PwC Restructuring Update - Q4 2024

January 2025

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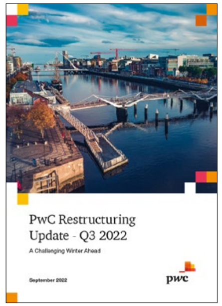
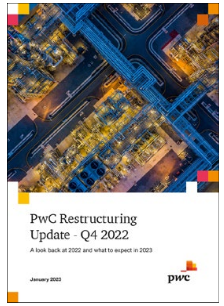
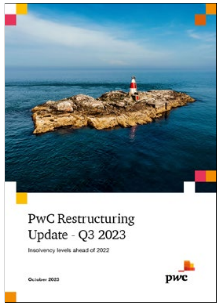
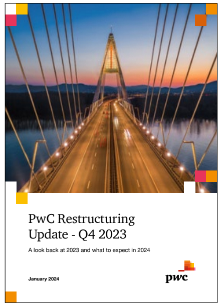
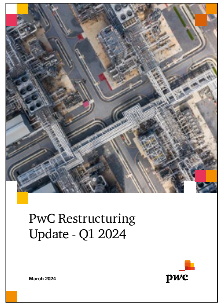
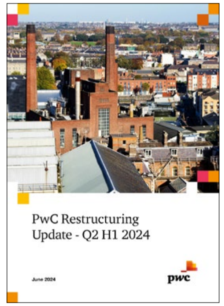












Foreword

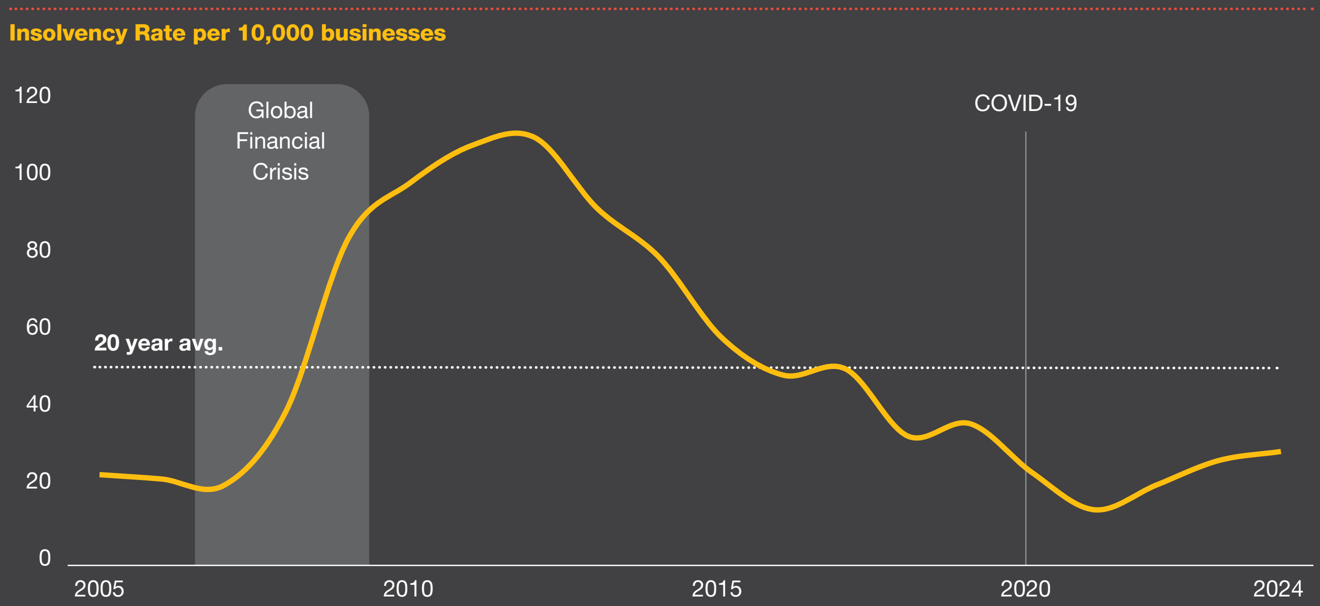
Ken Tyrrell
Partner – Business Recovery Services

