

## STRATEGIES CONTINUE TO BRING ABOUT THE DECLINE OF INSOLVENCIES FOR 2017

Passing of Safe Harbour legislation could result in a further fall in insolvencies

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FTI Consulting’s analysis of the latest ASIC insolvency statistics for the month of July 2017 notes a continued decline in the number of companies entering external administration.

In July 2017, there were 719 companies entering external administration, down from 816 in the previous month. July’s levels were also down year-on-year, with 771 appointments recorded in July 2016.

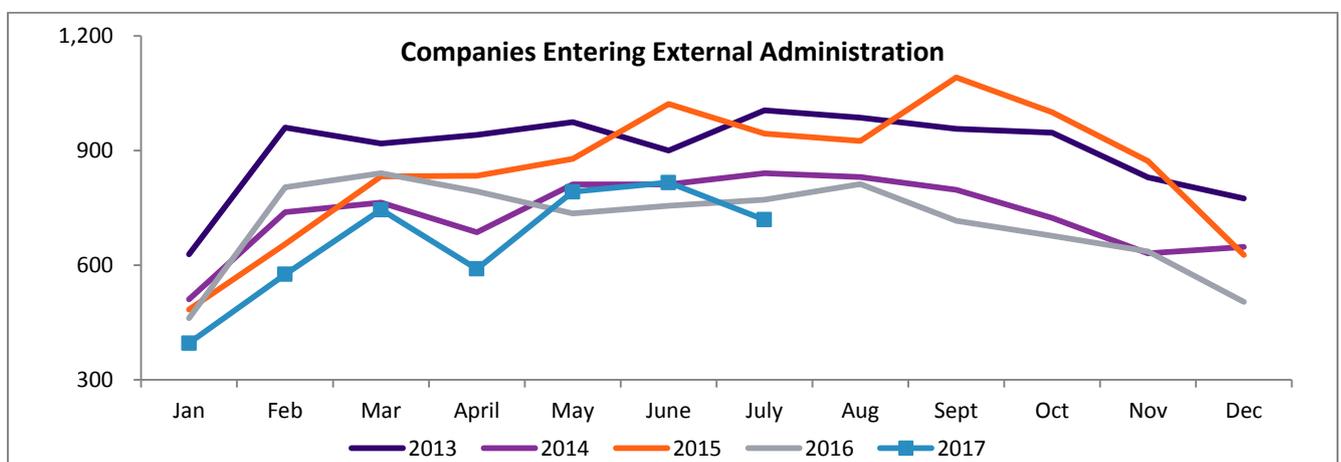
Insolvencies nationally continue to decline when comparing 2016 and 2017 July year to date statistics. A total of 7,979 companies entered administration for the 12 months to July 2017, an 18 % reduction compared with the prior period (12 months to June 2016) where the equivalent number of insolvencies was 9,675.

Kate Warwick, Senior Managing Director and the Australian Head of Retail & Consumer Products in the Corporate Finance and Restructuring segment at FTI Consulting, said:

“The declining trend in formal insolvencies demonstrates the ability of businesses and their advisers to proactively address stress and underperformance. Facing these challenges early provides a greater range of options in relation to the solutions available.

“With the passing of the Safe Harbour legislation in Parliament this week, it’s anticipated this decline in formal insolvencies will continue. The Bill is intended to provide a balance between a business’s ability to explore opportunities to prevent insolvency whilst also preserving value and protecting the interests of creditors,” Ms Warwick said.

“While retail insolvencies are lower than in prior periods, we anticipate the impending arrival of Amazon will see them gain around 2% total retail market share over a five year period. These escalating market pressures could be the tipping point for some retailers. Consumer expectations of the overall customer experience will increase. With this rise in expectations, Australian retailers will need to continue to refine their value proposition, improve customer service, leverage customer analytics and insights, and drive efficiencies throughout their business to remain relevant and competitive.”

