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A Case for Business Restructuring in Ghana:
Navigating a difficult business environment



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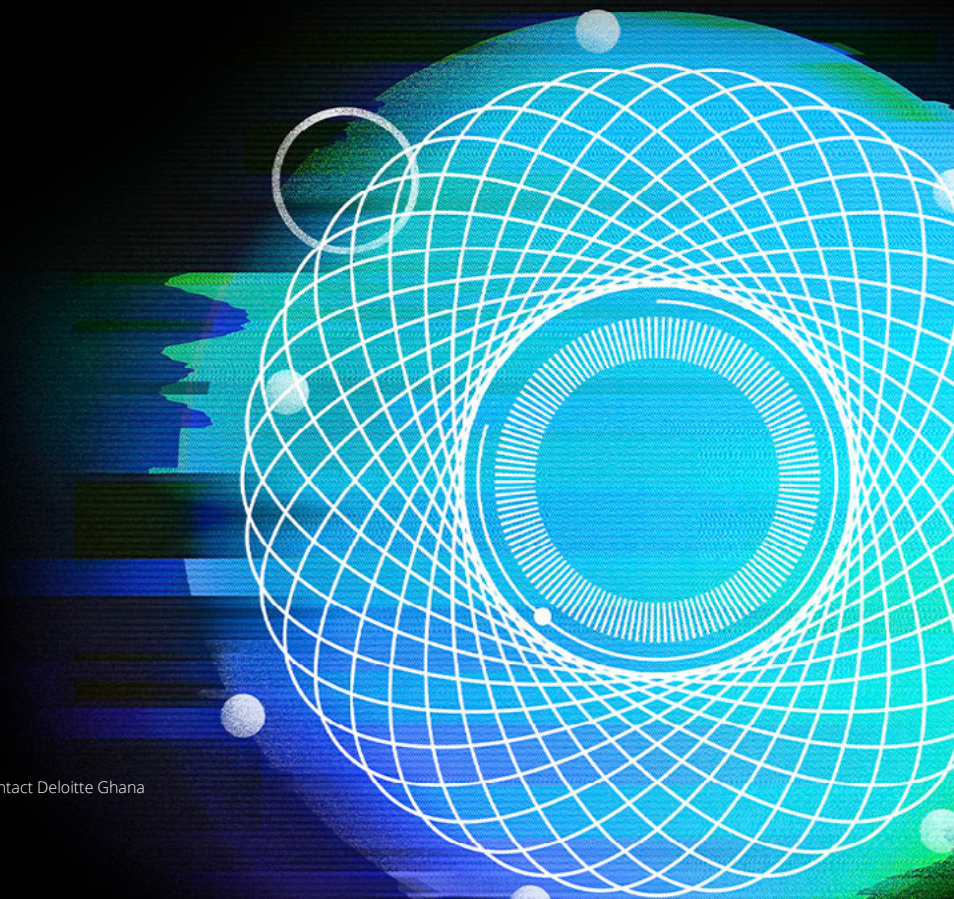
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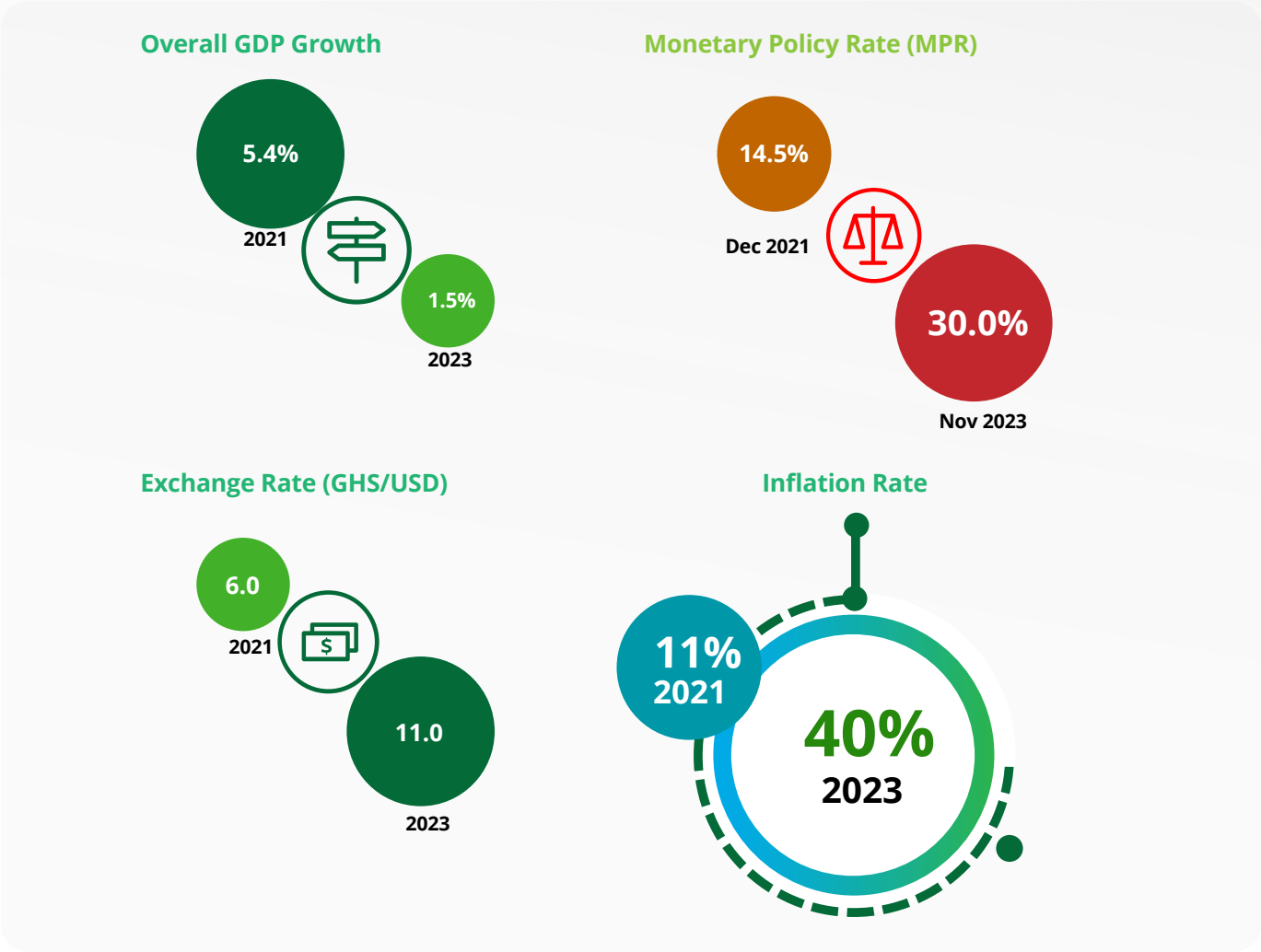
Ghana's unfavourable economic environment

