PwC Restructuring Update - Q1 2025

March 2025

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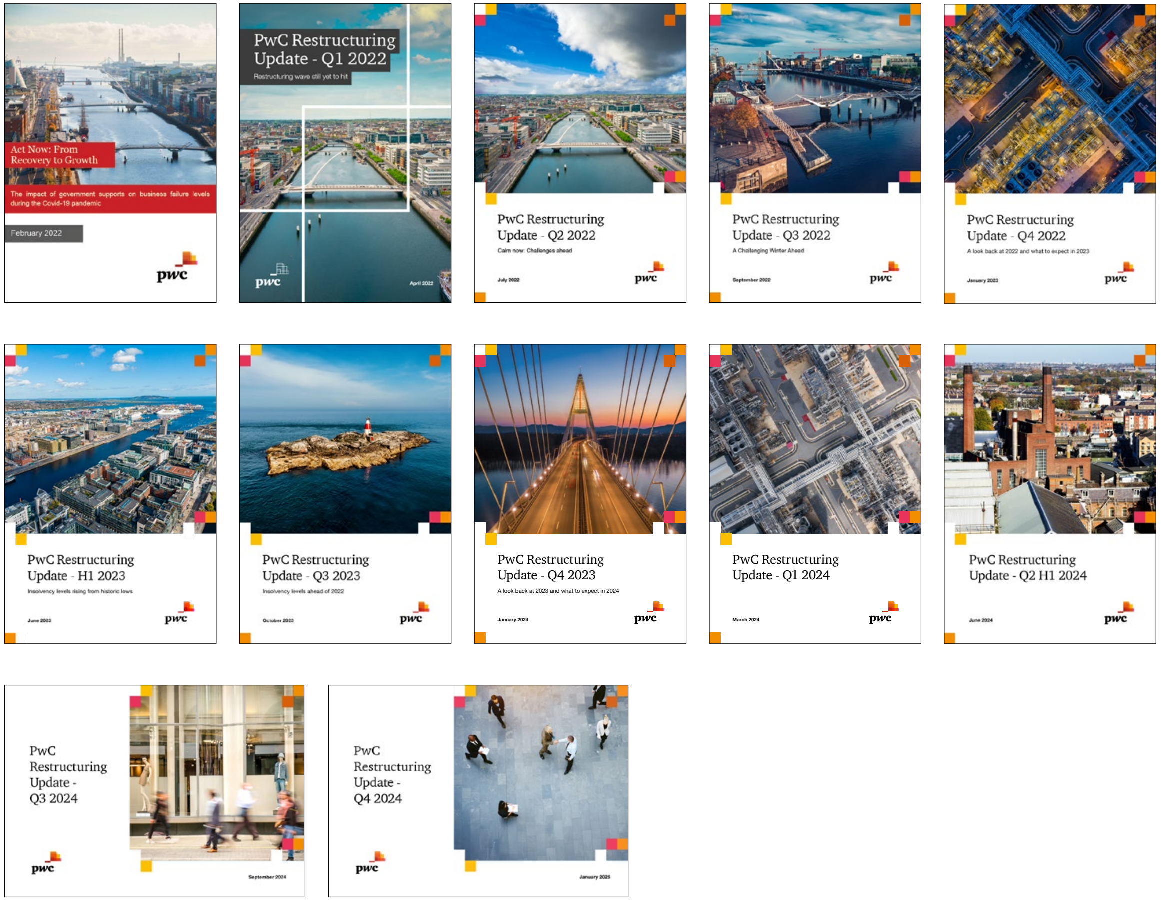


