



KRUGER LOWVELD
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KRUGER LOWVELD CHAMBER OF BUSINESS AND TOURISM



AGM 22 April 2021



Agenda:

- What has COVID done?
- What is Financial Distress?
- How do we identify Financial Distress?
 - Timing
 - Sales strategy
 - Procurement strategy
 - HR strategy
 - Physical Infrastructure
 - Financial Position
- How do we deal with Financial Distress?
 - Financially Declining - Business Turnaround and Recovery
 - Financially Distressed - Business Rescue
 - Financially Terminal - Liquidation

Welcome:

- All honoured Guest!
- Thank you KLBCCT for the opportunity GJ Slabbert!
- Gideon Slabbert, Business Rescue and Turnaround Practitioner
- George Nell, Senior Business Rescue Practitioner and Attorney
- Singobile Shoba, Regional Manager and Productivity Practitioner.

What has COVID Done-BR?

3. Business Rescue Proceedings Started Per Province:

Table 3 indicate the volume of commenced business rescue proceedings for each of the nine provinces broken down into each CIPC financial year.

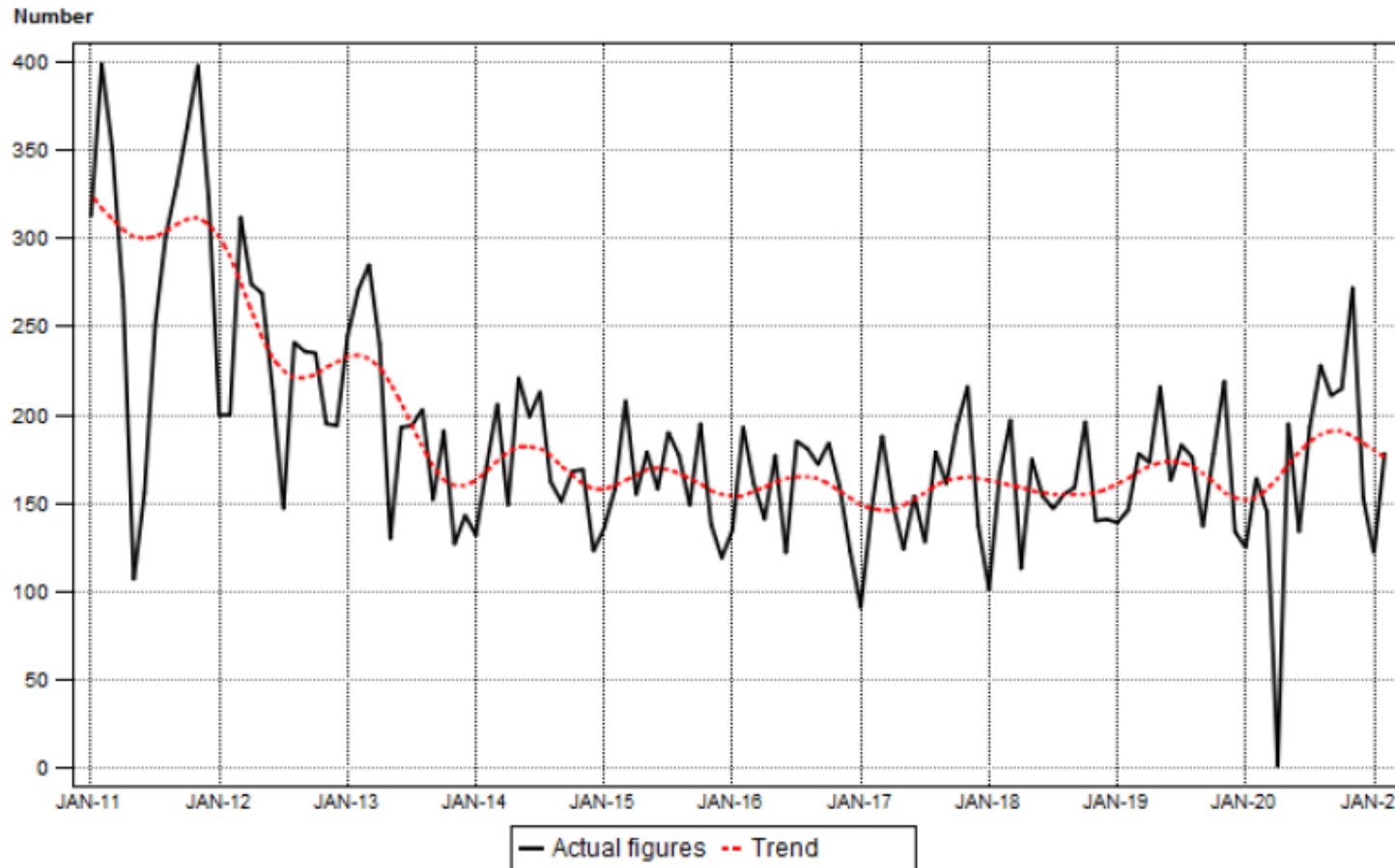
Table 3: Province Breakdown

	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	Grand Total
Province											
Eastern Cape	3	11	24	15	28	14	17	7	19	11	149
Free State	11	7	14	17	12	12	16	10	13	2	114
Gauteng	54	102	216	215	234	160	178	188	197	127	1671
Kwa-Zulu Natal	1	6	52	34	56	50	53	43	37	17	349
Limpopo	3	4	6	15	18	13	16	23	12	4	114
Mpumalanga	5	10	10	18	17	18	22	19	19	13	151
North West	3	9	24	21	18	23	6	11	8	2	125
Northern Cape	1	2		3	3	4	2	6		2	23
Unrecorded	258	256	14	4	19	21	8		9	23	612
Western Cape	44	33	49	71	76	60	44	42	59	32	510
Grand Total	383	440	409	413	481	375	362	349	373	233	3818

Source: CIPC-October 2020

What has COVID Done-Liquidation?

Figure 1 – Number of liquidations



Source: CIPC-October 2020

What has COVID Done-Motor Sales?