The economic/business environment in Ghana has deteriorated over the last three years. The unfavourable economic climate has reflected mainly in the form of declining growth (GDP), rising inflation, high interest rates, and depreciation of the local currency. The combination of these has translated into increased cost of debt, input price hikes, growing overhead costs, and reduction in purchasing power/demand. These have resulted in a squeeze in profit margins for businesses, as well as severe cashflow and liquidity challenges in some instances. In these difficult times, the models and strategies of businesses operating in Ghana are being tested for effectiveness and ability to outlast the deteriorated economic environment. In response, businesses must assess the strategic options available to them and make the necessary adjustments.



Ghana's unfavourable economic environment

The infographics below show a significant deterioration in the key macroeconomic indicators over the last three years and point to the challenging business environment in Ghana.



Source: BOG Summary of Economic Data, Ghana Statistical Service & 2024 Ghana Budget Statement



The inflation acceleration

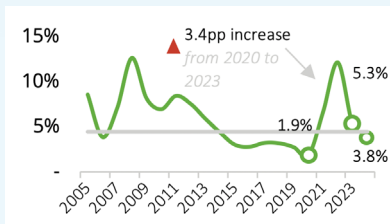
Inflation in Ghana has reached levels not seen since before the global financial crisis of 2008.

Key:

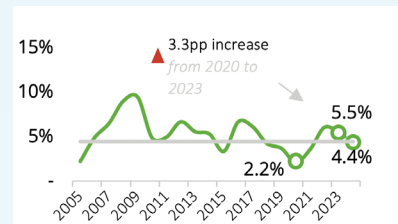
- Actual
- - - Forecast
- Target inflation

Consumer Price Inflation initially declined from 17.3% in 2016 to 9.9% in 2020 before sharply rising to an average of 40.0% in 2023 due to post-covid economic challenges. The effect of the rising inflation is a significant reduction in consumer purchasing power and by extension, contraction in demand for goods and services.