Foreword

Ken Tyrrell
Partner – Business Recovery Services

Q1 Update

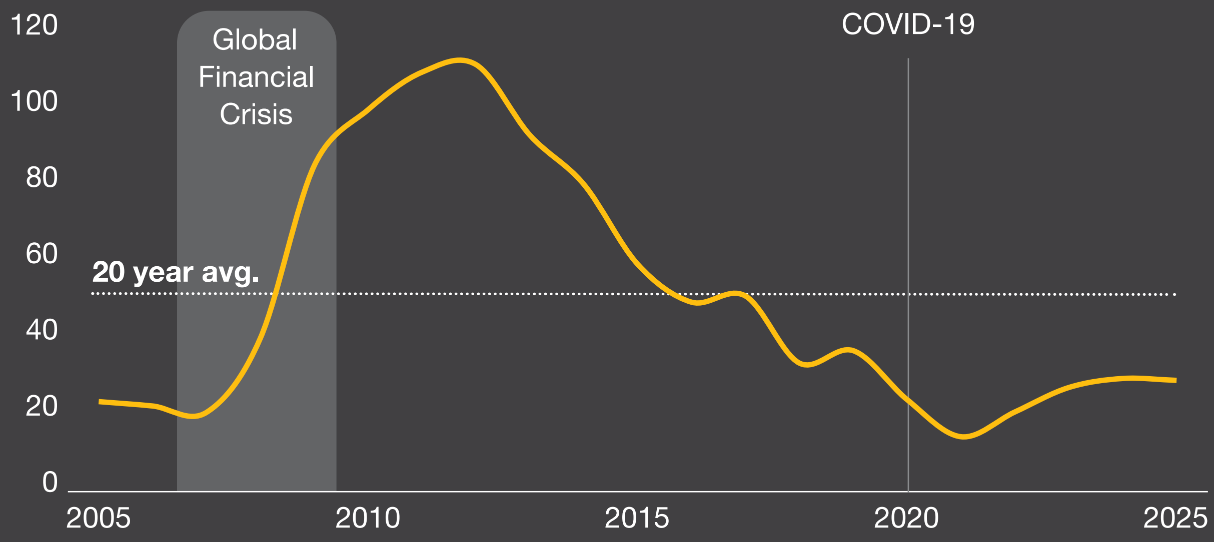
- **First quarter of 2025 sees a decrease in insolvencies -** The first quarter of 2025 recorded fewer insolvencies than each preceding quarter of 2024 and continues the downward trend identified in the last quarter of 2024. There were 14% fewer insolvencies in the first quarter of this year (192) compared to the first quarter of 2024 (222). Similarly, there were 7% fewer insolvencies in the first quarter of this year compared to the last quarter of 2024 (207). This trend highlights that the Irish economy and many Irish businesses continue to demonstrate resilience, despite geopolitical challenges.
- **Insolvency rate per 10,000 businesses has doubled since 2021 but remains below 20-year average -** Our PwC Insolvency Barometer shows the annual insolvency rate is 29 per 10,000 businesses. The current rate is more than double the rate of 14 per 10,000 recorded in 2021, it still remains below the 20-year average of 50 per 10,000 businesses, and far below the previous peak of 109 per 10,000 businesses recorded in 2012.
- **Retail demonstrates resilience post Christmas -** Retail recorded 25 insolvencies for the quarter, a significant decrease of 40% compared to 42 recorded in the same quarter of 2024. This also marks a notable decrease compared to each quarter in 2024, specifically a 38% decrease on 40 insolvencies in Q4 2024.
- **Hospitality insolvency levels remain in line with 2024 -** Hospitality recorded 43 insolvencies, which is largely in line with the preceding quarters of 2024. For example, there were 40 hospitality insolvencies in the last quarter of 2024, and 154 in total for last year. This consistency suggests that the sector is maintaining its current stability despite ongoing economic challenges. Our analysis also shows that most of the insolvencies are predominantly small restaurants & cafes.
- **Use of rescue processes remains underutilised -** The number of rescue processes recorded for the first quarter of 2025 remains consistent with preceding quarters of 2024, with 1 Examinership and 8 SCARPs recorded. Despite the consistent figures, the overall use of rescue processes remains underutilised.
- **Q1 sees an increase in lender enforcement -** Receivership appointments increased by 57% in Q1 compared to the same quarter last year, with 36 and 23 recorded respectively. Additionally, receivership appointments increased by over 70% compared to the 21 recorded in the final quarter of 2024, showing a significant rise in lender activity. Despite this increase, the current levels are still below historic norms. Over the past 6 months, 20 different lenders have enforced on their debt through receivership.

- **Revenue enforcement activity leading to an increase in court liquidations -** There were 25 court-appointed liquidations recorded in Q1 2025, over 3 times higher than 7 recorded for the same quarter in 2024. This continues the upward trend of court appointments that started in early 2024. Revenue is listed as the petitioner for 16 of the appointments this quarter, suggesting that a number of phased payment arrangements (PPAs) agreed at the cessation of the debt warehousing scheme have potentially failed, making enforcement action necessary to recover these debts.
- **Lowest number of CVLs recorded in two years -** There were 122 Creditors' Voluntary Liquidations (CVLs) recorded in the first quarter of 2025, a 33% decrease compared to the same quarter in 2024 (184) and the lowest number recorded since the first quarter of 2023 (119). CVLs remain the most common form of insolvency, accounting for more than three-out-of every five insolvencies in the quarter.
- **Companies declaring insolvency had an average lifespan of nearly 11 years -** The average lifespan of companies declaring insolvency in quarter one of 2025 was just under 11 years. The shortest-lived company was less than 2 years old, while the longest lifespan was almost 73 years.
- **Top five counties account for 80% of insolvencies** - Dublin, Cork, Kildare, Galway, and Wexford account for 4 out of every 5 insolvencies for the quarter, with Dublin alone accounting for 3 out of every 5 insolvencies.

PwC Insolvency Barometer

	Insolvency Rate per 10,000	Year
Current	**29**	2025
20 Year Average	**50**	Past 20 years
Highest	**109**	2012
Lowest	**14**	2021

Insolvency Rate per 10,000 businesses



Insolvency rate per 10,000 businesses has doubled since the 2021 low but remains below 20-year average

