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2022 Deloitte Restructuring Survey

The battle for trust: improving restructuring outcomes in an uncertain world

April 2022

Contents

Foreword

It gives me great pleasure to share the results of our 2022 Deloitte Restructuring Survey with you. This year's survey is by far our most ambitious undertaking to date. Not only have we expanded the stakeholders surveyed to include the views of our clients – the C-Suite – but we have also broadened the regions to include key African countries: Nigeria and Kenya. Our ambition is for this survey to become the first port of call for restructuring views Africa-wide; to that end, we will continue to expand into new territories in the years to come.

Our 2021 survey predicted a sharp increase in restructuring activity compared to 2020. However, this did not materialise for the majority in the restructuring profession. Predominantly legacy matters kept practitioners busy. There are many hypotheses as to why this was the case, including: the reversal of 2020 credit impairment positions, Covid-light covenants, and greater accommodation by lenders and other financial stakeholders in extending tenor and repayment profiles. However, a slow return to 'normal' may start to unwind the accommodative stance enjoyed by clients over the past two years.

The views of the C-Suite are critical to understanding one of the key challenges faced by the restructuring industry – that restructuring negotiations are triggered too late, limiting the options available for recovery. So when in our survey the C-Suite says that seeking external support is of lesser importance, this should set alarm bells ringing that management teams and their key stakeholders are working at cross-purposes, which inevitably causes more delays.

It appears that business rescue has lost its shine and distressed M&A is rapidly gaining pace in being the preferred exit route from distress. Not only is this highlighted through our survey results, but also in the analysis of Companies and Intellectual Property Commission (CIPC) business rescue statistics and Stats SA's insolvency and liquidation statistics. There is clearly much work to do in improving trust between business rescue practitioners (BRPs) and their stakeholders, with respondents expressing a clear desire for regular, honest communication and robust regulation.

With the overall sentiment for economic growth in South Africa for the next 12 months being pessimistic, and strong optimism for growth in restructuring activity, it looks like the restructuring industry is in for an interesting ride! Will this be the year that the predicted increase in restructuring activity materialises?

JoMarais

Jo Mitchell-Marais
Africa Turnaround & Restructuring Leader

Economic growth: a distant dream?

This survey was conducted in January 2022 when green shoots were beginning to bloom for the South African economy in the wake of the Covid-19 pandemic. Pent-up demand was being fuelled by consumers who were finally emerging from 18 months of intermittent lockdowns; the accompanying surge in trade triggered a commodity boom, low interest rates provided relief to households and corporates alike, and the first shot had yet to be fired in Ukraine.

Despite these benign conditions, 63% of respondents felt downbeat about growth prospects in South Africa. But this pessimism was far from unanimous. Our C-Suite respondents were far more optimistic than those in the restructuring industry, having experienced the buoyant factors above first-hand along with unprecedented lenience from lenders.

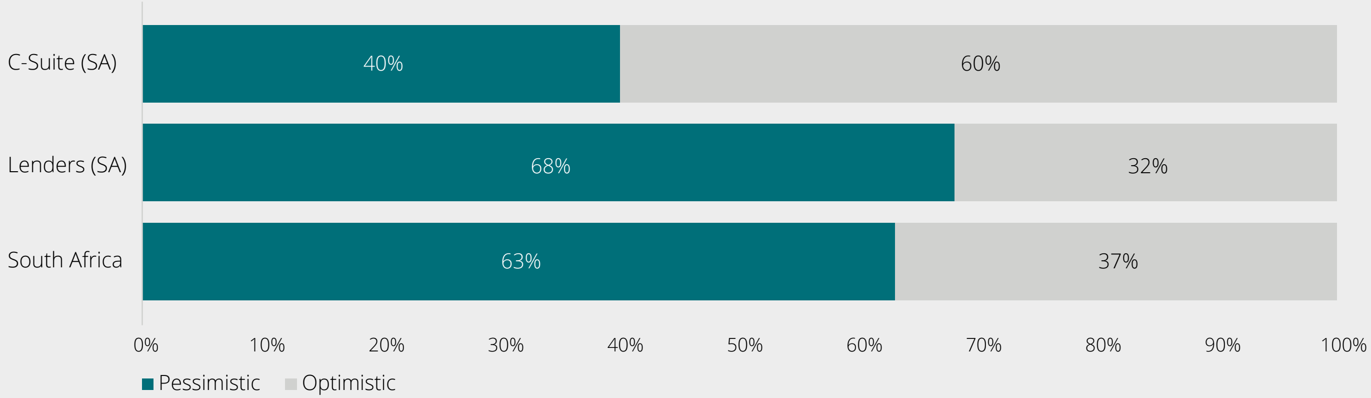
Lenders, on the other hand, were the more skeptical group, which we believe is driven by two key factors: inflation and consumer sentiment.

Inflation bites

In 2021, global inflation ticked ever higher as demand from lockdown-free consumers in Europe and North America outstripped supply from key hubs in Asia where production continues to be interrupted by draconian lockdowns. The war in Ukraine is likely to compound this as wheat supply interruptions trigger food inflation and energy prices soar.

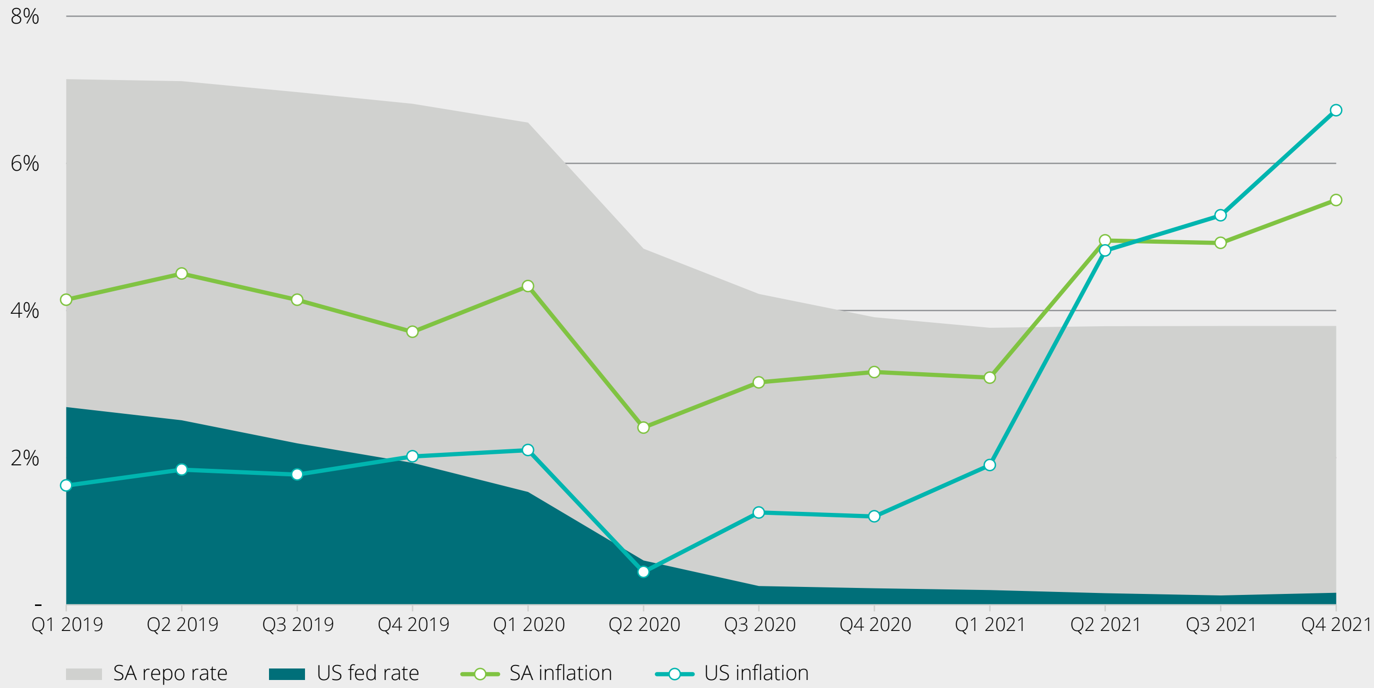
All eyes will turn to central banks, and the United States (US) Federal Reserve in particular. As **Figure 1.2** shows, both the US federal rate and South African repo rate are due a rise. Market commentators disagree on whether this should be a 100, 150 or even 200 basis point increase, but our lender respondents are well placed to foresee the impact on their corporate and retail clients.

Figure 1.1: How optimistic are you about growth prospects in South Africa over the next 12 months?



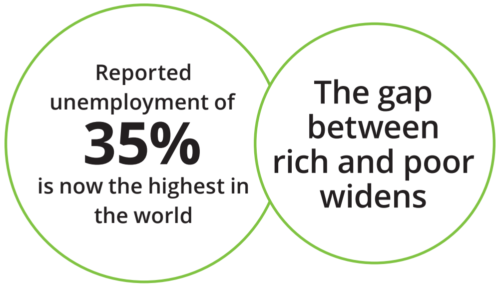
Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders

Figure 1.2: Consumer price inflation vs central bank rate



Source: Economist Intelligence Unit, 2022

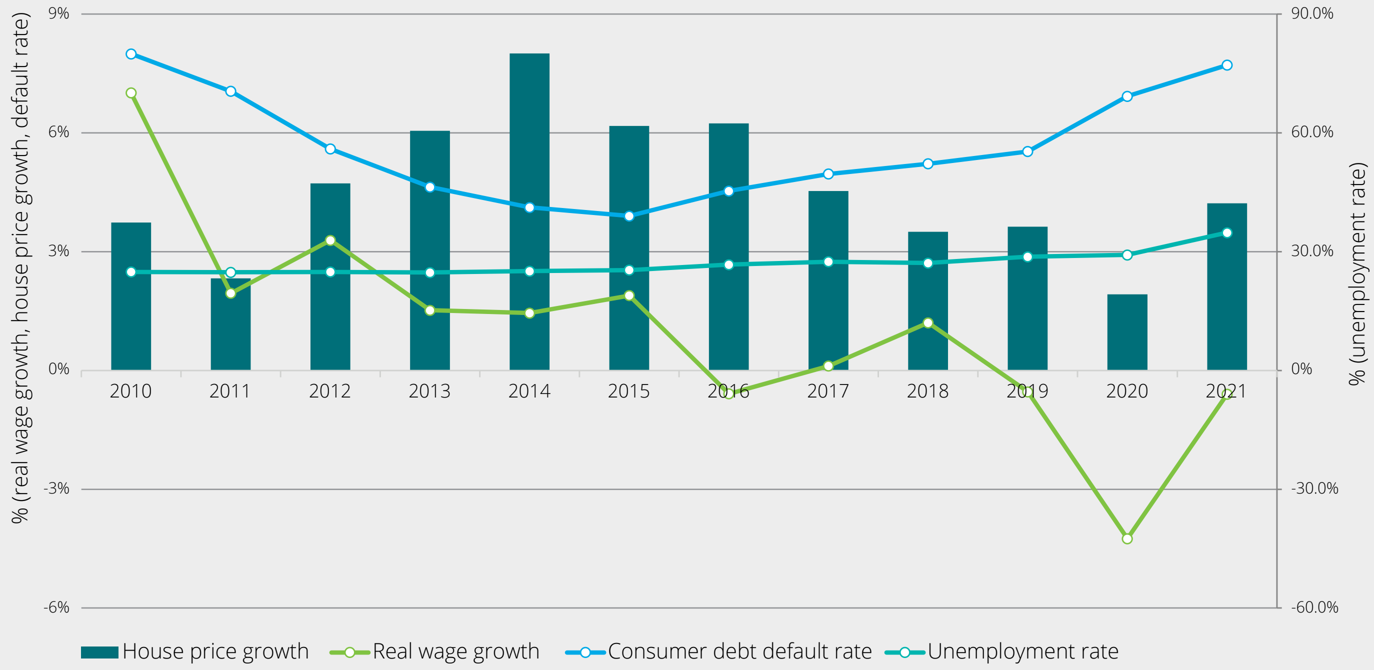
Consumers under pressure



Another key driver for the pessimism of survey respondents is the increasing pressure on consumers. Many of the almost three million jobs lost in the pandemic have not returned and reported unemployment of 35% is now the highest in the world. For those in work, real wage growth has been falling since 2010 while the growth in asset prices over the same period has widened the inequality gap with each passing year. It is no surprise then that consumer defaults are at their highest level since the global financial crisis, despite record low interest rates.