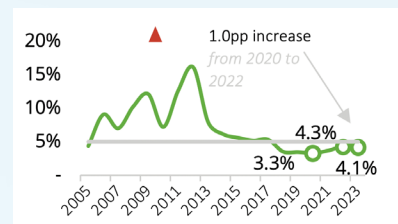
Botswana Inflation



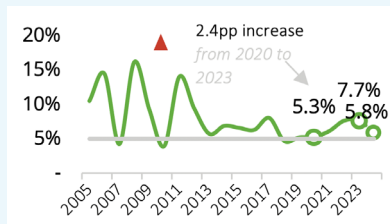
Namibia Inflation



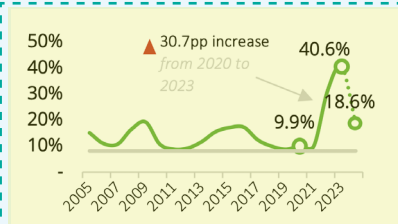
Tanzania Inflation



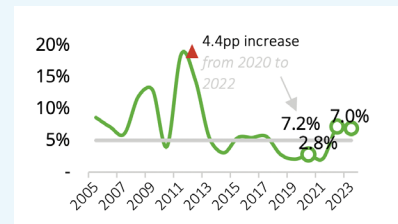
Kenya Inflation



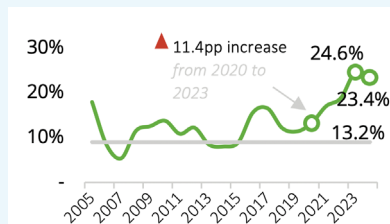
Ghana Inflation



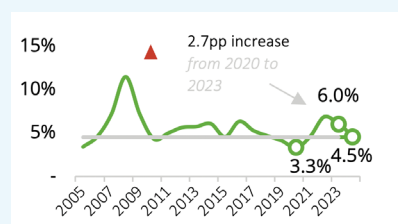
Uganda Inflation



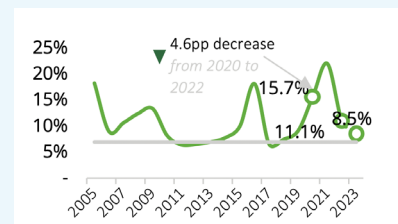
Nigeria Inflation



South Africa Inflation



Zambia Inflation



Source: Fitch, World Bank & Central Banks across the selected countries

The interest rate handbrake

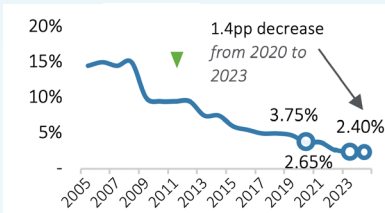
Bank of Ghana has responded with a sharp tightening of monetary policy

Key:

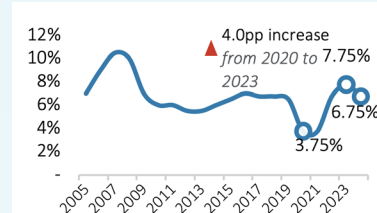
— Policy rates

After dropping from 25.5% in 2016 to 14.5% in 2020, Ghana's Monetary Policy Rate (MPR) (also known as the policy rate) shot up to 30.5% in 2023 mainly resulting from post-Covid economic challenges. This has resulted in a significant rise in lending rates and made debt financing significantly costly for businesses in Ghana.