Q1 2025 Update

Q1 2025 Insolvency Highlights

Why we use a per 10,000 business measure - Insolvency Rate

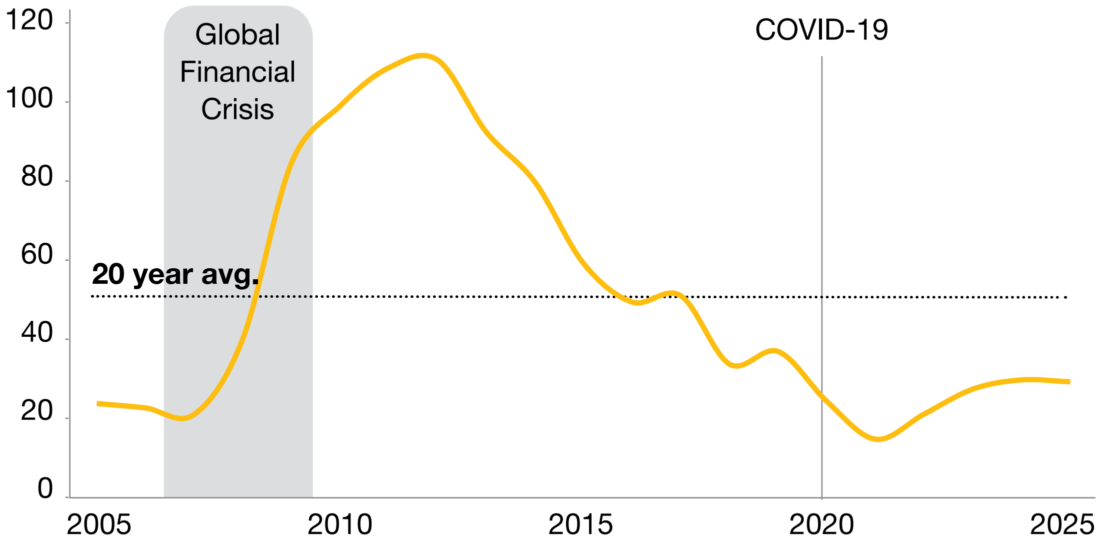
Our analysis is based on a per 10,000 measure which has become all too common to hear since the pandemic. It is also widely used when comparing the birth or death rates across different regions or countries. It is a simple yet effective statistic for comparison purposes between different periods, industries, towns, counties or countries with different population sizes. It provides meaningful context to the numbers rather than simply looking at them in absolute terms.

There has been a large increase in the total number of companies registered in Ireland over the past 20 years, which means extra care needs to be taken when comparing annual levels of insolvency

Analysing insolvencies using absolute numbers only can be misleading due to the increasing number of Irish businesses over time. For example, the number of companies registered in Ireland in 2005 and 2025 was 160,707, and 298,101 respectively, an increase of almost 86%.

Solely looking at insolvency levels in absolute terms can be misleading given the rise in the total number of companies. For example, if 500 companies failed 20 years ago, the comparable number for today would be 925 given the rise in the total number of companies. Analysing insolvencies per 10,000 provides a much clearer picture and meaningful context to the analysis of insolvencies and takes account of the increased total number of companies.

Insolvency Rate per 10,000 companies



PwC Insolvency Barometer

	Insolvency Rate per 10,000	Year
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Total number of Irish quarterly insolvencies

Insolvency Type	Q1 2025	Q4 2024	Q1 2024	Q1 2023
Total Corporate Insolvencies	*192*	*207*	*222*	*162*
Liquidations	147	174	191	126
Receiverships	36	21	23	26
Examinerships	1	4	3	2
SCARP	8	8	5	8

Total number of Irish quarterly insolvencies per 10,000 businesses

Insolvency Type	Q1 2025	Q4 2024	Q1 2024	Q1 2023
Total Corporate Insolvencies	*6*	*7*	*8*	*7*
Liquidations	5	5	7	5
Receiverships	1	<1	1	1
Examinerships	<1	<1	<1	<1
SCARP	<1	<1	<1	<1

1. **First quarter of 2025 sees a decrease in insolvencies**

   The first quarter of 2025 recorded fewer insolvencies than each preceding quarter of 2024 and continues the downward trend identified in the last quarter of 2024. There were 14% fewer insolvencies in the first quarter of this year (192) compared to the first quarter of 2024 (222). Similarly, there were 7% fewer insolvencies in the first quarter of this year compared to the last quarter of 2024 (207). This trend highlights that the Irish economy and many Irish businesses continue to demonstrate resilience, despite geopolitical challenges.

2. **Insolvency rate per 10,000 businesses has doubled since 2021 but remains below 20-year average**

   Our PwC Insolvency Barometer shows the annual insolvency rate is 29 per 10,000 businesses. The current rate is more than double the rate of 14 per 10,000 recorded in 2021, it still remains below the 20-year average of 50 per 10,000 businesses, and far below the previous peak of 109 per 10,000 businesses recorded in 2012.

3. **Use of rescue processes remains underutilised**

   The number of rescue processes recorded for the first quarter of 2025 remains consistent with preceding quarters of 2024, with 1 Examinership and 8 SCARPs recorded. Despite the consistent figures, the overall use of rescue processes remains underutilised.

4. **Increase in lender activity**

   Receivership appointments increased by 57% in Q1 compared to the same quarter last year, with 36 and 23 recorded respectively. Additionally, receivership appointments increased by over 70% compared to the 21 recorded in the final quarter of 2024, showing a significant rise in lender activity. Despite this increase, the current levels are still below historic norms. Over the past 6 months, there 20 different lenders have enforced on their debt through receivership.

5. Revenue enforcement activity leading to an increase in court liquidations

There were 25 court-appointed liquidations recorded in Q1 2025, over 3 times higher than 7 recorded for the same quarter in 2024. This continues the upward trend of court appointments that started in early 2024. Revenue is listed as the petitioner for 16 of the appointments this quarter, suggesting that a number of phased payment arrangements (PPAs) agreed at the cessation of the debt warehousing scheme have potentially failed, making enforcement action necessary to recover these debts.