Q4 Update

- **Q4 sees reversal of recent upward insolvency trend -** Q4 has seen a marked difference in insolvency numbers when compared with the same quarter of last year. There were 193 insolvencies in Q4 this year, a 21% decrease on the 243 insolvencies recorded in Q4 of 2023. This ceased the recent trend whereby all prior quarters (i.e. Q1, Q2 and Q3) in 2024 had shown significant increases over the same quarters in 2023.
- **Insolvencies in 2024 significantly lower than expected -** The 852 insolvencies recorded in 2024 is 16% higher than 734 insolvencies recorded in 2023. However, this is significantly lower than the 900+ insolvencies expected for the year. The low numbers recorded in the final quarter of 2024 have reversed the trend observed at the end of Q3, whereby insolvency numbers were over 34% higher than the same period in 2023. This highlights the resilience of the Irish economy and many Irish businesses.
- **Insolvency rate per 10,000 businesses still remains below 20-year average -** Our PwC Insolvency Barometer shows the annual insolvency rate is 29 per 10,000 businesses, a reduction from 32 per 10,000 at the end of Q3 of this year. Although 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.
- **Average lifespan of companies declaring insolvency revealed -** For the first time, our analysis reveals the average lifespan of companies declaring insolvency. In 2024, the average lifespan was 13 years, with the shortest being just 10 months and longest being almost 60 years.
- **Utilisation of SCARP remains relatively low -** the number of SCARPs initiated in 2024 was just 30, three less than the 33 last year. Approximately 1 in every 20 insolvent companies are opting for a rescue process such as SCARP or Examinership. The underutilisation of the relatively new rescue process suggests that most insolvent companies have fundamental profitability issues and are opting for liquidation rather than a rescue process.
- **Significant decrease in Receivership appointments -** Receivership appointments in 2024 have decreased by 13% when compared to 2023, with 98 recorded in 2024. Lenders continue to show patience in line with the past few years.
- **Retail accounts for almost one in every four insolvencies -** Retail has recorded the highest number of insolvencies of any industry this year, accounting for 200 of the 852 insolvencies, equating to a rate of 32 per 10,000 businesses.
- **Hospitality numbers remain steady, but still one of the hardest hit industries -** Hospitality has recorded 150 insolvencies for the year. which equates to a rate of 77 per 10,000 businesses, one of the highest of any industry.
- **Dublin continues to account for majority of all insolvencies -** Dublin continues to have the highest insolvency rate of 48 per 10,000 businesses. The county recorded 440 insolvencies this year, with 103 insolvencies in retail, 71 within hospitality and 51 within construction.
- **The UK experienced a recent decline in insolvencies -** UK insolvencies in October 2024 were 10% lower than that of September 2024, and 24% lower than the same month of 2023, showing the decreasing trend of insolvencies in the UK.

PwC Insolvency Barometer

	Insolvency Rate per 10,000	Year
Current	**29**	2024
20 Year Average	**50**	Past 20 years
Highest	**109**	2012
Lowest	**14**	2021