As the gap between rich and poor widens, consumer spending patterns will continue to polarise, and demand for convenience, accelerated by the pandemic, will be the norm. Companies exposed to the South African consumer can either adapt to these trends and thrive or ignore the signs and suffer the consequences.

Figure 1.3: Labour and consumer market conditions in South Africa



Source: Economist Intelligence Unit, 2022

A crash of grey rhinos

Michele Wucker coined the term "grey rhinos" for high impact risks people should see coming but invariably ignore until it is too late, like reacting to a rhino aiming its horn in their direction and preparing to charge. In her 2016 book *The Gray Rhino*, she cautioned that "the frequency of pandemics warns of a much bigger global health threat to come: it's not a matter of if but when". As the world recovers from the last grey rhino charge, and with the next one already with us, it seems a fitting time to ask for respondent views on what risks they see on the horizon.

Africa's grey rhino risks

As shown in **Figure 2.1**, survey respondents across Africa are most concerned about local risks: political uncertainty, the emigration of talent and sovereign debt crises featured prominently across jurisdictions. Global risks that keep leaders in advanced economies awake at night – climate change, geopolitical tension, and digital inequality – are less of a concern for Africa. This could partly be due to Africa having enjoyed relative shelter from the worst financial and health effects of the global financial crisis and Covid-19 pandemic respectively.

More likely is that for businesses leaders in Africa, political and economic uncertainty are more pressing priorities. By 2024, developing countries (excluding China) are expected to be 5.5% behind pre-pandemic GDP, while advanced economies are forecast to be 0.9% ahead. While the focus on immediate risks that loom large for Africa is understandable, recent events in Ukraine show that business leaders should not lose sight of global risks that could have an impact on the continent.

By 2024, developing countries (excluding China) are expected to be
5.5%
behind pre-pandemic GDP

Advanced economies are forecast to be
0.9%
ahead

Source: IMF World Economic Outlook, October 2021

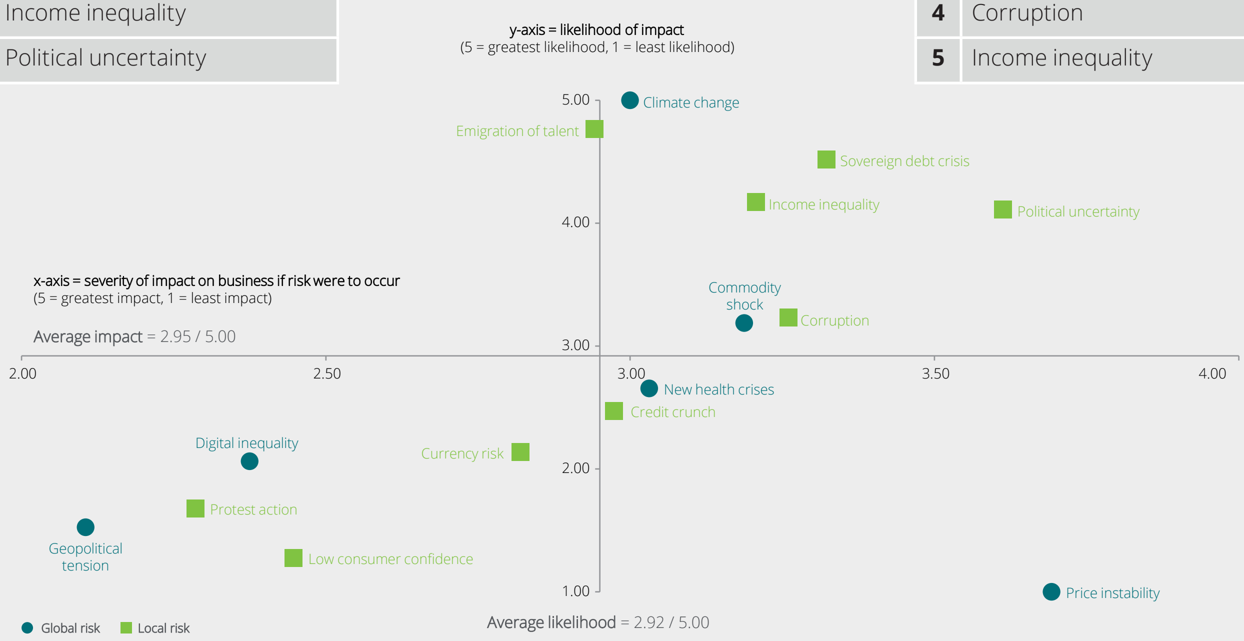
Figure 2.1: How do respondents perceive the impact → and likelihood ↑ of grey rhino risks?

Top five risks by likelihood:

1	Climate change
2	Emigration of talent
3	Sovereign debt crisis
4	Income inequality
5	Political uncertainty

Top five risks by impact:

1	Price instability
2	Political uncertainty
3	Sovereign debt crisis
4	Corruption
5	Income inequality



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions and stakeholders

"We are all lurching from crisis to crisis in the current circumstances, so who knows what's going to happen over the next 12 months?"

– Restructuring Partner, South African law firm

With that said, increasing divergence between developing economies in Africa and advanced economies elsewhere brings local risks to the fore, and our survey respondents believe that these will play out over extended timeframes – see **Figure 2.2**.

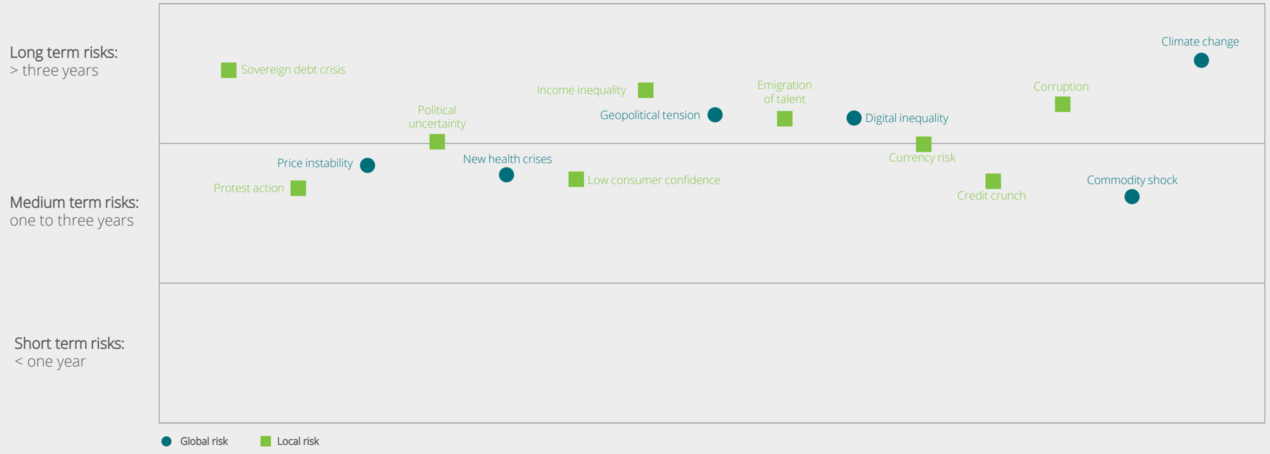
These risks will become more frequent, and arrive simultaneously – a crash of grey rhinos. For companies, this means operating in a highly uncertain environment which requires resilience and agility. For lenders and restructuring professionals, this means that clients that look like winners in one season can quickly become distressed in the next.

How can companies respond to grey rhino risks?

Survey respondents across Africa, including the C-Suite, believe that management teams are most prepared for the crises of the past: top of the pile are new health crises (63% believe companies are prepared), protest action (50%) and currency risk (44%).

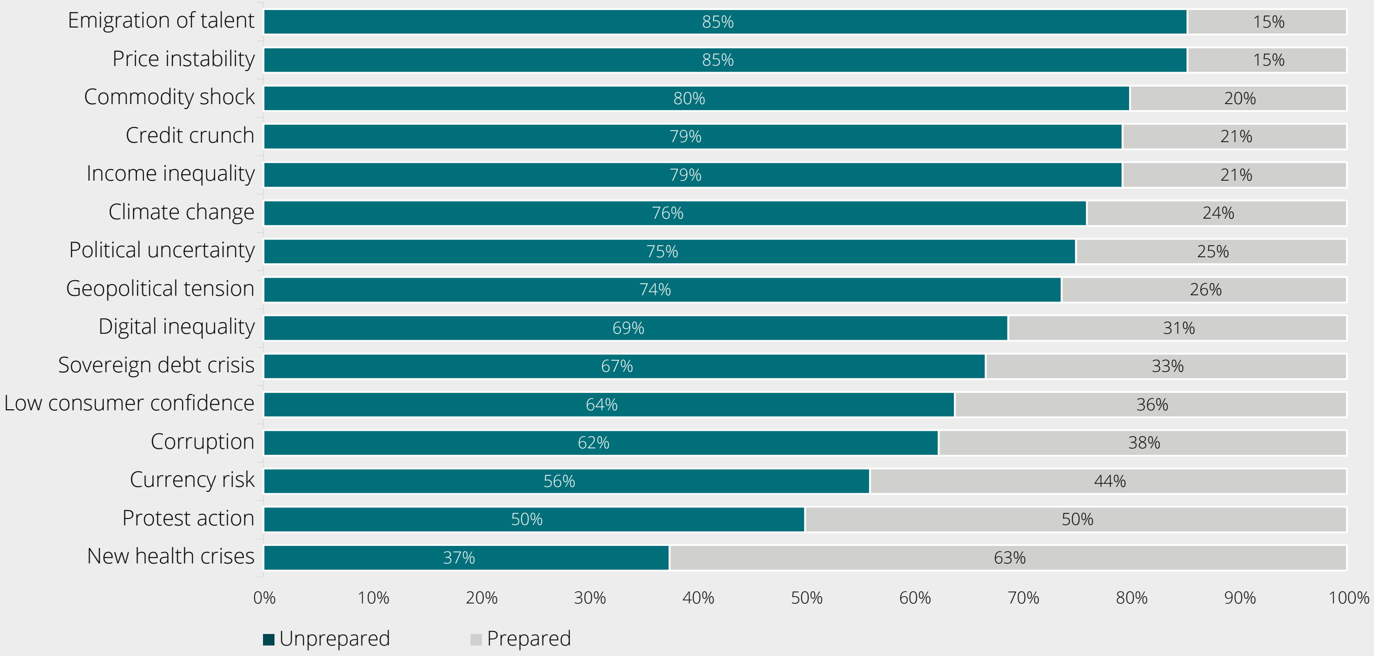
Concerningly, the risks respondents believe companies are least prepared for are those they rated as highest likelihood or impact in **Figure 2.1**: price instability (15% believe companies are prepared), emigration of talent (15%) and income inequality (21%).