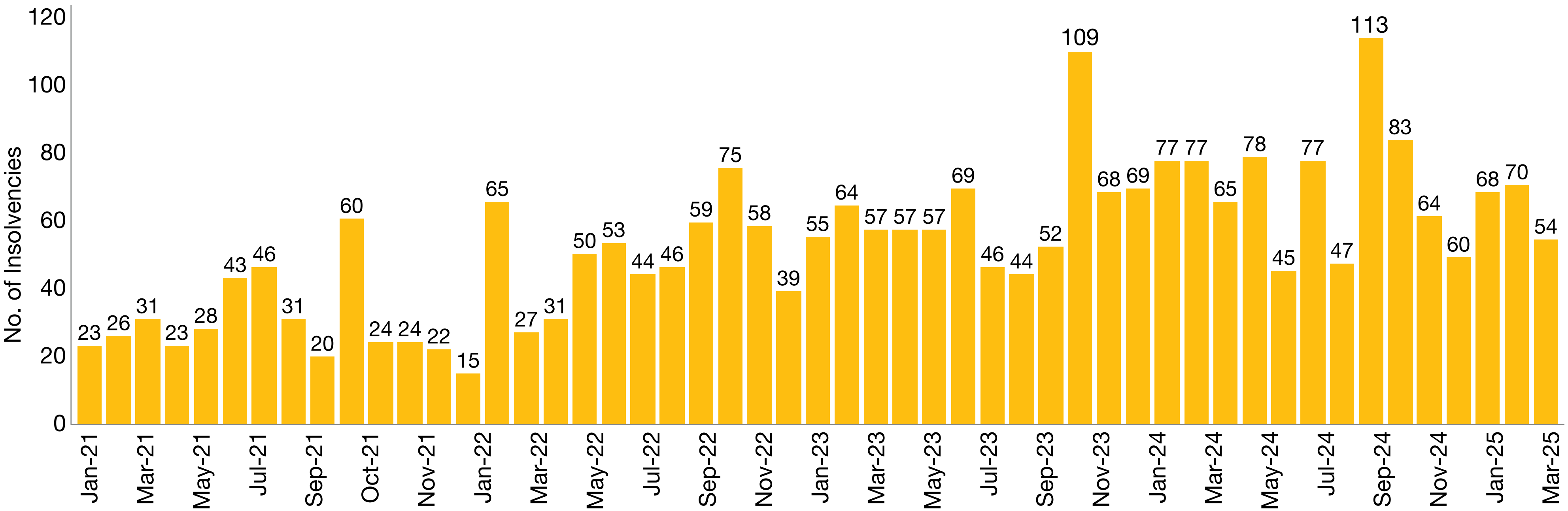
6. Lowest number of CVLs recorded in two years

There were 122 Creditors' Voluntary Liquidations (CVLs) recorded in the first quarter of 2025, a 33% decrease compared to the same quarter in 2024 (184) and the lowest number recorded since the first quarter of 2023 (119). CVLs remain the most common form of insolvency, accounting for more than three-out-of every five insolvencies in the quarter.

7. Companies declaring insolvency had an average lifespan of nearly 11 years

The average lifespan of companies declaring insolvency in quarter one of 2025 was just under 11 years. The shortest-lived company was less than 2 years old, while the longest lifespan was almost 73 years.

Monthly Insolvencies



Q1 Industry Highlights

Insolvency rate by industry

Industry	Absolute figures Q1 2025	Absolute figures Q4 2024	Per 10,000 businesses LTM
Hospitality	43	40	75
Real estate	26	10	35
Retail	25	40	29
Construction	20	26	22
Health	19	9	81
Manufacturing	14	13	24
Finance and insurance	9	25	61
Professional, scientific, and technical activities	8	8	8
Travel and transport	8	7	29
Information and communication	7	15	19
Arts, entertainment and recreation	6	3	79
Energy and utility	5	5	164
Education	2	3	19
Administration	0	1	9
Mining and quarrying	0	1	38
Other	0	1	3

1. **Retail demonstrates resilience post Christmas**

   Retail recorded 25 insolvencies for the quarter, a significant decrease of 40% compared to 42 recorded in the same quarter of 2024. This also marks a notable decrease compared to each quarter in 2024, specifically a 38% decrease on 40 insolvencies in Q4 2024. The equivalent rate of 29 per 10,000 businesses is in line with the current overall average across industries.

2. **Hospitality insolvency levels remain in line with 2024**

   Hospitality recorded 43 insolvencies, which is largely in line with the preceding quarters of 2024.The industry has an equivalent rate of 75 per 10,000 businesses, which is more than twice the current average but this rate has not fluctuated significantly over the last 12-months. This consistency suggests that the sector is maintaining its current stability despite ongoing economic challenges.

3. **Top three equivalent rates due to low number of businesses in those industries**

   Energy and Utility, Health, and Arts, Entertainment and Recreation have the three highest equivalent rates, despite the industries recording low numbers over the last 12-months, demonstrating that an industry with a low number of businesses can have a high equivalent rate.

Industry In Focus - Hospitality

In the first quarter of 2025, the hospitality industry recorded 43 insolvencies, with 34 of those being liquidations.