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

Q4 2024 Update

Q4 2024 Insolvency Highlights

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

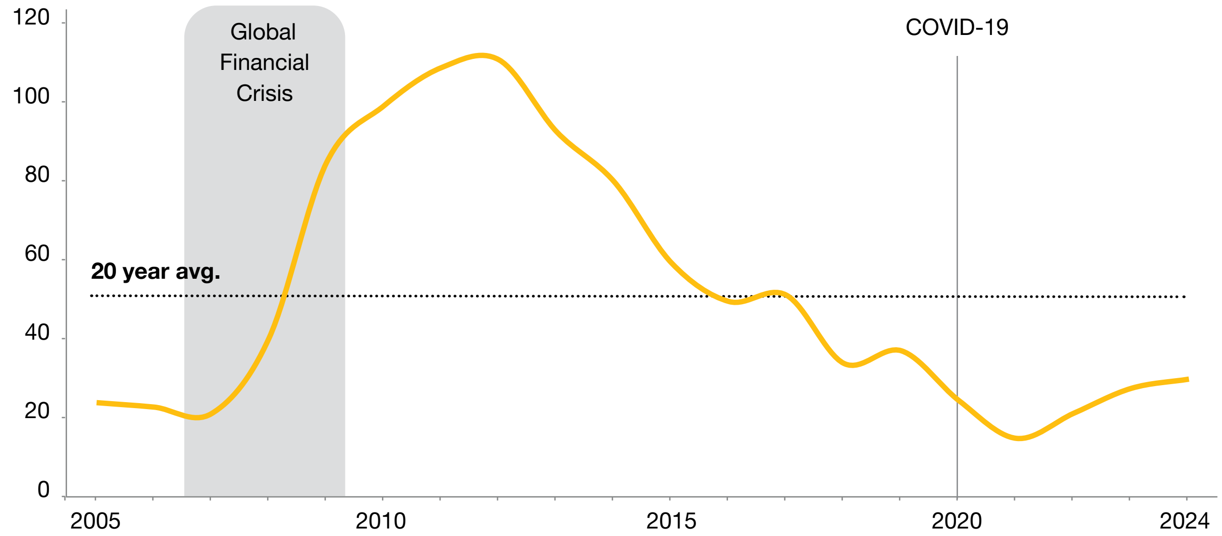
Our analysis is based on a per 10,000 measure which has become all too common to hear since the pandemic. It is also widely used when comparing the birth or death rates across different regions or countries. It is a simple yet effective statistic for comparison purposes between different periods, industries, 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 2024 was 160,707, and 293,889 respectively, an increase of almost 83%.

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 943 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
Current	**29**	2024
20 Year Average	**50**	Past 20 years
Highest	**109**	2012
Lowest	**14**	2021

Total number of Irish quarterly insolvencies

Insolvency Type	Q4 2024	Q3 2024	Q4 2023	Q4 2022
Total Corporate Insolvencies	*193*	*238*	*243*	*190*
Liquidations	160	198	170	152
Receiverships	21	30	52	23
Examinerships	4	1	11	4
SCARP	8	9	10	11

Total number of Irish quarterly insolvencies per 10,000 businesses

Insolvency Type	Q4 2024	Q3 2024	Q4 2023	Q4 2022
Total Corporate Insolvencies	*7*	*8*	*8*	*7*
Liquidations	5	7	6	6
Receiverships	<1	1	2	<1
Examinerships	<1	<1	<1	<1
SCARP	<1	<1	<1	<1

1. Q4 sees a reversal of the recent upward insolvency trend

Q4 has seen a marked difference in insolvency numbers when compared with the same quarter of last year. There were 193 insolvencies in Q4 this year, a 21% decrease on the 243 insolvencies recorded in Q4 of 2023. This ceased the recent trend whereby all prior quarters (i.e. Q1, Q2 and Q3) in 2024 had shown significant increases over the same quarters in 2023.

2. Insolvencies in 2024 significantly lower than expected

The 852 insolvencies recorded in 2024 is 16% higher than 734 insolvencies recorded in 2023. However, this is significantly lower than the 900+ insolvencies expected for the year. The low numbers recorded in the final quarter of 2024 have reversed the trend observed at the end of Q3, whereby insolvency numbers were over 34% higher than the same period in 2023. This highlights the resilience of the Irish economy and many Irish businesses.

3. Insolvency rate per 10,000 businesses still remains below 20-year average

Our PwC Insolvency Barometer shows the annual insolvency rate is 29 per 10,000 businesses, a reduction from 32 per 10,000 in Q3 of this year. Although 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.

4. Average lifespan of companies declaring insolvency revealed

For the first time, our analysis reveals that the average lifespan of companies declaring insolvency. In 2024, the average lifespan was 13 years, with the shortest being just 10 months and longest being almost 60 years.