Figure 2.2: To what extent do you consider the risks selected to be short term, medium term or long term?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions and stakeholders

Figure 2.3: How prepared are you/your clients to respond to the risks you selected?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions and stakeholders

So how can management teams better prepare their companies for grey rhino events? C-Suite respondents ranked actions within their control – diversification, establishing crisis committees and appointing advisors – the highest. Lenders, on the other hand, recommend their clients engage with their bankers to ensure emergency funding lines are available.

Creating financial resilience

One of the hard lessons from the Covid-19 pandemic was the importance of liquidity buffers. A key aspect of financial resilience in the face of a grey rhino risk is having sufficient cash runway to implement the operational and financial rightsizing required to survive and thrive.

While lender respondents to our survey have indicated that they may be open to discussing emergency funding lines, contingent credit is still credit. So, as demonstrated by lenders' response to the question "What actions would you recommend to clients when approaching you with a credit request?" (**Figure 2.6**), the following factors will determine the success of an application:

- Use of funds: emergency funding lines are exactly that – for emergencies. Lenders are unlikely to look favourably on additional requests if the original loan was used for day-to-day needs
- Demonstrate skin in the game: consider alternative sources of funding, for example, shareholders, and show lenders that these have been exhausted
- De-risk the request: lenders prefer requests supported by robust cash flow forecasts that show that, even in a worst-case scenario, the emergency funding can be repaid in full.

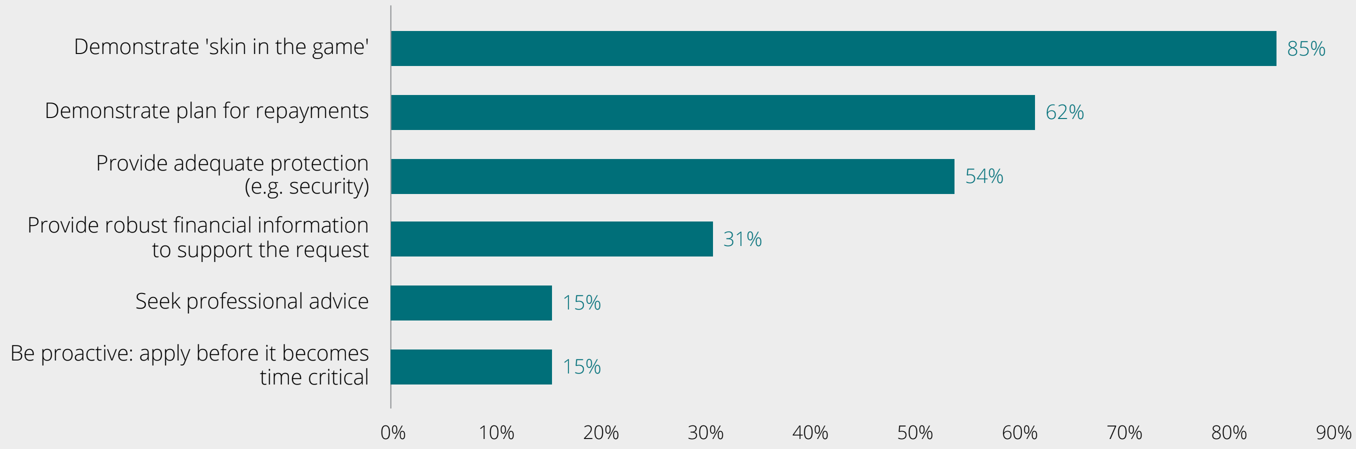
Figure 2.4: Please rank the following actions in response to a risk event (C-Suite response)

Source: Deloitte Africa Restructuring Survey results, 2022
Respondents: All regions, C-Suite only

Figure 2.5: Please rank the following actions in response to a risk event (lender response)

Source: Deloitte Africa Restructuring Survey results, 2022
Respondents: All regions, lenders only

Figure 2.6: What action(s) would you recommend to clients when approaching you with a credit request?



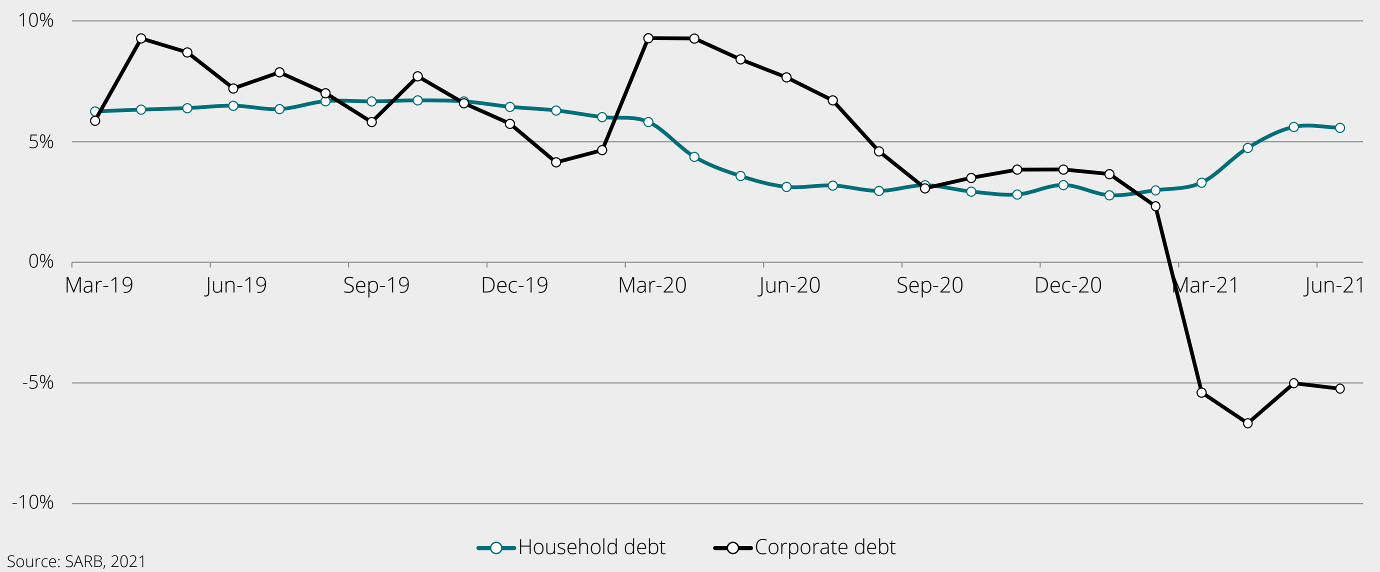
Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions, lenders only

A key additional aspect to consider is timing. While lenders believe timing is less important than the other factors in **Figure 2.6**, this is a reflection of how important those other factors are, not that timing is not critical. Management and their advisors should consider obtaining funding lines well before they are needed. As the pandemic proved, last-minute requests will join a queue as credit committees become overwhelmed by credit applications.

We at Deloitte believe that the time to have these conversations is now. As shown in **Figure 2.7**, corporate credit extensions have been on the decrease since the height of the pandemic as well-run companies take a conservative approach to leverage and weaker companies struggle to access capital. At the same time, the cost of not lending capital is increasing for banks (**Figure 2.8**) and the interest rate environment is likely to remain accommodative relative to historical levels in the immediate term.

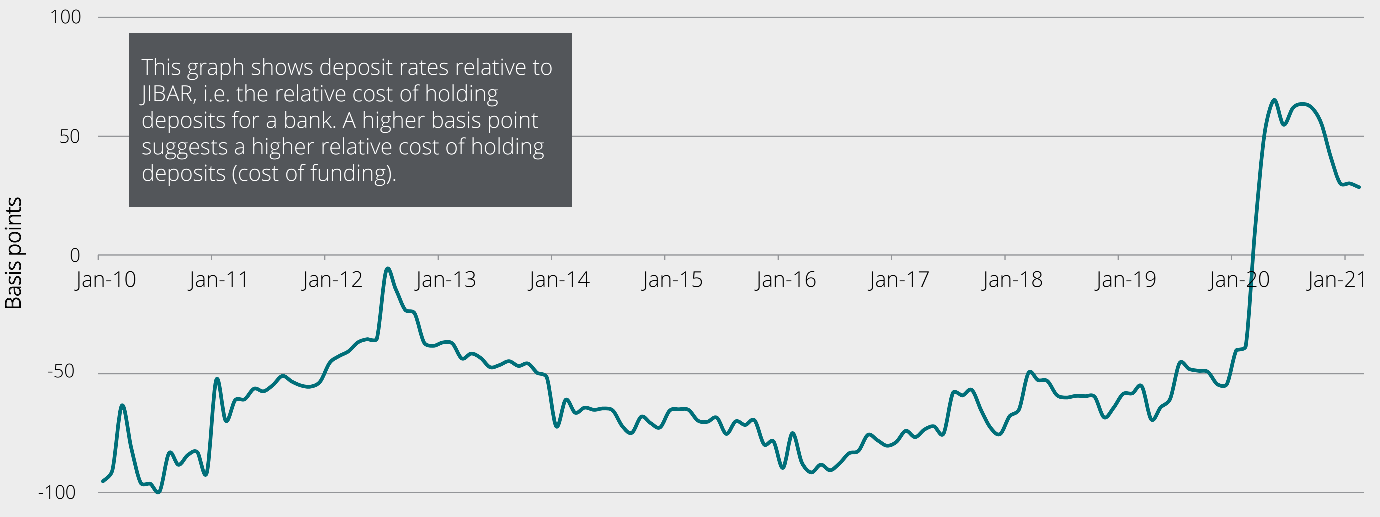
Halting a crash of grey rhinos may well be impossible, but by encouraging proactive steps to managing risk, the worst of the charge may be avoided.