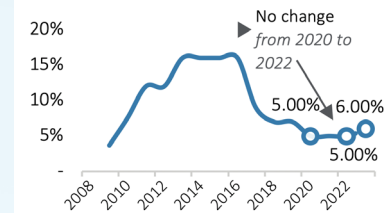
Botswana policy interest rate %



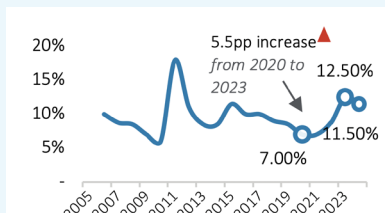
Namibia policy interest rate %



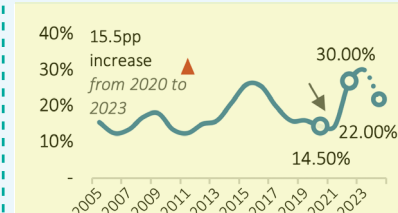
Tanzania policy interest rate %



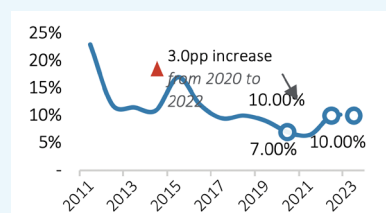
Kenya policy interest rate %



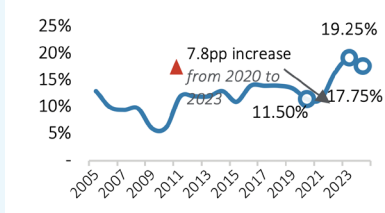
Ghana policy interest rate %



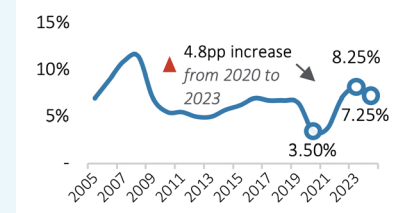
Uganda policy interest rate %



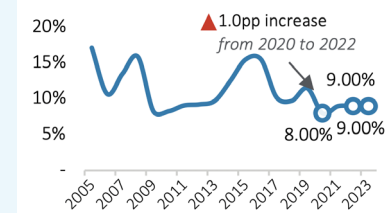
Nigeria policy interest rate %



South Africa policy interest rate %



Zambia policy interest rate %



Source: Fitch, World Bank & Central Banks across the selected countries

Types of business restructuring and lifecycle

Businesses in Ghana, over the period 2020 to 2023 have faced contracting demand and are having to consider their strategic options for adjusting to the difficult economic and business environment. Also, those hard hit by the rising lending rates may have to reconfigure their financial and operational strategies to manage the overall cost impact on the business, hence the importance of business restructuring as a strategic option for navigating the current difficult business environment.

There are two main types of business restructuring- Financial Restructuring and Operational Restructuring. The main features and the typical lifecycle of each of these types of restructuring are summarised as follows:

Financial restructuring



- Where management sets out to modify the capital structure and debt obligations of the business by renegotiating, refinancing, or restructuring loans, bonds, or equity.
- Usually includes one or a combination of the following: extending maturities, lowering interest rates, converting debt to equity, issuing new securities, or selling assets.
- The objective is usually to improve the liquidity, solvency, and cash flow of the business and reduce the risk of default or bankruptcy.

Operational restructuring










- This involves changes to a company's core activities, processes, systems, and structure for purposes of improving the efficiency, productivity, and profitability of the business.
- Typically includes cost reduction, streamlining operations, optimizing resources, enhancing quality, diversifying products or services, or repositioning the brand.
- The main objective is to create a sustainable competitive advantage and increase the value of the business for its owners and customers.
- Also involves executing strategic reviews, performing operational due diligences and highlighting growth drivers across the value chain.



Restructuring Lifecycle

The key steps and timeframes for a typical restructuring are as follows:

		Steps	Objectives
 Stakeholder engagement and management	Typically 4 weeks	 Stabilise the business	<ul style="list-style-type: none">• Achieve a standstill• Liquidity forecasting and management• Stakeholder buy-in to the process
		 Agree a turnaround framework	<ul style="list-style-type: none">• Understand stakeholder positions and objectives• Agree the objectives and principles for the process• Determine the workstreams required• Set out the process timetable
	Typically 4 - 5 months	 Business review & options	<ul style="list-style-type: none">• Establish the root causes of distress• Review and stress test the business plan and forecasts• Valuations and funding requirement• Identify and assess the restructuring options
		 Develop a turnaround plan	<ul style="list-style-type: none">• Strategic, governance and operational levers• Identify debt reduction options• Sustainable capital structure (with reference to debt carrying capacity)• Estimate creditor returns under Plan B
	Timeline varies	 Negotiations	<ul style="list-style-type: none">• Determine must-haves vs nice-to-haves• Find areas of consensus• Lead the discussions
		 Implement the turnaround	<ul style="list-style-type: none">• Provide momentum to the process• Monitor implementation• Incentivise outperformance



Strategic options available to businesses at key stages of their maturity curve



Benefits of engaging Restructuring Professionals

Credibility

Restructuring professionals are known for their expertise and experience in handling similar situations across multiple scenarios and this brings credibility to the process.

Flexibility

Opportunity to benefit from a tailored approach designed to address your specific needs, as well as provide you with flexibility around cost management.

Time

Frees up much needed time to allow management to focus on resolving day-to-day challenges and makes for efficient restructuring process execution

Stakeholder Management

Leverage network and experience of professionals for effective stakeholder management. chance of success.

Expertise

Opportunity to leverage the deep knowledge, skills and experience of professionals to improve chance of success.

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Stakeholder engagement and management are at the heart of our approach and are key to the successful outcomes we deliver

Performance Improvement

Creating and implementing initiatives to release cash trapped in working capital and aligning costs with strategic priorities.

Common Information Platform

Providing one version of the truth for decision-making and negotiations, e.g., through business reviews or building cash flow models.

Restructuring Office

Holistic turnaround and balance sheet restructuring of stressed businesses, setting a firm foundation for the future.

Restructuring Implementation

Rehabilitating businesses and realising recoveries for stakeholders by taking insolvency appointments and supporting appointment takers.

Our Restructuring Team in Ghana

Our team is focused on creating value in stressed or distressed mandates in Ghana



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