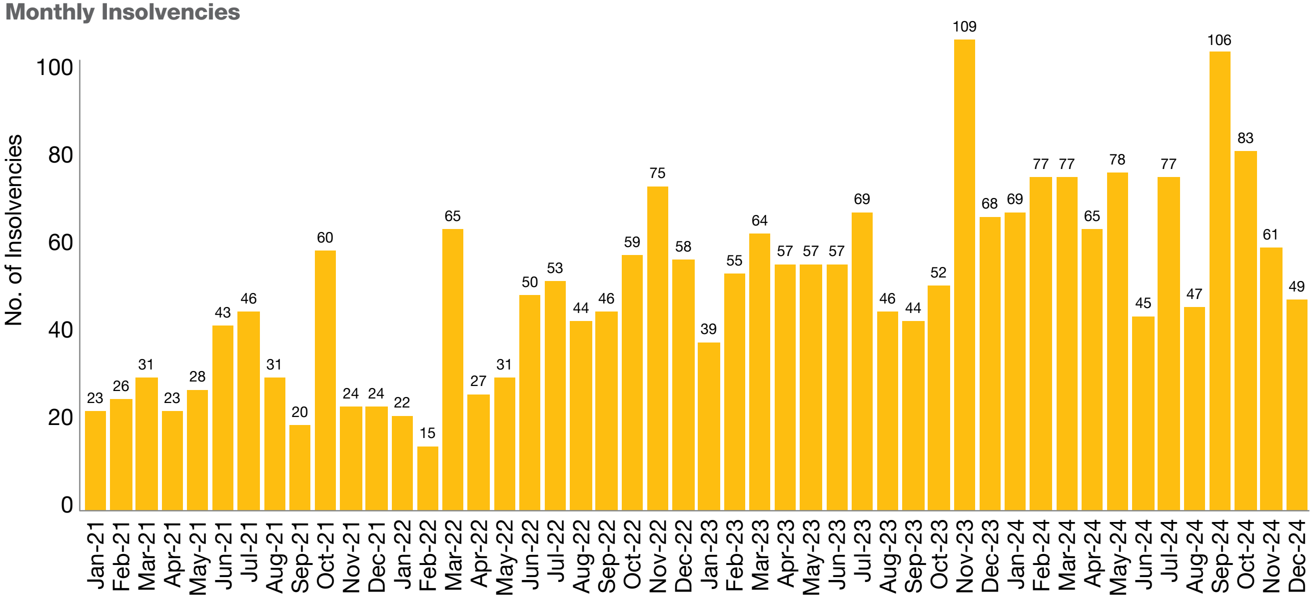
5. Utilisation of SCARP remains relatively low

The number of SCARPs initiated in 2024 was just 30, three less than the 33 last year. Approximately only 1 in every 20 insolvent companies are opting for a rescue process such as SCARP or Examinership. The underutilisation of the relatively new rescue process suggests that most insolvent companies have fundamental profitability issues and are opting for liquidation rather than a rescue process.

6. Significant decrease in Receivership appointments

Receivership appointments in 2024 have decreased by 13% when compared to 2023, with 98 recorded in 2024. Lenders continue to show patience in line with the past few years.

Monthly Insolvencies



Q4 Industry Highlights

Insolvency rate by industry:

Industry	Absolute figures Q4 2024	Absolute figures 2024	Per 10,000 businesses 2024
Retail	39	200	32
Hospitality	36	150	77
Construction	24	101	22
Finance and insurance	25	91	74
Information and communication	14	53	22
Manufacturing	13	46	22
Real estate	8	44	29
Professional, scientific, and technical activities	8	40	9
Travel and transport	7	33	30
Administration	1	29	15
Health	7	27	49
Arts, entertainment and recreation	3	16	61
Energy and utility	4	11	107
Education	3	8	15
Mining and quarrying	1	3	38
Other	0	0	0

1. Retail accounts for almost one in every four insolvencies

Retail has recorded the highest number of insolvencies of any sector this year, accounting for 200 of the 852 insolvencies, a rate of 32 per 10,000 businesses. As could be expected, there was a drop in Retail insolvencies in Q4, with just 39 recorded, with many potentially struggling businesses attempting to trade through the Christmas period and reassess their financial position in the new year.

2. Hospitality insolvencies remain at steady level

Hospitality insolvencies rose just slightly in the last quarter of the year, with 36 recorded, consistent with Q3 (31), Q2 (30) but below the high of Q1 (49). Hospitality is one of the most adversely affected industries with an annual insolvency rate of 77 per 10,000 businesses, which is more than double that of retail (32 per 10,000) and 3.5 times that of construction (22 per 10,000).