Figure 2.7: Month-on-month change in private sector credit extension



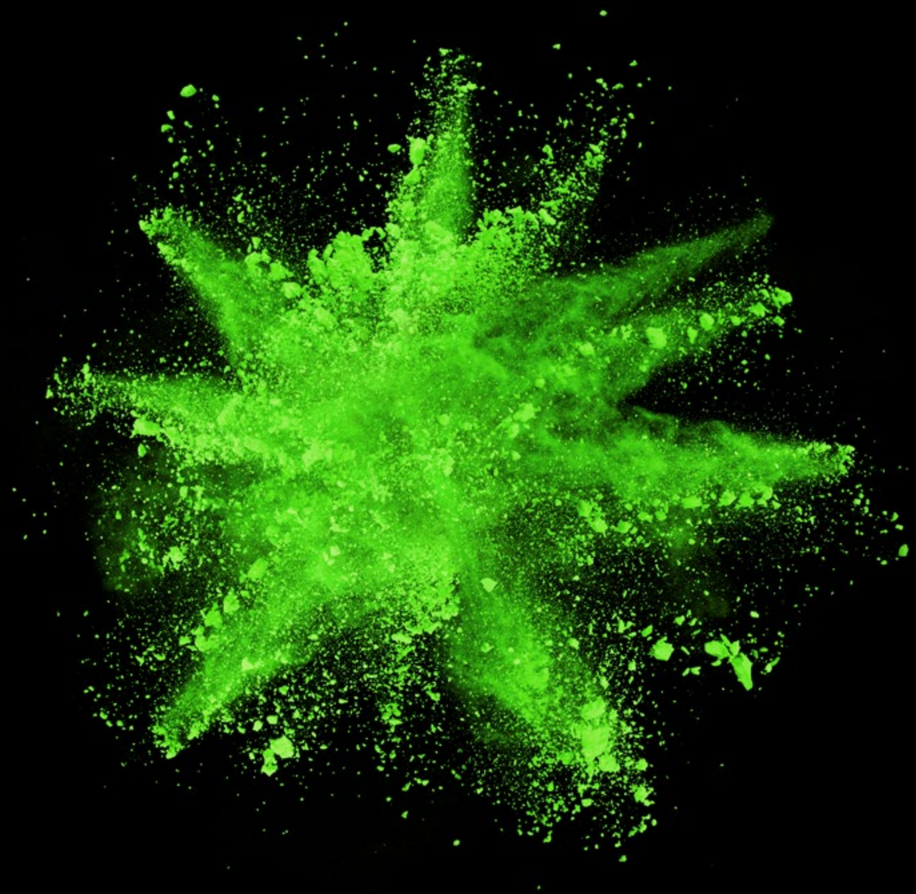
Source: SARB, 2021

Figure 2.8: Weighted average cost of funding for South African banks



Source: SARB, 2021

A stitch in time: measuring distress



In a world of frequent grey rhino events and consistent uncertainty, new winners and losers will emerge across regions, countries, social classes and sectors, as well as between peers within sectors. The pandemic was devastating for sectors highly reliant on nine-to-five office workers – real estate, automotive and transport – while sectors such as technology and telecoms benefitted from work-from-home trends. This is reflected in our South African respondents' sector sentiment in **Figure 3.1**.

While its duration is uncertain, the war in Ukraine will shift trends again as consumers feel the impact of fuel and food inflation; retailers that were reaping the rewards of pent-up demand six months ago may show signs of stress later this year. Meanwhile, gold and Platinum Group Metals (PGM) producers that were in the doldrums in 2020 are likely to ride ever-higher commodity prices.

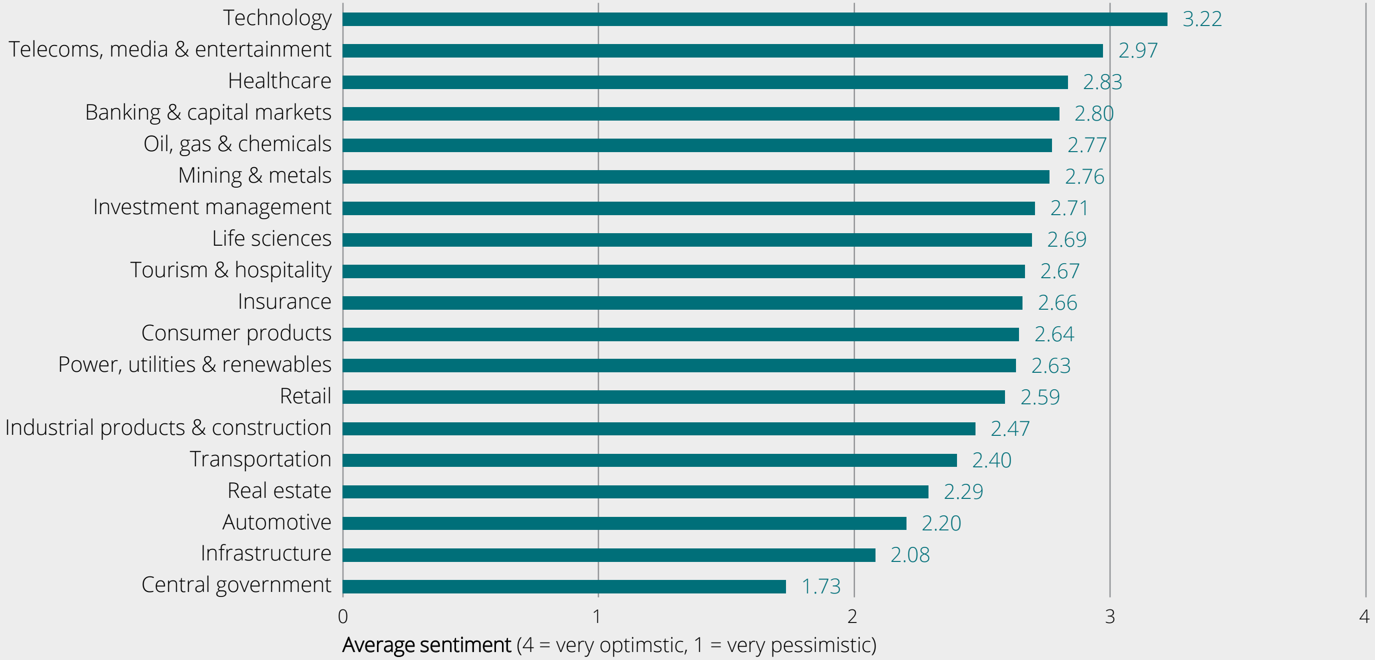
In this environment, where winners can become losers alarmingly quickly, the proactive tracking of indicators of financial stress is critically important for boards, management teams, lenders, and other financial stakeholders.

Tracking indicators of financial stress

A key question posed to survey respondents was which metrics they consider to be the most effective indicators of financial stress. The top answer was declining operational/free cash flow; 85% of respondents across Africa included this in their top five, and the remaining top metrics were trading or cash flow related.

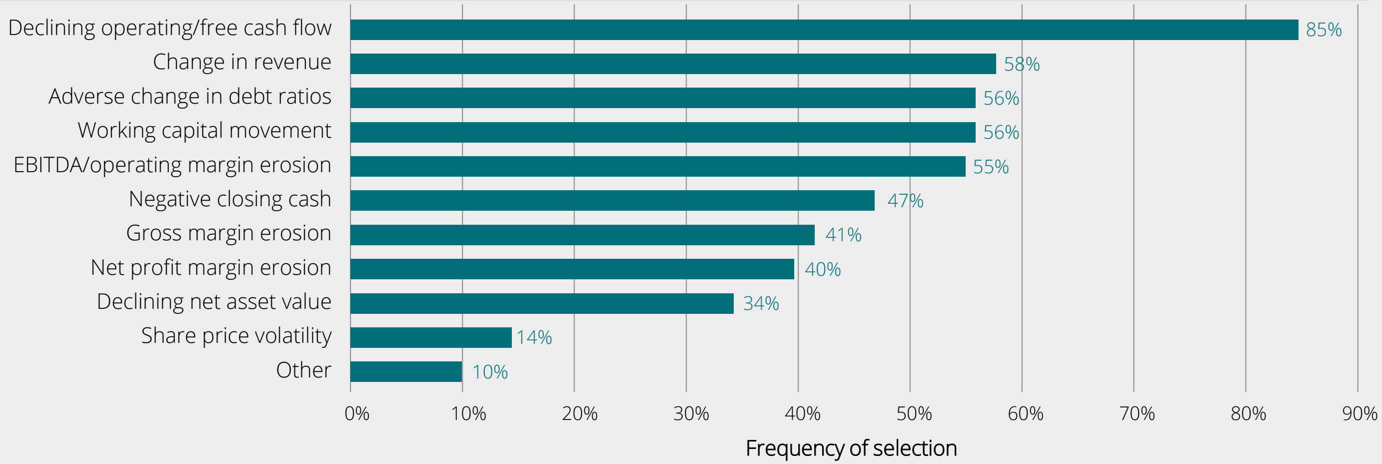
Professionals in the restructuring industry will not be surprised by this finding: cash is the lifeblood of business and close cash flow tracking and management are critically important as signs of stress appear.

Figure 3.1: Please rank your level of optimism about growth in the following sectors over the next 12 months



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders

Figure 3.2: Please select the five KPIs you consider to be the most effective indicators of financial stress



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions and stakeholders

While survey respondents across geographies and roles broadly agree on which are the most important indicators of financial stress, views diverge on how often these are tracked by management teams.

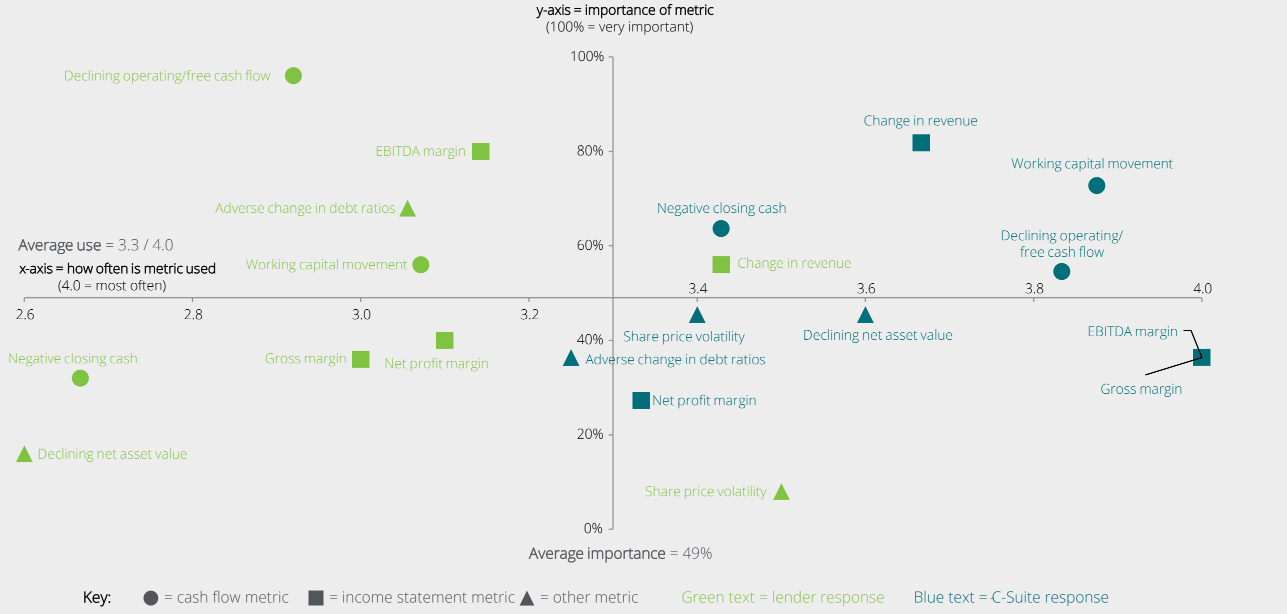
Our C-Suite respondents believe that they regularly track revenue, profitability, cash flow and working capital, but acknowledge that debt ratios are less of a priority. Lenders' perception, however, is almost diametrically opposed: they believe that cash flow and balance sheet metrics are tracked less often than headline-making revenue and share price indicators.