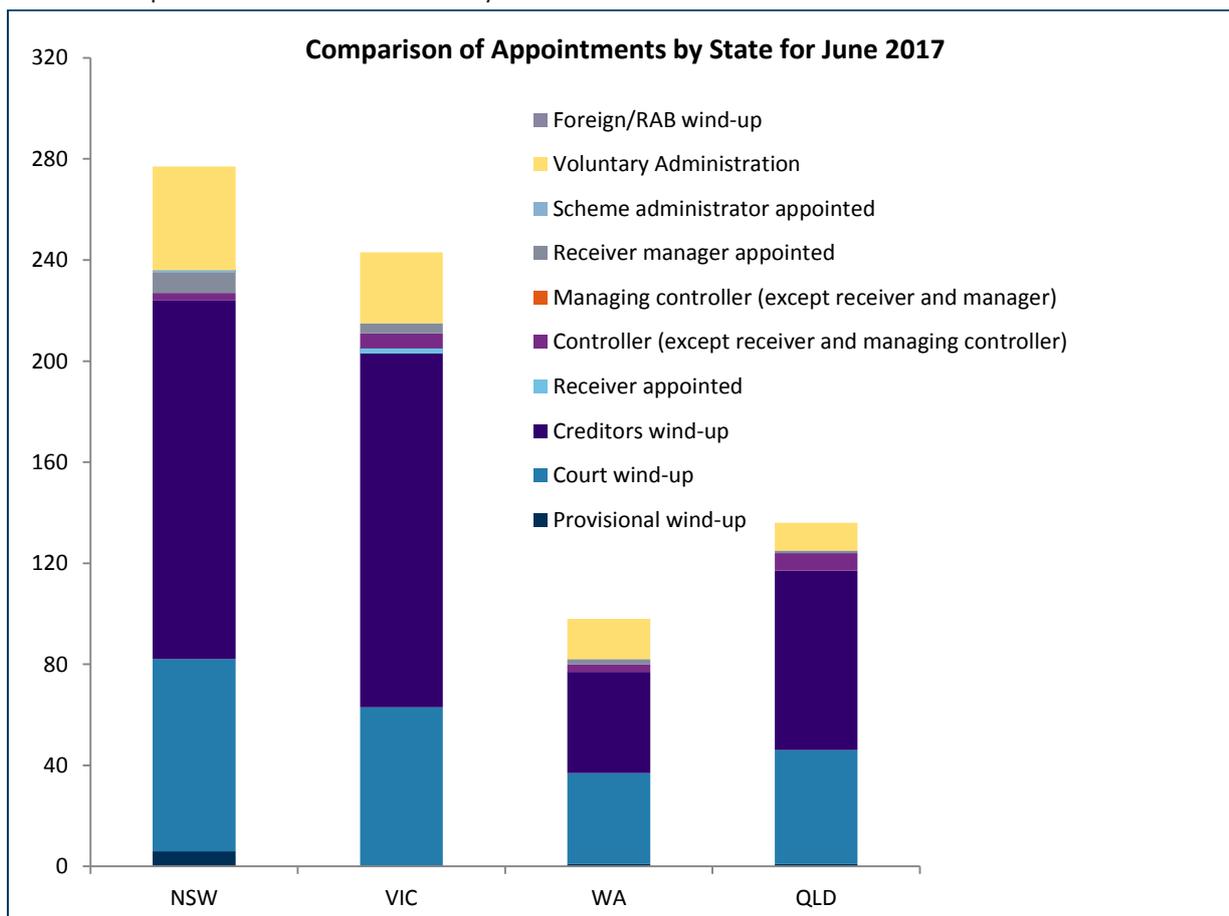


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On a state-by-state basis, New South Wales once again held the top spot amongst the states with 229 insolvencies, though this was down from 277 external administration appointments in June. Victoria also saw a decrease in insolvencies from 243 in June to 199 in July. Queensland and South Australia were the only states to see marginal increases, with appointments rising to 141 from 136 in Queensland and 38 from 34 in South Australia. The numbers remained steady in Western Australia (95), Tasmania (2), Northern Territory (1) and the ACT (14) for the month.

On appointment types, again creditor wind-ups saw the most activity with 370 recorded in July, however this was down from 418 in June. Meanwhile, voluntary administrations were virtually unchanged at 119 in July compared to 115 in June. Court wind-ups saw a decrease to 192 in July from 230 in June.



The analysis and comments follow a review of the ASIC Insolvency Statistics July 2017

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