3. Energy and Utilities industry has highest rate per 10,000 businesses

The Energy and Utilities industry has recorded 11 insolvencies this year, all in the second half of the year, which equates to an annual insolvency rate of 107 per 10,000 businesses. This demonstrates that although the industry has recorded low numbers in absolute terms, due to the number of businesses in the industry, it's quite high on a relative basis.

Industry In Focus - Hospitality

By the end of Q4, the hospitality industry had recorded 150 insolvencies, with 134 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.

Restaurants and Cafes account for over 70% of hospitality insolvencies

Restaurants and Cafes account for the majority of hospitality casualties, while hotels and accommodation insolvencies remain relatively low, demonstrating the two sides to the hospitality industry.

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 only five SCARPs and three Examinerships within hospitality for the year to date. 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.

Businesses busy for Christmas, but some may struggle in the New Year

Looking at the level of hospitality insolvencies during the year we see a similar trend to previous years where businesses manage to trade up to Christmas but then struggle in Q1 and have to assess if their business is viable, hence the increase in insolvencies at the start of the year.

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 71 of the overall 150.

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

Hospitality has a current annual insolvency rate of 77 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	Q2 2024	Q3 2024	Q4 2024	2024
Liquidation	43	29	30	32	134
Receivership	2	1	3	2	8
SCARP	2	0	2	1	5
Examinership	2	0	0	1	3
Total	**49**	**30**	**35**	**36**	**150**

Insolvencies in Hospitality	Dublin	Rest of Ireland	2024
Restaurants	45	43	88
Cafes	7	14	21
Pubs	11	7	18
Accommodation Related Businesses	7	5	12
Other Hospitality Businesses	1	10	11
Total	**71**	**79**	**150**

Q4 County Highlights

Insolvency rate by county:

Industry	Absolute figures Q4 2024	Absolute figures 2024	Per 10,000 businesses 2024
Dublin	95	440	48
Cork	17	62	19
Galway	7	46	28
Wicklow	9	35	38
Meath	7	30	27
Louth	9	27	36
Kildare	11	26	21
Kerry	6	25	25
Mayo	5	20	24
Limerick	4	19	18
Wexford	4	18	20
Donegal	4	16	17
Westmeath	0	12	22
Clare	1	11	14
Tipperary	4	11	12
Waterford	4	11	18
Carlow	0	7	21
Longford	1	7	29
Kilkenny	2	5	10
Sligo	0	5	13
Cavan	0	4	9
Laois	0	4	11
Offaly	1	4	10
Monaghan	2	3	8
Leitrim	0	2	8
Roscommon	0	2	5

1. Dublin continues to account for majority of all insolvencies

Dublin continues to have the highest insolvency rate of 48 per 10,000 businesses. The county recorded 440 insolvencies this year, with 103 insolvencies in retail, 71 within hospitality and 51 within construction. Dublin's high concentration of businesses and financial activities naturally contributes to a larger volume of insolvencies.

2. Top five counties account for 75% of insolvencies for the year to date

Dublin, Cork, Galway, Wicklow and Meath represent nearly 75% of the total insolvencies.

3. Roscommon and Leitrim record the lowest number of insolvencies for the year

Roscommon and Leitrim have both recorded two insolvencies for the year. This stands in stark contrast to more urbanized and economically active areas such as Dublin, Cork, and Galway, where insolvency rates are considerably higher.

Insolvencies in the UK

1. The UK experienced a decline in insolvencies for October 2024

The total number of insolvencies reported in the UK for October 2024 declined by almost a quarter when compared with the same month of 2023.