This misalignment between the information that lenders and other restructuring professionals would like to see measured and the actual information tracked and provided to stakeholders is further demonstrated in **Figure 3.4**, where lenders across Africa rank the availability of reliable information as one of the highest barriers to decision-making, second only to the bank's reputation.

"Clients wake up to indicators of distress when things have fallen off a cliff."

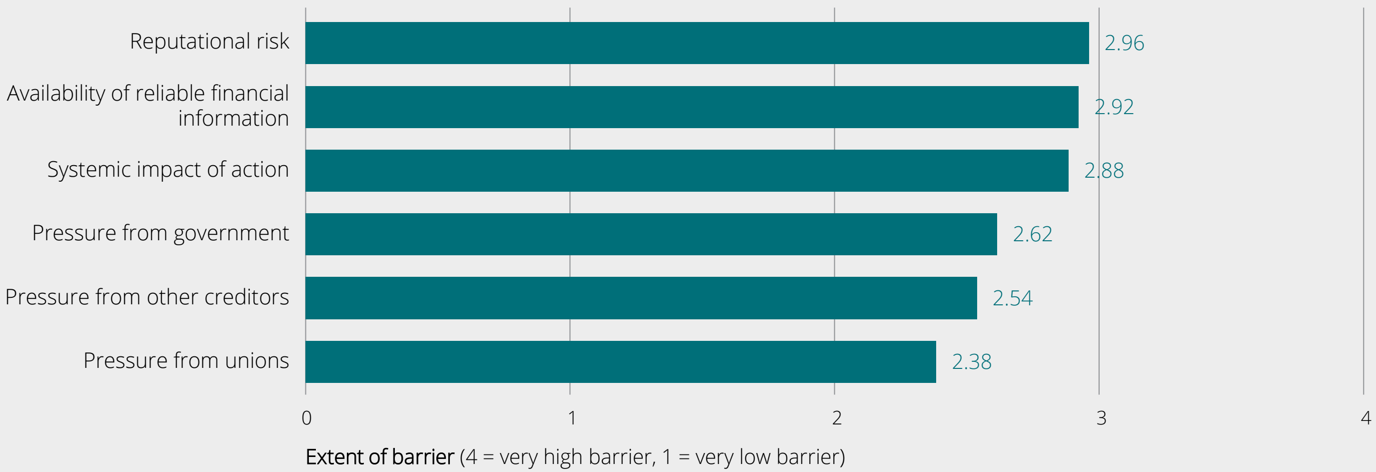
– Restructuring Banker, Development Finance Institution

Figure 3.3: What are the most effective measures of financial stress ↑ and how often are these tracked by companies →?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions and stakeholders

Figure 3.4: To what extent are the following factors barriers to taking appropriate action as a lender?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions, lenders only

Stakeholder dynamics

C-Suite respondents across Africa prefer to manage stress and distress in-house. **Figure 3.5** shows management's preferred course of action when distress triggers materialise; in-house corrective actions are in shades of teal while external actions are in shades of grey. It is telling that even for trigger events that would almost certainly require external input at some stage – withdrawal of facilities, forecast insufficient cash flow for debt service, covenant breach forecast within the next 12 months – our C-Suite respondents' instinct is to monitor trading, take action as a management team and consult with the board.

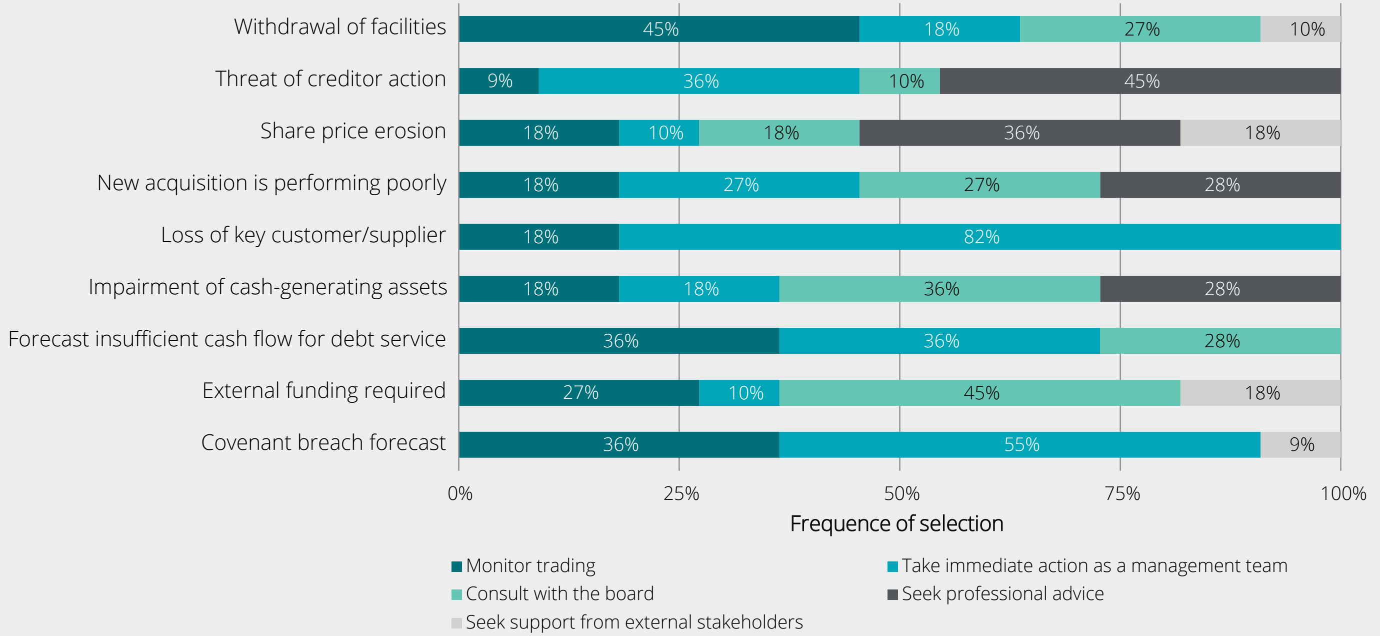
When external support is required, our C-Suite respondents identified legal counsel as their first port of call, followed by financial advisors and then lenders. Auditors are by some distance the last to the party.

We believe that the combination of factors discussed in this section – management teams placing less focus on tracking key cash-focused indicators of financial stress, and their reticence to alert external stakeholders of the warning signs – make surprises the new normal. Long-ignored grey rhino risks will suddenly rear their heads and financial stakeholders will discover their true impact on companies when it is almost too late.

"In South Africa, we say *'n boer maak 'n plan* – management focus their attention on the fire that is burning."

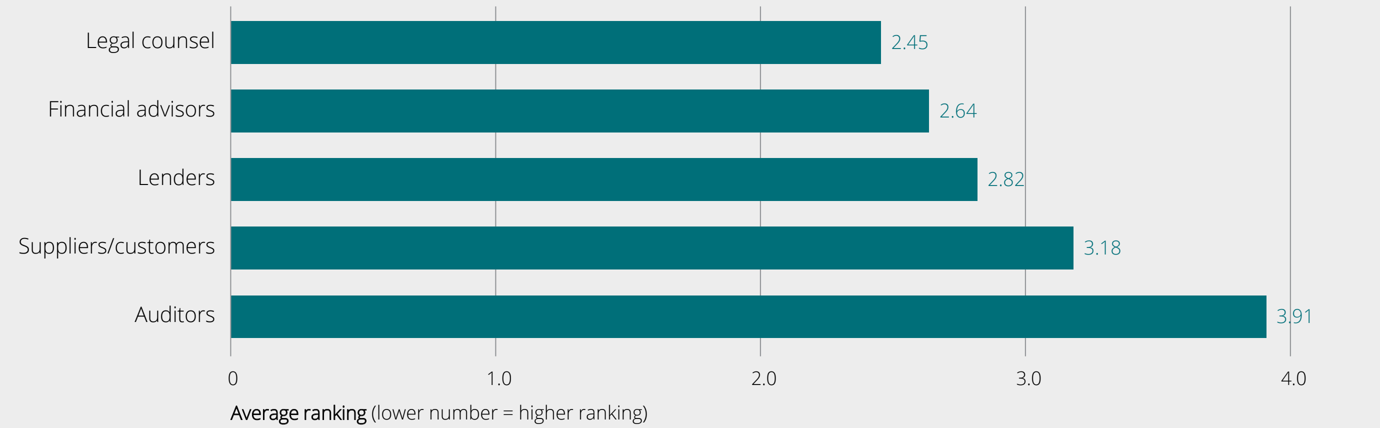
– Head of Restructuring, Development Finance Institution

Figure 3.5: If you became aware of one of the following triggers, what corrective action would you take?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions, C-Suite only

Figure 3.6: Please rank the following external stakeholders in the order in which you would approach them if your company began experiencing financial stress



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions, C-Suite only

This, in turn, will result in an uptick in distressed financial restructurings where time and optionality are limited. And survey respondents agree: 84% of restructuring lawyers, lenders and practitioners are optimistic about growth in restructuring activity over the next 12 months, and 62% (**Figure 3.8**) believe that business rescue can be improved by providing BRPs with more time to assess rescue options, whether before or during business rescue.