Key Challenges Facing the Industry

Operators and organisations within the industry cite many challenges:

- cost inflation on food
- increase in labour costs due to wages and PRSI changes
- increase in energy costs over recent years
- post pandemic demand shifts in urban areas and tighter consumer spending
- Higher VAT rate of 13.5% since 2023 has had a knock on effect

Profitability appears to be the issue, not unsustainable debts

The issue in the industry is clearly about underlying profitability and not necessarily about unsustainable or historic debts.

Underuse of rescue processes suggest no prospect of survival

With these businesses going straight to liquidation, formal company rescue processes are not being utilised which indicates fundamental problems with the business model and underlying profitability.

There have been no Examinerships and only two SCARPs within hospitality for the quarter. This suggests that there was no prospect of survival for the businesses that have gone into liquidation, and profitability issues were not capable of being solved.

Dublin records half of the casualties for the year

Unsurprisingly Dublin has been the worst hit county for the year to date. It has accounted for nearly half of all hospitality insolvencies, with 19 of the 43.

Hospitality insolvency rate is higher than the 20-year overall average

Hospitality has a current annual insolvency rate of 75 insolvencies per 10,000 companies.

In terms of historical context, the overall rate of insolvency in the hospitality industry is above the overall 20-year average insolvency level of 50 per 10,000 while most other sectors are currently well below historic insolvency levels. The statistics back up the well publicised issues that the industry is facing.

High number of closures in media do not fully translate to insolvencies

On the face of it, these numbers may appear lower than some of the recently reported closures by restaurants/cafes/bars, this stems from the fact that many of these businesses are sole traders and do not operate as a company and also that some businesses are in the process of winding up but are yet to finalise their closure.

Insolvencies in Hospitality	Q1 2024	Q4 2024	Q1 2025
Liquidation	43	36	34
Receivership	2	2	7
SCARP	2	1	2
Examinership	2	1	0
Total	**49**	**40**	**43**

Insolvencies in Hospitality	Dublin	Rest of Ireland	Q1 2025
Restaurants	10	16	26
Cafes	1	2	3
Pubs	4	3	7
Accommodation Related Businesses	2	0	2
Other Hospitality Businesses	2	3	5
Total	**19**	**24**	**43**

Q1 County Highlights

Insolvency rate by county

Industry	Absolute figures Q1 2025	Absolute figures Q4 2024	Per 10,000 businesses LTM
Dublin	115	102	49
Cork	13	17	18
Kildare	10	12	25
Galway	8	8	23
Wexford	7	4	22
Kilkenny	6	2	17
Tipperary	5	4	16
Meath	4	9	24
Mayo	3	5	19
Offaly	3	2	20
Waterford	3	4	19
Cavan	2	0	13
Donegal	2	4	14
Louth	2	9	31
Sligo	2	0	10
Wicklow	2	9	36
Clare	1	1	5
Laois	1	0	3
Longford	1	1	33
Monaghan	1	2	10
Roscommon	1	1	10
Carlow	0	0	18
Kerry	0	6	18
Leitrim	0	0	8
Limerick	0	5	16
Westmeath	0	0	14

1. **Dublin continues to account for the majority of all insolvencies**

   Dublin continues to have the highest number of insolvencies and the highest insolvency rate of 49 per 10,000 businesses for the last twelve months. Dublin’s high concentration of businesses and financial activities naturally contributes to a larger volume of insolvencies.

2. **Top five counties account for 80% of insolvencies for the year to date**

   Dublin, Cork, Kildare, Galway, and Wexford represent four in every five insolvencies.

3. **Five counties recorded no insolvencies for the quarter**

   Carlow, Kerry, Leitrim, Limerick and Westmeath recorded no insolvencies for the first quarter of the year.

Insolvencies in the UK

1. **The UK experienced a decline in insolvencies for December 2024**

   The total number of insolvencies reported in the UK for December 2024 declined by 14% when compared with the same month of 2023.

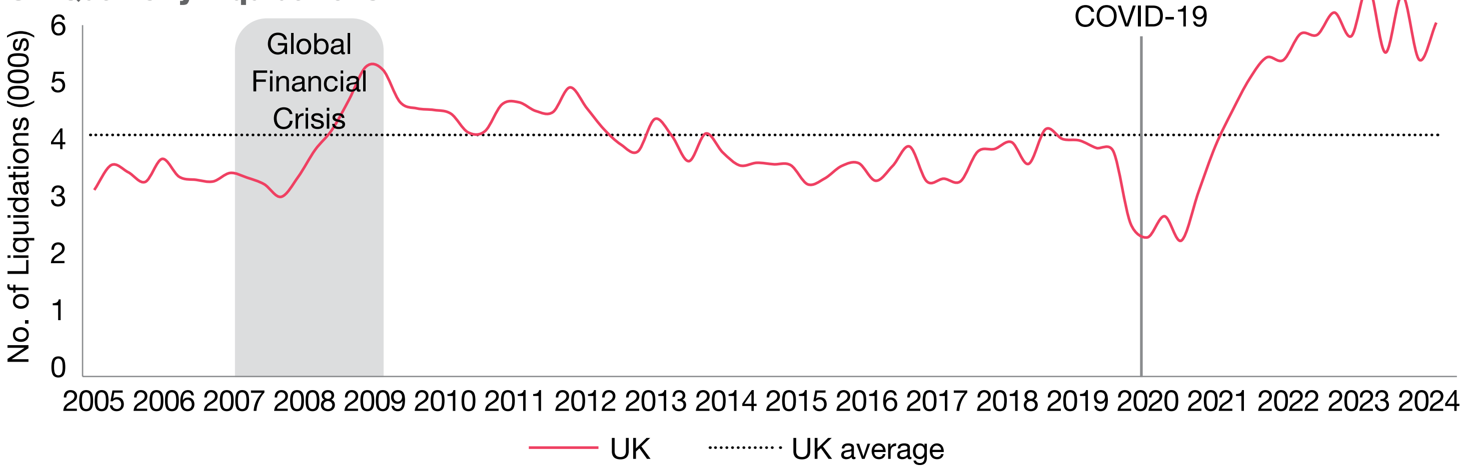
2. **The UK liquidation rate continues to be higher than the Irish equivalent rate**