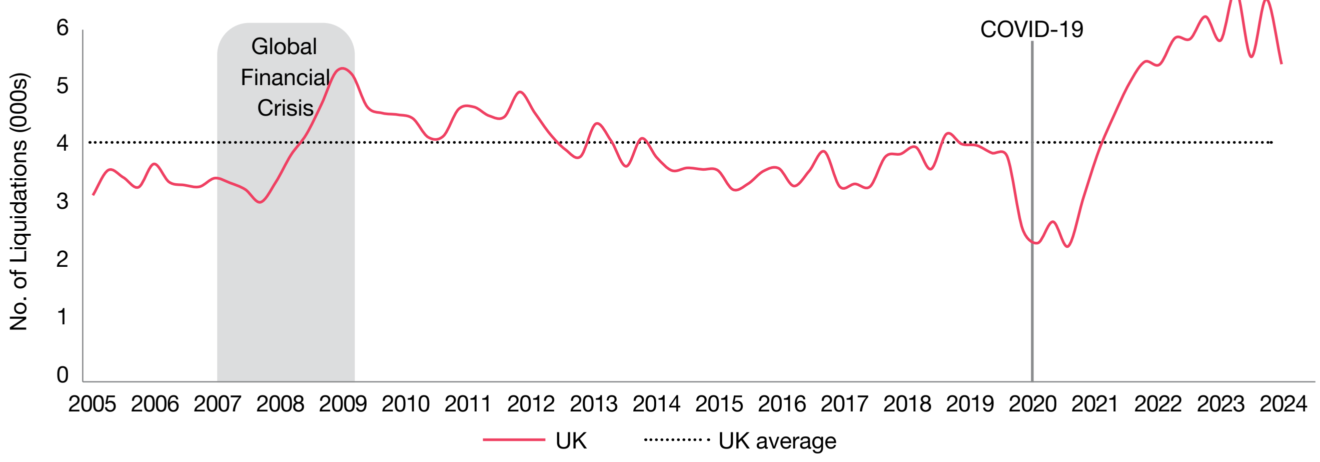
2. The UK liquidation rate continues to be higher than the Irish equivalent rate

The UK's liquidation rate in the 12 months to November 2024 was 53 per 10,000 businesses. This is still higher than the Irish equivalent rate of 29 per 10,000 businesses.

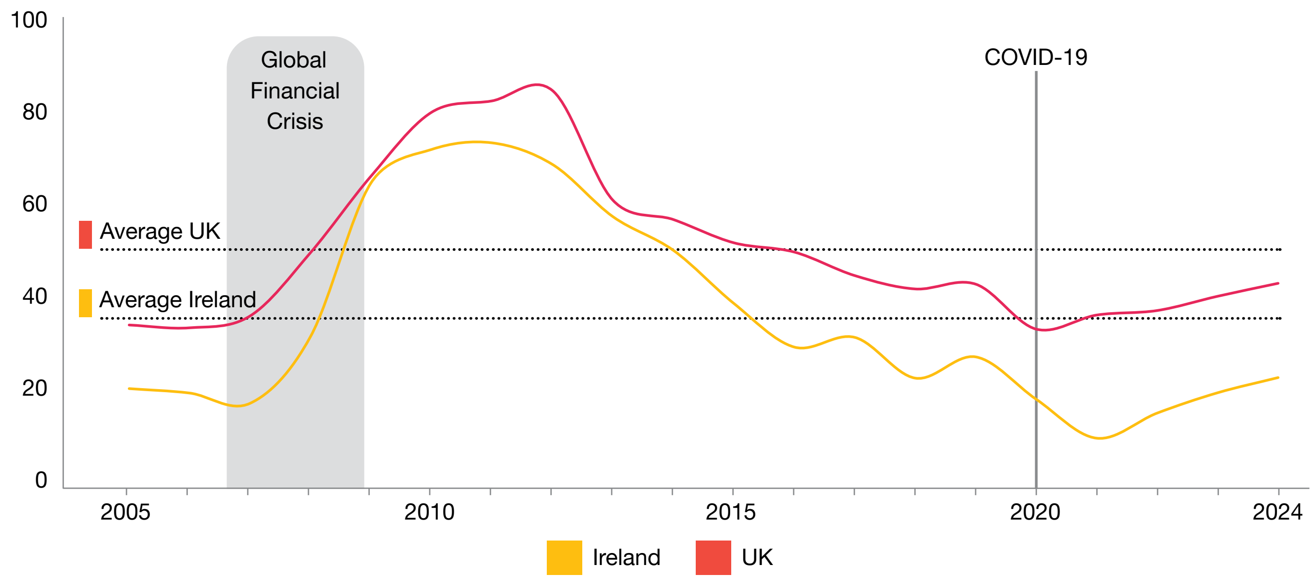
3. Most industries saw similar levels in company insolvency numbers in the last 12 months

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%

As of November the Irish inflation rate was at 1% 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. November 2024 was the thirteenth 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 3.50%, with main refinancing operations at 3.15%, marginal lending facilities at 3.40%, and deposit facilities at 3.00%. These changes were brought into effect on 18 December 2024.