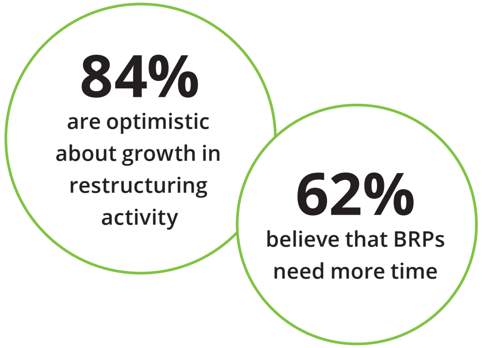
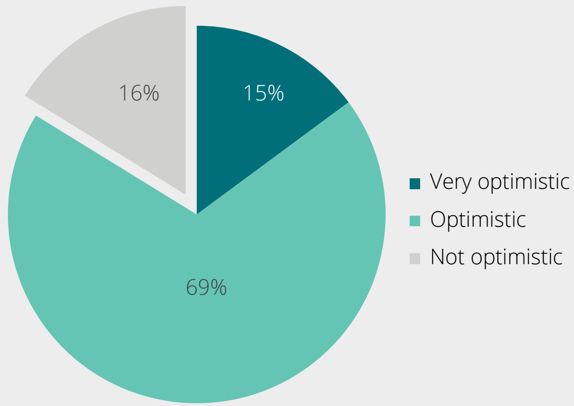
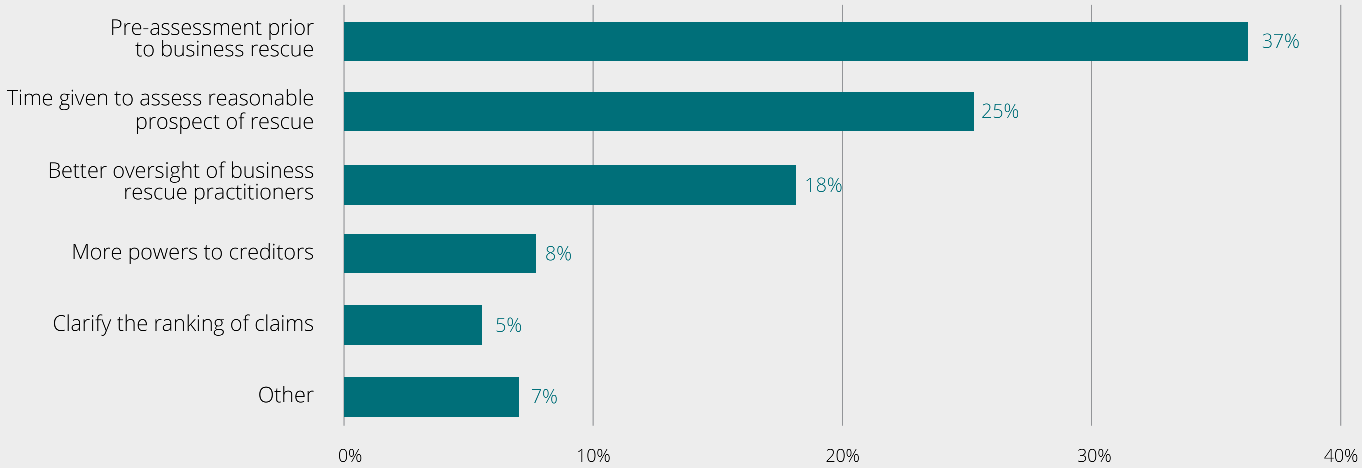


Figure 3.7: How optimistic are you about growth in your local restructuring industry?



Source: Deloitte Africa Restructuring Survey results, 2022
Respondents: All regions and stakeholders excl. C-Suite

Figure 3.8: Which of the following factors would most improve business rescue success in South Africa?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

"Speaking to colleagues and clients in the banking world, there is a lot that is bubbling underneath the surface – indulgences have been given and hard decisions now need to be taken."

– Restructuring Partner, South African law firm

Business rescue: a crisis of trust?

While business rescue may have taken a back seat in 2021 (**Figure 4.1**), it does look to make something of a comeback in 2022, with 60% of respondents saying that they expect the level of business rescue in their portfolios to increase, if not significantly increase (**Figure 4.2**). This is unsurprising given respondents' pessimism around economic growth in South Africa.

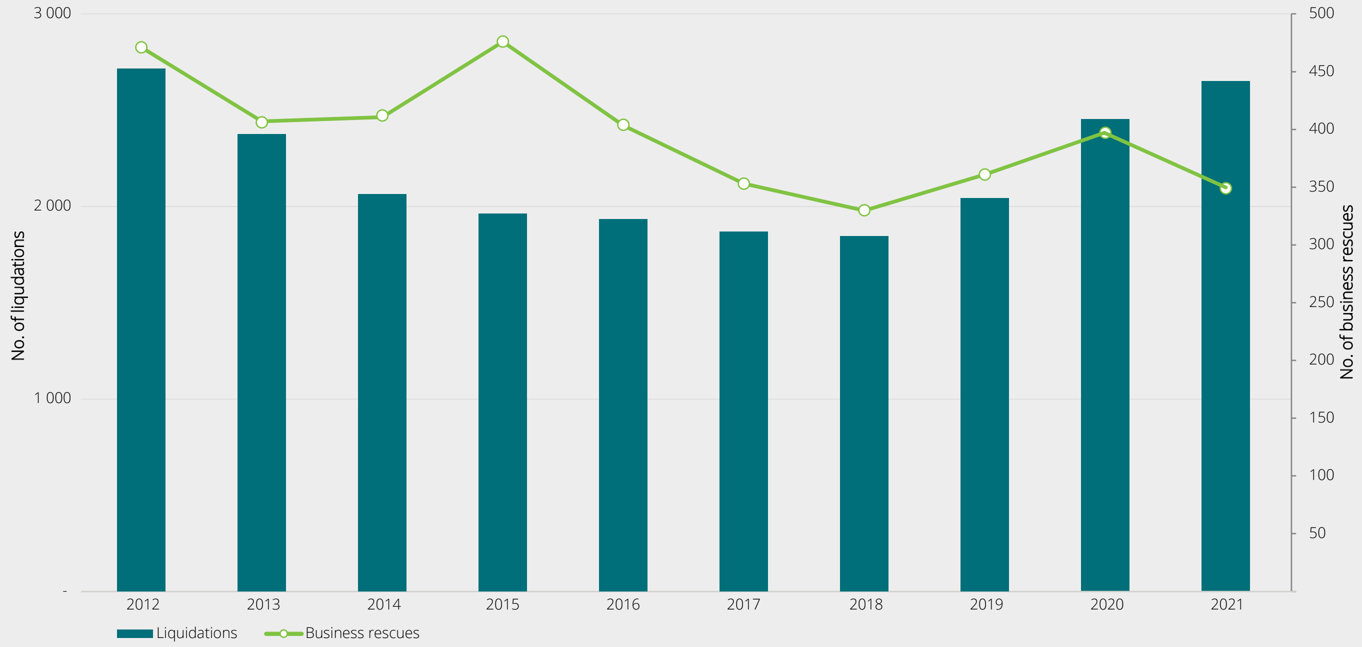
"The negative perception of business rescue in South Africa needs to be addressed. Liquidation is often preferred."

– Head of Restructuring, South African law firm

63% are pessimistic about economic growth in South Africa

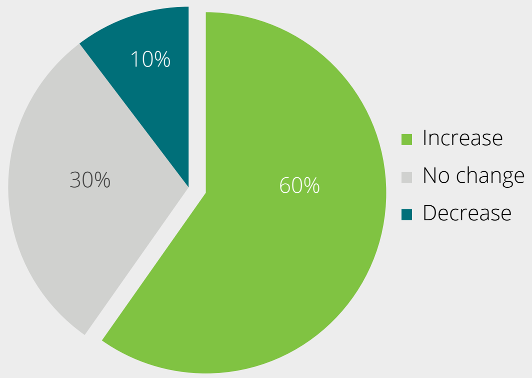
60% are expecting an increase in business rescue

Figure 4.1: Number of liquidations vs total business rescues in South Africa



Source: Source: CIPC, 2021

Figure 4.2: How do you expect the proportion of clients in business rescue to change over the next 12 months?

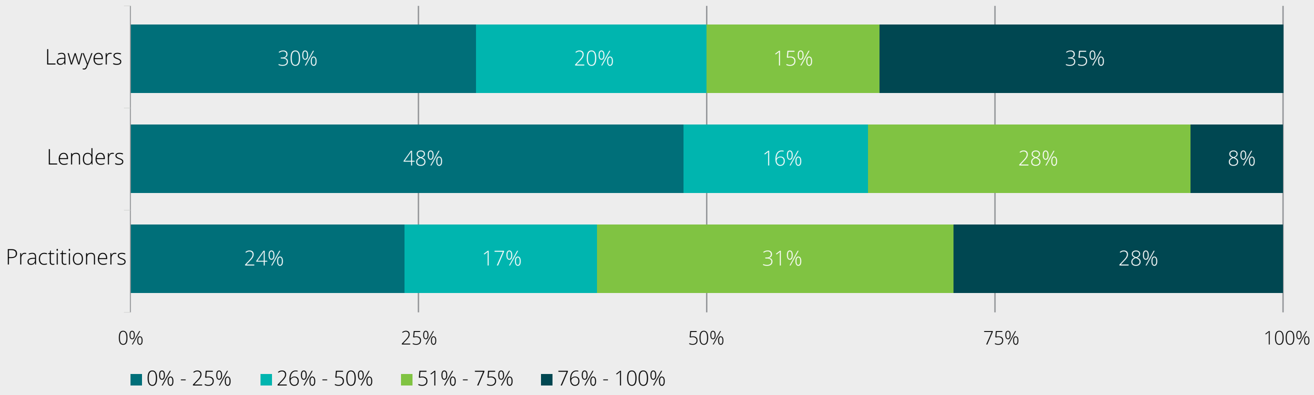


Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

However, what is evident is that there is a widening trust gap between practitioners and their stakeholders. Low success rates, experienced especially by lenders, contribute to this (**Figure 4.3**). The suitability of the BRP is also rated as one of the main reasons that business rescue fails, ranking closely behind a lack of post-commencement financing (PCF) as a cause of failure (**Figure 4.4**). While the adage of the past was "no PCF, no BR", perhaps this needs to change to "reputable BRP, successful rescue"?

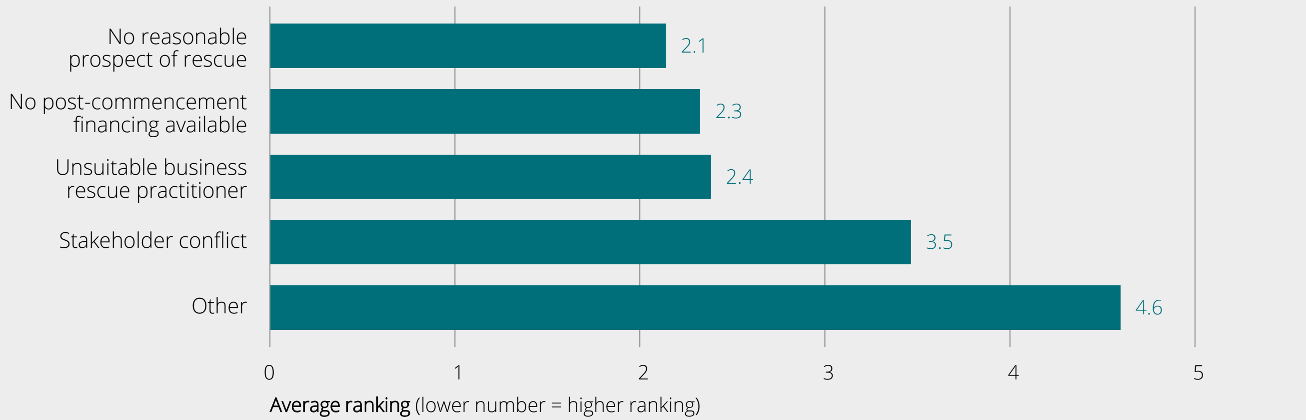
> "The Companies Act … includes the spirit of what business rescue is supposed to be. The problem is that many BRPs lack the skill and ethics to do it properly."
>
> **– Business Rescue Practitioner**

Figure 4.3: What has the success rate been of clients you have dealt with that have entered business rescue?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

Figure 4.4: Please rank the following factors from the most likely to cause an unsuccessful business rescue process to the least likely

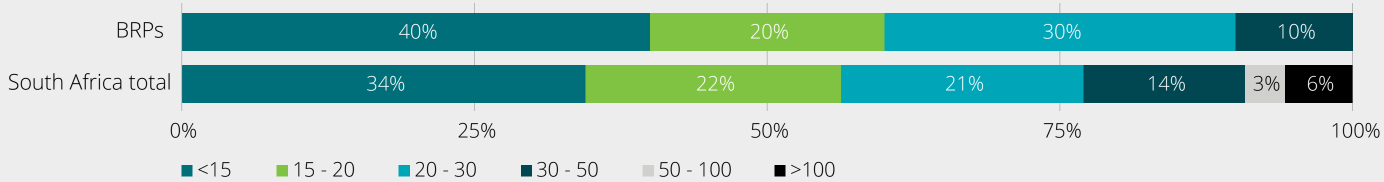


Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

Despite there being 393 registered BRPs on the CIPC database as at 27 January 2022, 77% of respondents believe that there are fewer than 30 BRPs who are adequately skilled and qualified to perform their duties. This is also the view of 90% of the BRPs interviewed (**Figure 4.5**). What speaks directly to the trust gap is that ethics and integrity, together with consequences for poor performance, are cited as the main areas which, if addressed, should improve this skills and qualification gap (**Figure 4.6**). Interestingly, in 2021, ethics and integrity (22%) ranked behind level of experience (42%), whereas they are front and centre in 2022 with length of experience ranking third – supporting the view that this is the biggest issue that needs to be addressed.