   The UK's liquidation rate in the 12 months to December 2024 was 52.4 per 10,000 businesses. This is still higher than the Irish equivalent rate of 32 per 10,000 businesses.

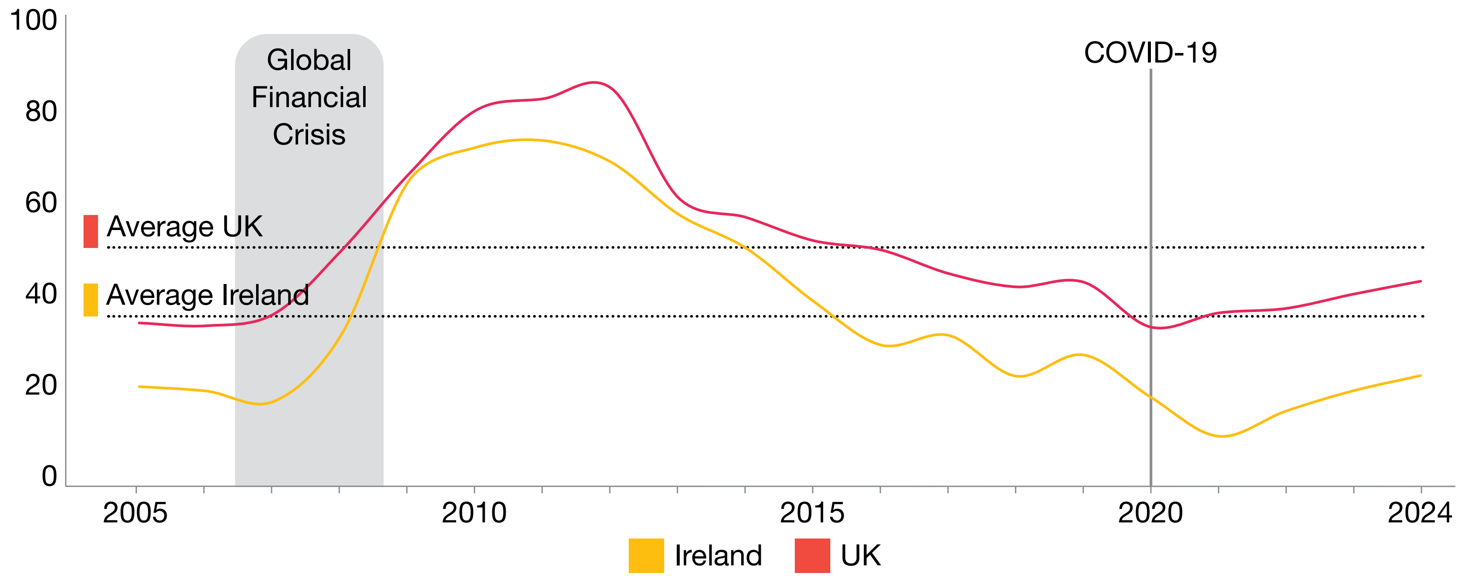
3. **Most industries saw similar levels in company insolvency numbers in the last 12 months**

   Construction experienced the highest number of insolvencies (17% of all insolvencies), followed by wholesale and retail trade (15%) and accommodation and service activities (15%).

UK Quarterly Liquidations



Ireland's Liquidation Rate Compared to the UK (rolling twelve month average)



Local Economic Indicators

Irish inflation at 1.7%

As of March 2025 the Irish inflation rate was at 1.7% up from 0.7% in October. This marks a significant decrease from the 4.1% annual increase recorded in January 2024.The decline in inflation is largely attributed to a substantial reduction in energy prices. Inflation fell to 1.7% for August and 0.7% in September. March 2025 was the sixteenth consecutive month that the inflation rate remained below 5%.

The ECB reduces interest rates

The European Central Bank ("ECB") announced that all three key ECB interest rates were to decrease below 3.00%, with main refinancing operations at 2.65%, marginal lending facilities at 2.90%, and deposit facilities at 2.50%. These changes were brought into effect on 12 March 2025.

Ireland's GDP decreased by 1.3% in Quarter 4, 2024

Preliminary estimates by the CSO reveal that GDP decreased by 1.3% in Q4, lower than the revised 2.0% growth reported from Q3, marking an overall estimated growth, for the full year 2024, of 0.3%, when compared with 2023 and the European Commission predicted growth of -0.5%. Further, the European Commission has predicted growth of 4.0% for 2025.