Ireland's GDP grew by 2.0% in Q3 2024

Preliminary estimates by the CSO reveal that GDP increased by 2.0% in Q3, higher than the revised 0.3% contraction reported from Q2, marking the sharpest rate of growth reported since Q4 2022. Further, the European Commission has predicted growth of -0.5% for 2024, and 4.0% for 2025.

Unemployment rate decreased to 4.1%

The Irish unemployment rate has dropped 0.1 percentage points from the previous month for November 2024, which is very close to the previous record low levels of 3.9%. The EU unemployment rate was significantly higher at 5.9% in October 2024, (Euro area: 6.3%), while the unemployment rate in the UK sits between Ireland and the EU rates at 4.3% for August to October 2024.

The Central Bank of Ireland ("CBI") predicts that the Irish unemployment rate will remain somewhere between 4.0 - 4.5 per cent until 2026.

Consumer sentiment registers further increase

Ireland's Consumer Sentiment Index registered an 11.5% point increase from 62.4 in December 2023 to 73.9 in December 2024. This signals that Irish consumers' apprehensions have reduced throughout the year. Consumer sentiment has grown significantly since July 2024 at 66.4 points to 74 points in the US. The UK has also seen a marginal increase.

Real Estate Construction index at 47.5

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 47.5 in November from 49.4 in October 2024, a fall for the third consecutive month. Despite the pause in growth seen for total construction activity, work on housing has increased for the third straight month. New business has increased for eight of the last nine months leading to a rise in full time employment in the sector.

Global Headwinds

1. Interest rates

From its recent press release in December 2024, the US Federal Reserve declared a reduction in interest rate range by 0.25% to between 4.25% and 4.5%. Federal Reserve Chair Jerome Powell stated that additional cuts to borrowing costs depend on continued progress in reducing persistently high inflation. Meanwhile, the Bank of England maintained the interest rate at 4.75% in December 2024.

The ECB did proceed to lower interest rates to 3.4% in line with the ECB's aim to reach 2% inflation rate by 2025.

2. Inflation

As of November 2024, the EU inflation rate was 2.5%, (Euro area 2.2%), increasing from 2.3% in October 2024. This is the second consecutive month of rising inflation levels in the Eurozone, following a 29 month low of 1.7% in September. Inflation levels saw increases across Romania (5.4%), Belgium (4.8%) and Croatia (4.0%). The lowest rates of inflation were registered in Ireland (0.5%), Lithuania and Luxembourg (both 1.1%). The US inflation rate is up from 2.6% to 2.7%, and following suit, the UK saw levels increase from 2.3% in October to 2.6% in November..

3. Global politics

Political elections occurred in major global territories including the UK (General) which saw a Labour Government return to power. In the US, Donald Trump and the Republican Party regained power over the White House. Throughout the year elections have taken place in India (General), Russian (Presidential), Austrian (General) and South African (General). In Germany a vote of no confidence in chancellor Olaf Scholz will trigger elections for February 2025. Local elections were held in Ireland, whilst a general election occurred in November. The results of these elections 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. **Cash flow forecasting 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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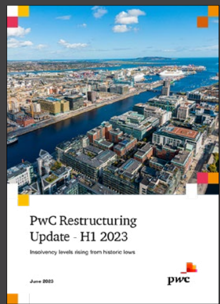

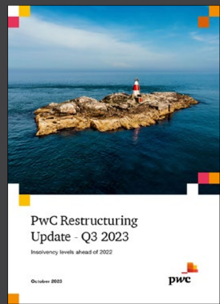

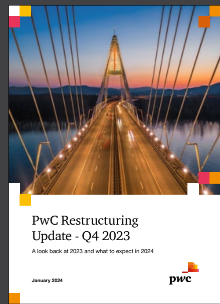

Appendix - Sources

- 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.