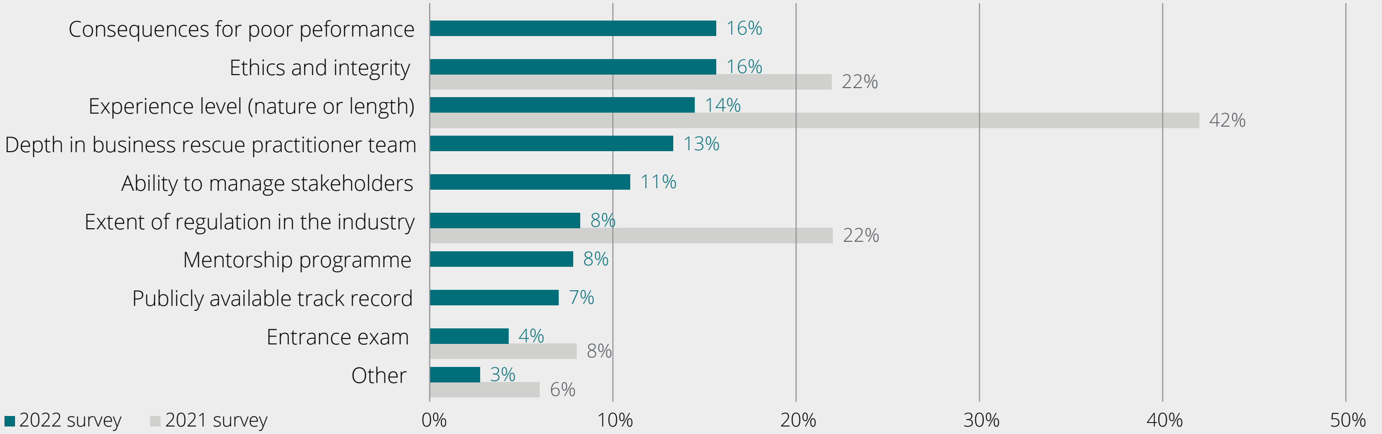
Lenders and lawyers further require regular, honest communication to improve trust in the process, followed closely by taking immediate control of cash. Some may argue that this is essentially 'doing your job' (**Figure 4.7**). This finding speaks to the low levels of confidence and trust in the professionals tasked to oversee business rescue, which if not quickly corrected and addressed, could tarnish the reputation of business rescue irreparably.

Figure 4.5: How many business rescue practitioners do you believe are adequately skilled and qualified to perform their duties?



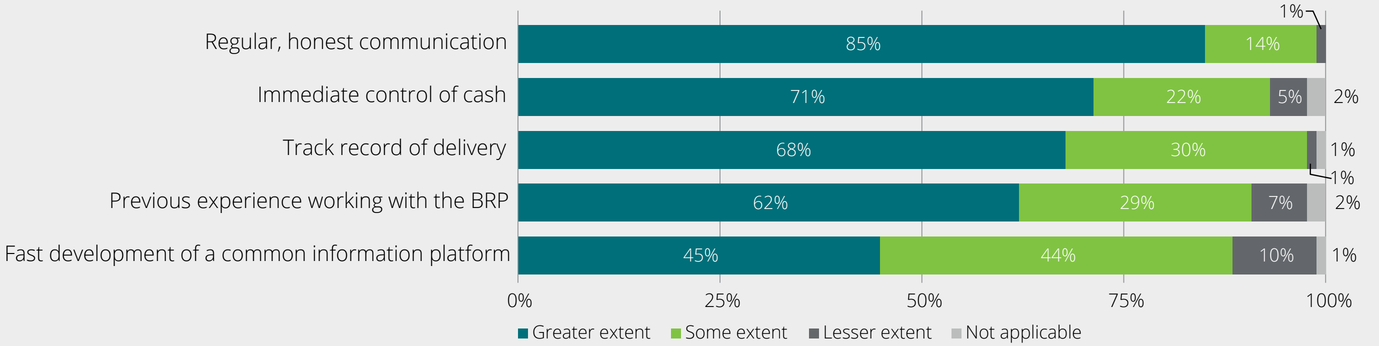
Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

Figure 4.6: Please select up to three factors that you believe would improve the skills and qualifications of BRPs



Source: Deloitte Africa Restructuring Survey results, 2021 & 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

Figure 4.7: To what extent would the following business rescue practitioner factors improve your trust in the process?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

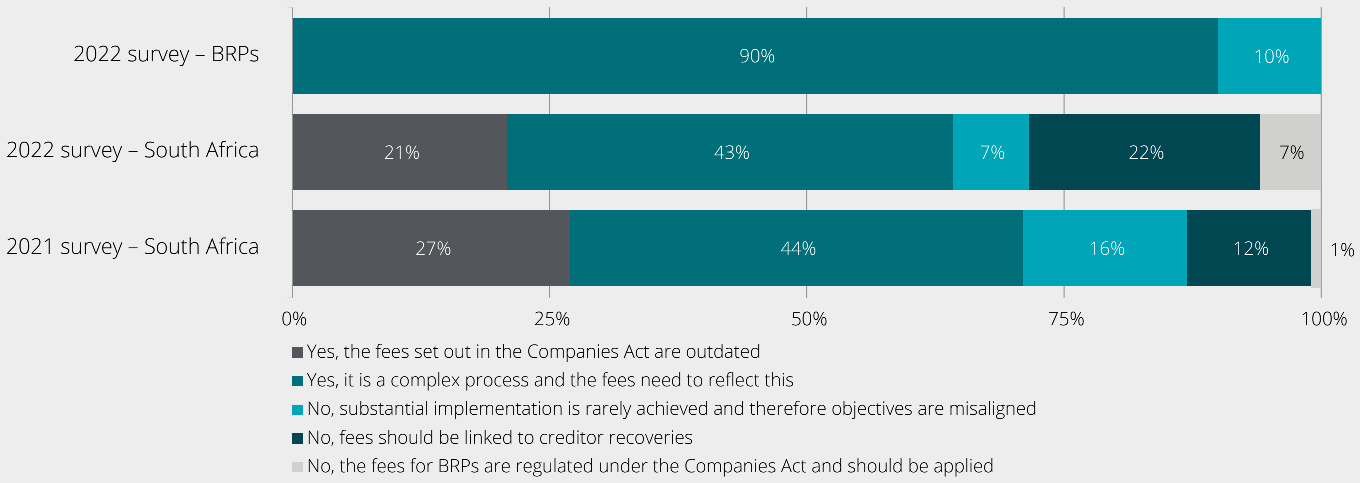
In terms of BRP fees, survey respondents acknowledged that the process is complex and that a fee structure should reflect this. However, what is starting to emerge is that a greater proportion of respondents believe that fees should be linked to creditor recoveries. Not surprising is that none of the BRPs selected this option; instead, 90% favoured fees being reflective of complexity (**Figure 4.8**). The greater emphasis on linking fees to creditor recoveries again aligns with a lack of trust as many stakeholders that were interviewed cited misaligned objectives in business rescue as a reason for concern, which often played out in terms of fees.

Where does responsibility lie for closing the trust gap? If consequences for poor performance and better oversight are required, this is surely the responsibility of the regulator and professional bodies. Arguably, the judiciary is playing its part, with 61% of respondents citing recent case law as a force for positive change (**Figure 4.9**). However, the industry cannot ignore the recent case law stating that the court does not possess the necessary powers to order BRPs to repay fees on account of misconduct as this is considered beyond the court's powers. This places the burden firmly back on the CIPC and professional bodies to drive high ethical standards and ensure disciplinary procedures are robust and managed fairly.

Business rescue's struggles have given rise to enhanced opportunities for distressed M&A. It is no secret that M&A has been experiencing a global boom as private equity sponsors make up for a quiet 2020, cheap capital continues to be widely available and strong demand for technology assets continues. However, distressed M&A, hasn't been given much airtime or credence.

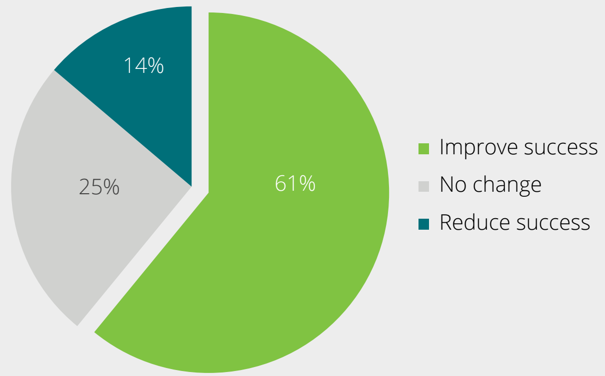
With business rescue experiencing a crisis of trust, is this the opportunity for distressed M&A to shine?

Figure 4.8: Do you think the uplift in fees requested by BRPs results in fair compensation?



Source: Deloitte Africa Restructuring Survey results, 2021 & 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

Figure 4.9: How do you think that business rescue case law over the past 12-18 months will impact the success of business rescue?



Source: Deloitte Africa Restructuring Survey results, 2022
Respondents: South Africa, all stakeholders excl. C-Suite

The rise of distressed M&A

In the last year, the rise of distressed M&A, especially when used as an exit strategy, has become evident. BRPs were the stakeholders that indicated that distressed M&A played a greater part in their portfolios compared to any other stakeholder. Commercial banks, possibly given the trust issues of business rescue, also expect greater distressed M&A activity in their portfolios with 31% of commercial banks indicating that more than 25% of their portfolios undertook distressed M&A in the past year (**Figure 5.1**), which is expected to rise to 38% over the next year (**Figure 5.2**).