Unemployment rate decreased to 3.9%

The Irish unemployment rate dropped to 3.9% in February 2025, down from 4.0% in January 2025 and 4.5% in December 2024. This is very close to the previous record low of levels of 3.9%. The EU unemployment rate was significantly higher at 5.88% in January 2025, (Euro area: 6.2%), while the unemployment rate in the UK sits between Ireland and the EU rates at 4.4% for November to January 2025.

The Central Bank of Ireland ("CBI") predicts that the Irish unemployment rate will remain somewhere between 3.9 - 4.5 per cent until 2026.

Consumer sentiment registers a slight increase

Ireland's Consumer Sentiment Index registered a slight increase from 73.9 in December 2024 to 74.8 in February 2025. This signals that Irish consumers' apprehensions have remained relatively stable. Consumer sentiment in the US has declined significantly from 74 in December 2024 to 57.9 in March 2025. The UK has seen a marginal decrease, with the Consumer Confidence Index lowering from -17 in December 2024 to -19 in March 2025.

Real Estate Construction index at 48.2

BNP Paribas Real Estate Ireland's construction index measures the growth in Irish construction activity. An index below 50 indicates decreased activity. The index decreased to 48.2 in January 2025 from 51.6 in December 2024. Despite the pause in growth seen for total construction activity, work on housing has increased for the fourth straight month. New business has increased for nine of the last ten months leading to a rise in full time employment in the sector.

Global Headwinds

1. Interest rates

From its recent press release in March 2025, the US Federal Reserve declared that interest rates would remain unchanged about 4.50%. Federal Reserve Chair Jerome Powell stated that future cuts to borrowing costs depend on continued progress in reducing persistently high inflation. Meanwhile, the Bank of England maintained the interest rate at 4.5%, following a reduction from 4.75% in February 2025.

The ECB proceeded to lower interest rates to 2.65% for main refinancing operations, 2.90% for marginal lending facilities, and 2.50% for deposit facilities, effective from 12 March 2025.

2. Inflation

As of February 2025, the EU inflation rate was 2.7%, (Euro area 2.3%), decreasing from 2.8% in January 2025. This marks a decline following a peak of 2.5% in December 2024. Inflation levels saw increases across Hungary (5.7%), Romania (5.2%), and Estonia (5.1%). The lowest rates of inflation were registered in France (0.9%), Ireland (1.4%), and Finland (1.5%). The US inflation rate was 2.8% in February 2025. Similarly, the UK saw levels increase from 2.5% in December 2024 to 3.0% in January 2025.

3. Global politics

Political elections occurred in major global territories including the UK (General) which saw a Labour Government return to power. The Government has introduced a spending programme, including substantial investments in the NHS and public services. In the US, Donald Trump and the Republican Party regained their power over the White House. The administration has focused on reducing taxes, deregulating industries and imposing tariffs to stimulate economic growth. The EU has implemented a series of green policies aimed at accelerating the carbon neutrality goals by 2050. The General Election was held in Ireland, resulting in a coalition government led by Fianna Fail and Fine Gael. The implications of these economic policies are likely to have major implications in both the global and local economies and financial markets.

