20), though still remain 27% below 2019 levels.**
- QLD saw the highest amount of appointments in the construction sector. In both Nov-21 and Dec-21, appointments were higher than 2019 levels (by 20% and 96% respectively).

Manufacturing, wholesale trade, and professional services

- Appointments in the manufacturing, wholesale trade, and professional services sectors have remained elevated throughout 2021, **up 43%, 63%, and 85% on 2020 volumes respectively.**

Mining

- Mining appointments **significantly outpaced (75%+) both 2020 and 2019 levels in Oct-21 and Nov-21**, with the **majority of appointments occurring in NSW and WA.** Dec-21 appointments were below both 2020 and 2019 levels.

Month	2019	2020	2021
Oct	11	11	26
Nov	10	13	23
Dec	85	28	17

Retail

- Retail trade appointments remain subdued – appointments were below 2020 levels before Jul-21, and have remained broadly consistent thereafter (still significantly down on 2019 volumes).

Transport

- Appointments have remained between **30% to 50% of observed 2019 levels throughout H2 CY21** (with the exception of Dec-21, due to a subdued level of appointments recorded in Dec-19).

2022 forecast – what to expect

Increase in restructuring activity

We are firmly of the view that restructuring activity is likely to markedly increase after the Federal election. Historically we see a hiatus a few months prior to the election cycle. The anticipated increase in debt collection activities by the Australian Taxation Office has not yet occurred – we suspect this will be ramped up post-election given the large corporate arrears and market pressures. Further to this, with the wind-back of government stimulus measures throughout 2021, increasing inflationary pressures, and potential interest rate hikes, we expect an increase in restructuring activity in 2022.

Property market pressures

The hot property market will be tested with inflationary pressures and the strong possibility of interest rate hikes which will cause mortgage stress for those who have not budgeted accordingly. The overheated market is causing banks to review credit lending criteria such as reduced LVR in certain geographic areas.

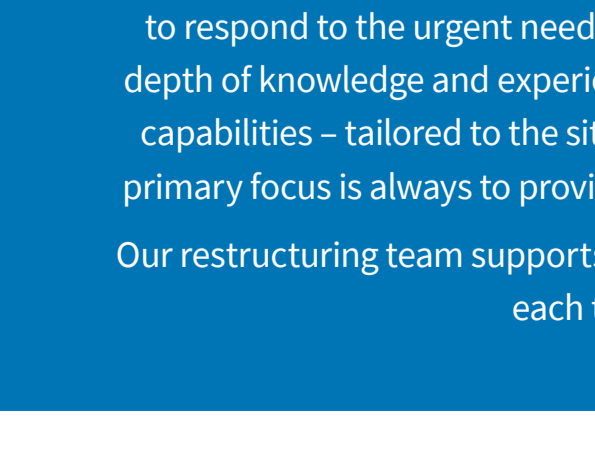
Global supply chain issues

From an industry perspective it is clear already that building companies, subcontractors and suppliers are all facing huge headwinds due to global supply chain issues. Other industries face similar pressures, but none more pressing than the construction industry. This is highlighted just recently with the collapse of national commercial builder Probuild.

How FTI Consulting can help

At FTI Consulting, our senior leaders and qualified liquidators can accept formal appointments across Australia and can swiftly mobilise a team on the ground to respond to the urgent needs of a client. They combine an unprecedented depth of knowledge and experience across regions, geographies and technical capabilities – tailored to the situations and challenges facing a business. Our primary focus is always to provide the best outcome possible for stakeholders. Our restructuring team supports clients and manages stakeholders throughout each type of appointment.

Data analysed using 'ASIC Insolvency statistics Series 2A' released February 2022 – available at asic.gov.au



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