31% of commercial banks indicated that more than

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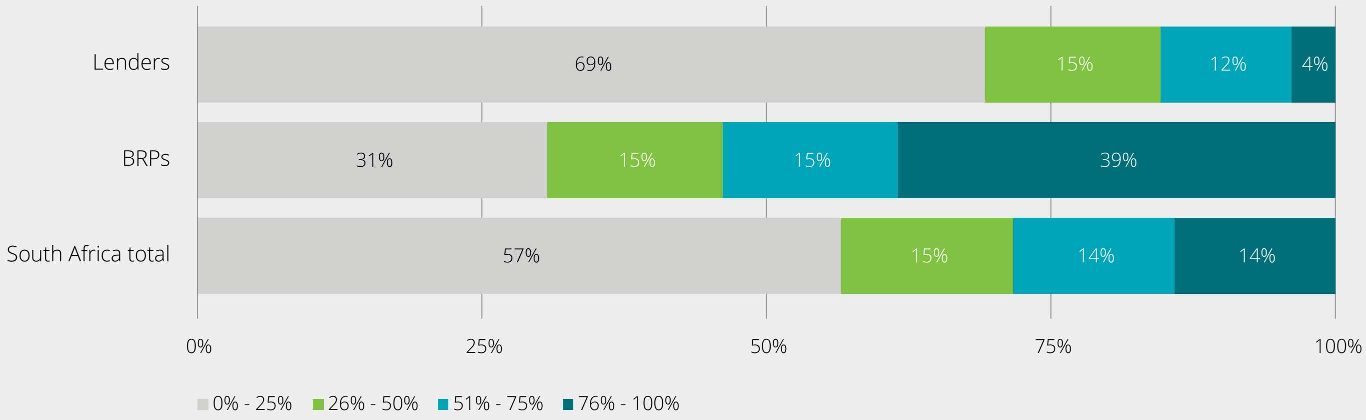
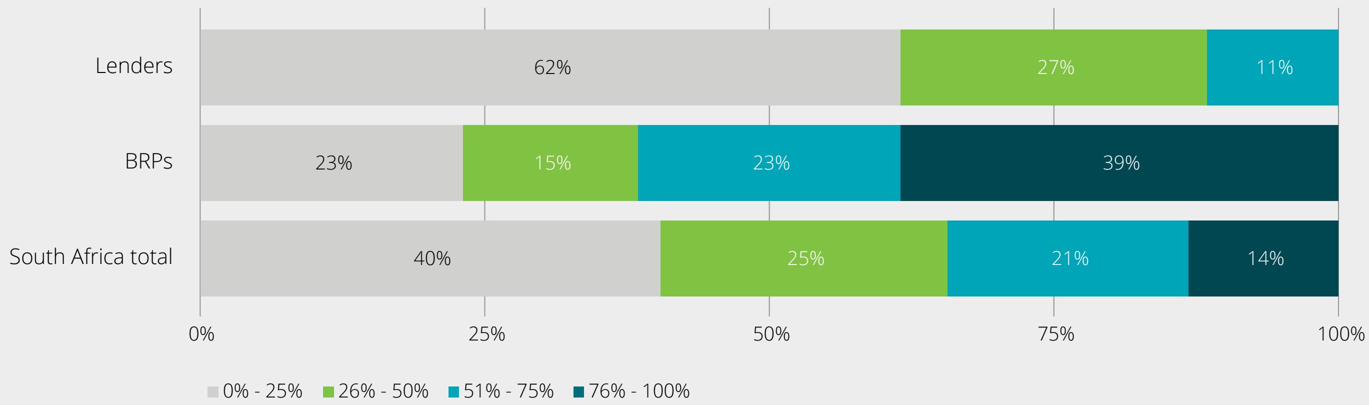
Figure 5.1: What proportion of your clients/portfolio undertook distressed M&A activity in the past 12 months?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

Figure 5.2: What proportion of your clients/portfolio do you expect to undertake distressed M&A activity in the next 12 months?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, all stakeholders excl. C-Suite

The C-Suite clearly see the opportunity that distressed M&A will bring (**Figure 5.3**) as there is an expectation that competition will increase for distressed assets (**Figure 5.4**). Those deals in more accommodative jurisdictions should be more successful than others as regulatory risk remains, in their opinion, the greatest challenge (**Figure 5.5**).

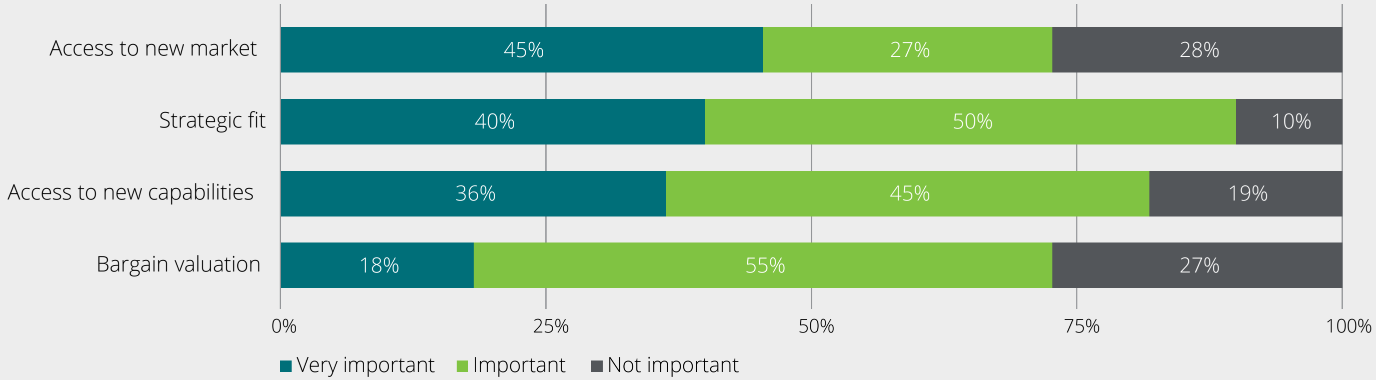
"Restructuring is M&A on steroids, something is bound to sell during a restructuring."

– Business Rescue Practitioner

"In every single one of my big mandates there has been distressed M&A – there is always a play by a third party for the asset."

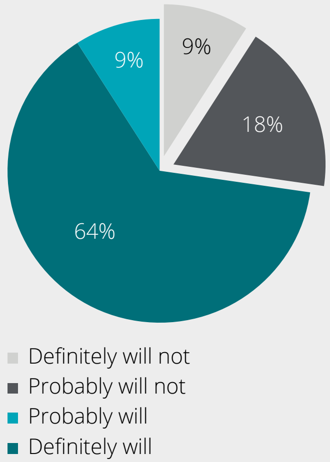
– Head of Business Rescue, South African law firm

Figure 5.3: Where do you see the opportunity for distressed M&A activity in the current environment?



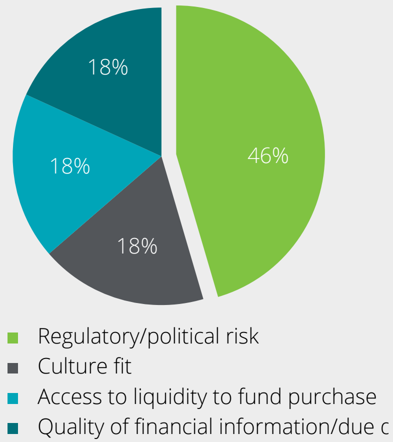
Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: All regions, C-Suite only

Figure 5.4: Do you expect to see increased competition for distressed assets in your sector?



Source: Deloitte Africa Restructuring Survey results, 2022
Respondents: All regions, C-Suite only

Figure 5.5: Where do you see the main challenge for distressed M&A activity in the current environment?



Source: Deloitte Africa Restructuring Survey results, 2022
Respondents: All regions, C-Suite only

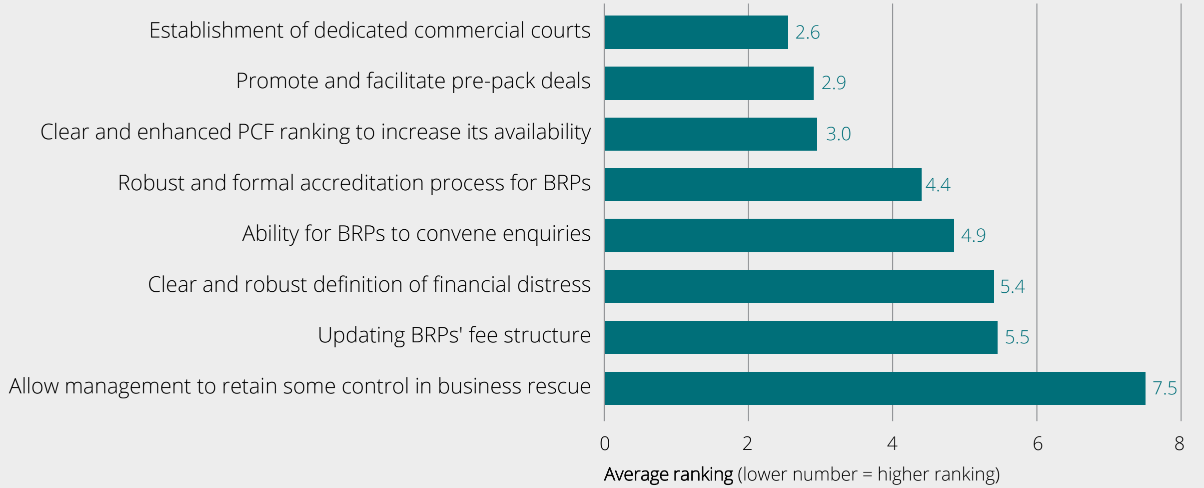
Distressed M&A can, and often does, go hand-in-hand with business rescue. When the lawyers were asked to make one recommendation to improve business rescue legislation, the ability to conclude a 'pre-pack' business rescue was ranked in the top three options behind establishing a dedicated commercial court (perhaps no surprise for a legal audience!) and almost equal with clarity regarding the ranking of PCF (**Figure 5.6**).

Ultimately, one could argue that a transaction in business rescue through a distressed M&A would achieve both objectives of business rescue. Not only would one rescue the business and provide opportunity for continued trade for creditors, but also ensure that creditors achieve a better result than in liquidation through the distribution of proceeds to the pre-commencement creditors.

"We love distressed M&A!"

– Head of Restructuring, Development Finance Institution

Figure 5.6: What change(s) would you make to the Companies Act 71 of 2008, Companies Act 61 of 1973 or Insolvency Act 24 of 1936?



Source: Deloitte Africa Restructuring Survey results, 2022 | Respondents: South Africa, lawyers only

Survey methodology

The Deloitte Restructuring Survey is an annual survey of restructuring professionals and C-Suite executives, which as of this year was conducted across South Africa, Kenya and Nigeria. Survey responses were collected between 10 January 2022 and 11 February 2022. We are delighted to report a 46% increase in the overall survey sample size to 111 compared to 2021 (21% like-for-like increase to 92 in South Africa).

The survey questions were tailored to stakeholder groups and regions. For example, the full population of 111 answered questions in relation to grey rhino risks, while only the C-Suite were asked how they manage risks. As a result, the sample size varies by question, but we ensured that the response rate per question was sufficient before including it in this document.

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46%

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