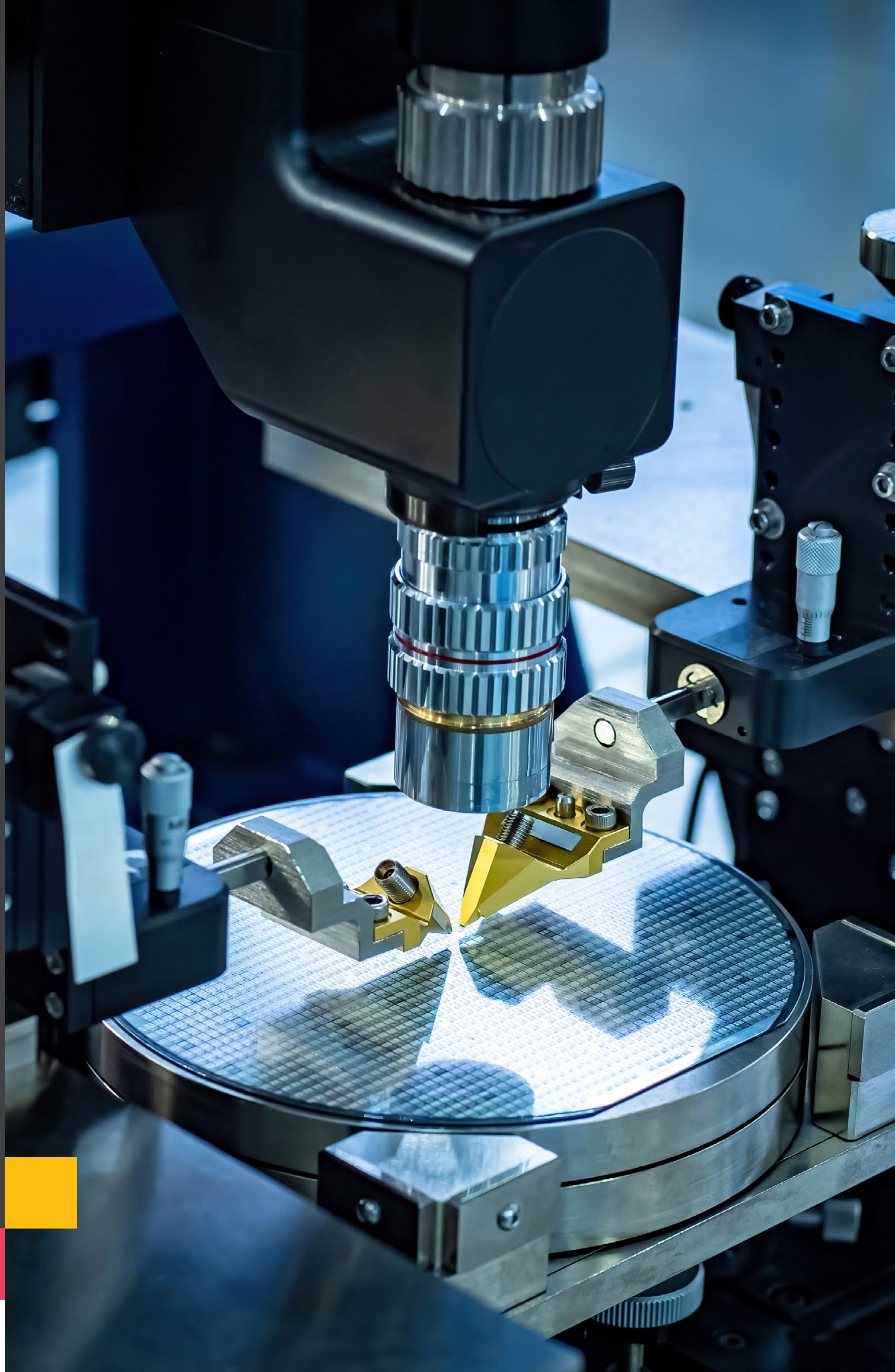
Corporate focus for 2025

Higher cost of debt
Whilst debt maturities may present a challenge for some corporates, higher interest rates and other macro factors that erode debt servicing capacity are also expected to drive a number of defaults.

Focus on refinancing
Refinancing has overtaken M&A as the primary purpose of new leveraged loans. In the leveraged loan market the focus has very much been on amending and extending facilities.

Working capital
Against a backdrop of high inflation and low M&A activity, driving value through operational improvements is more critical than ever.

Fatigue
some management teams in challenged sectors are fatigued after the past few years of unprecedented economic conditions.



Cash Management Culture

In the face of general market disruption, geopolitical change and high profile challenges across different industries, businesses are feeling the effects of an uncertain market with restructuring activity rising and risk of shocks remaining in the market. Creating a cash-conscious culture is critical to ensure organisations can improve and accelerate their resilience to mitigate the impacts and flourish in the future. To achieve this, everyone in an organisation needs to be focused on cash. This is a collective responsibility from the boardroom and across the business - not just the finance team or treasury to make decisions impacting cash.

Five ways to optimise your company's cash culture

1. **Make cash the business of everyone in the organisation**

   Cash is bigger than the treasury and finance departments; they both have a key coordinating role in effectively managing cash but it's the operations of the business that are making daily decisions that impact cash. Push cash up everyone's agenda.

2. **Cash can mean different things to different people, so make cash relevant to everyone**

   Having a common language of cash across the organisation (operations and finance) is vital to instilling a proactive cash conscious culture:

   - Reliable cash forecasting
   - Effective expenditure management and tactical actions
   - Cash reporting and incentivisation, tailored to audiences across the organisation
   - Management of cash tax and government incentives
   - Centralising management of true cash availability and foreign currency cash
   - Effective management of banking and other financing facilities.

3. **Forecasting cash and appropriately granular scenario planning**

   On both a medium and short term basis should involve both operations and finance teams. These are essential in reflecting and understanding the real operational risks that exist in the current volatile market.

4. **Understanding and sharing your minimum cash thresholds**

   To help the wider business manage the daily decisions and cash commitments that they are making (once the decision is made, the cash is committed).

5. **Optimising supplier and customer working capital terms and relationships**

   To conserve and generate the cheapest form of cash available to you.

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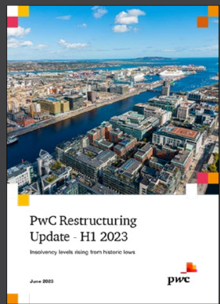

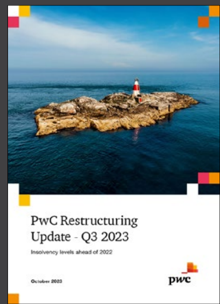

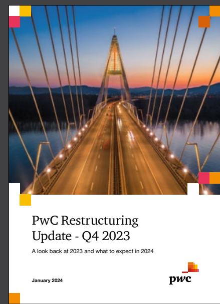

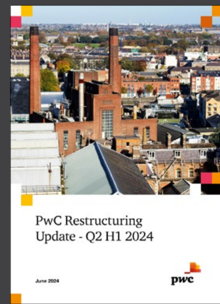

Appendix - Sources

- BNP Paribas Real Estate
- Bank of England
- Central Bank of Ireland
- Central Statistics Office
- Companies Registration Office
- Courtsdesk
- European Central Bank
- Eurostat
- Experian Gazette
- Gov.ie
- Gov.uk
- Irish League of Credit Unions
- International Monetary Fund
- PwC UK
- PwC US
- Revenue Commissioners
- Vision-net

Revisions

The figures in this report may differ slightly from previous versions of this report largely due to the cut-off timings of previous reports, incorrect corporate filings and/or notices.