Figure 1 – Motor trade sales at current prices

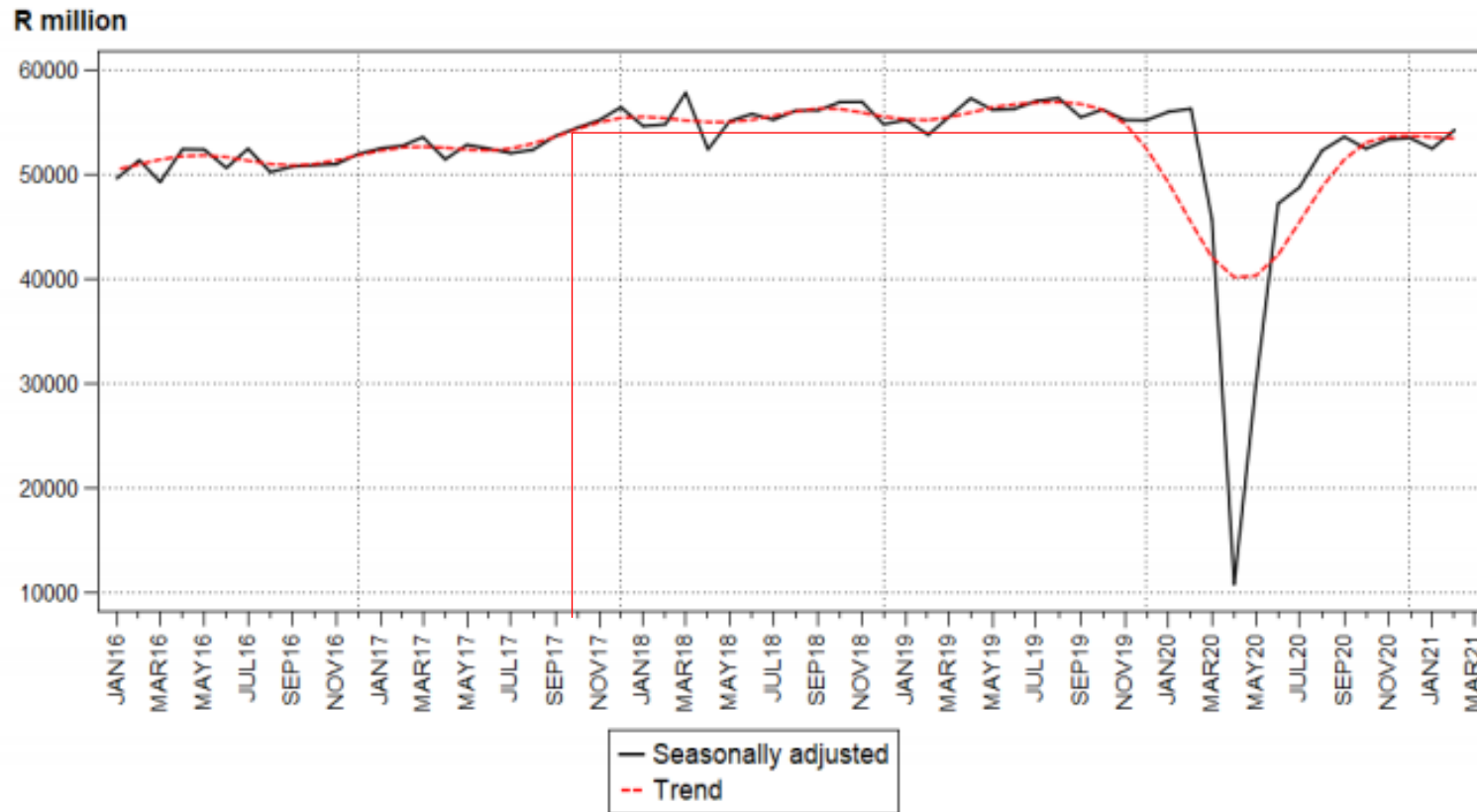
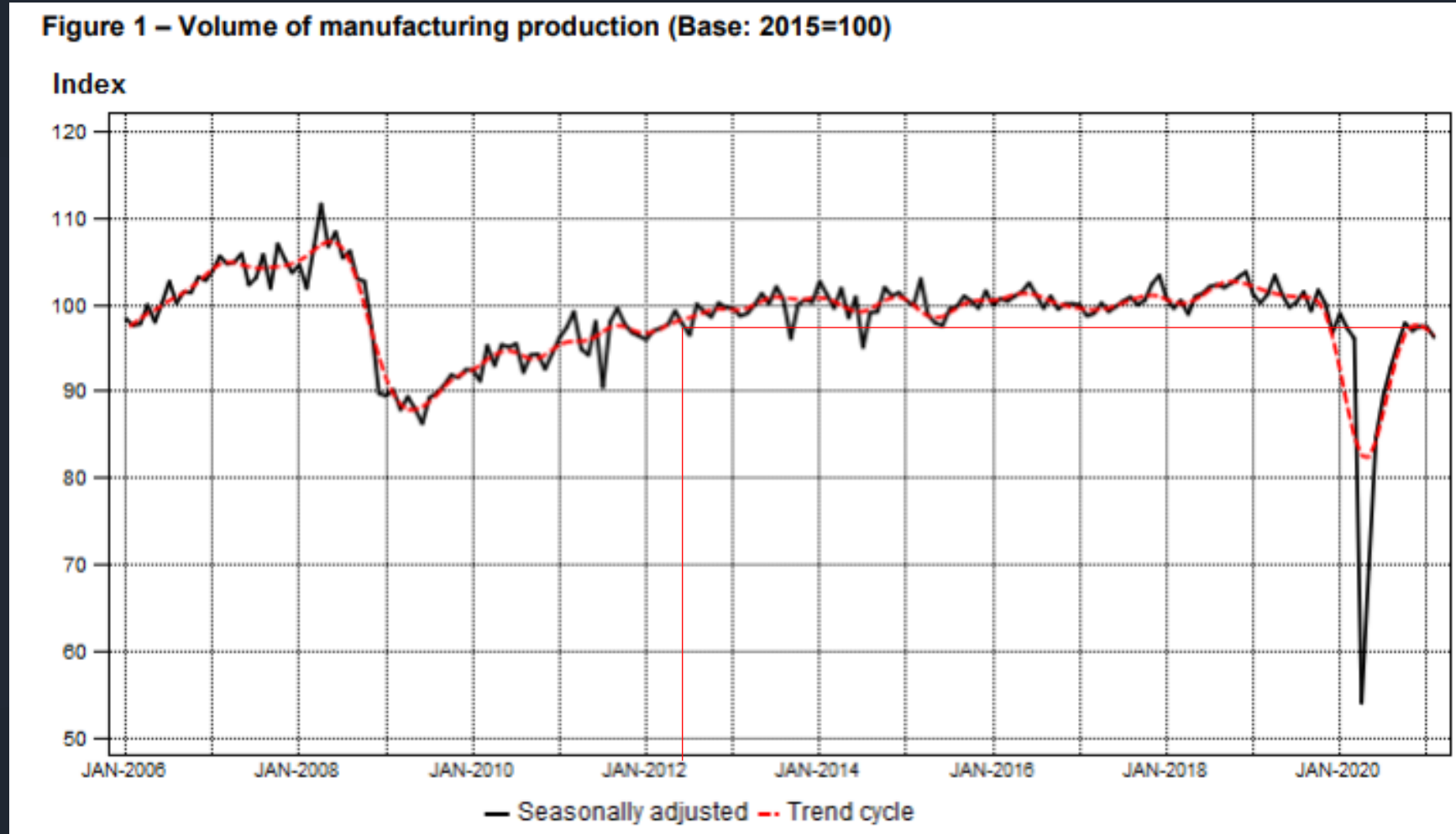


Figure 2 – Motor trade sales at current prices: year-on-year percentage change

Source: STATSA-February 2021

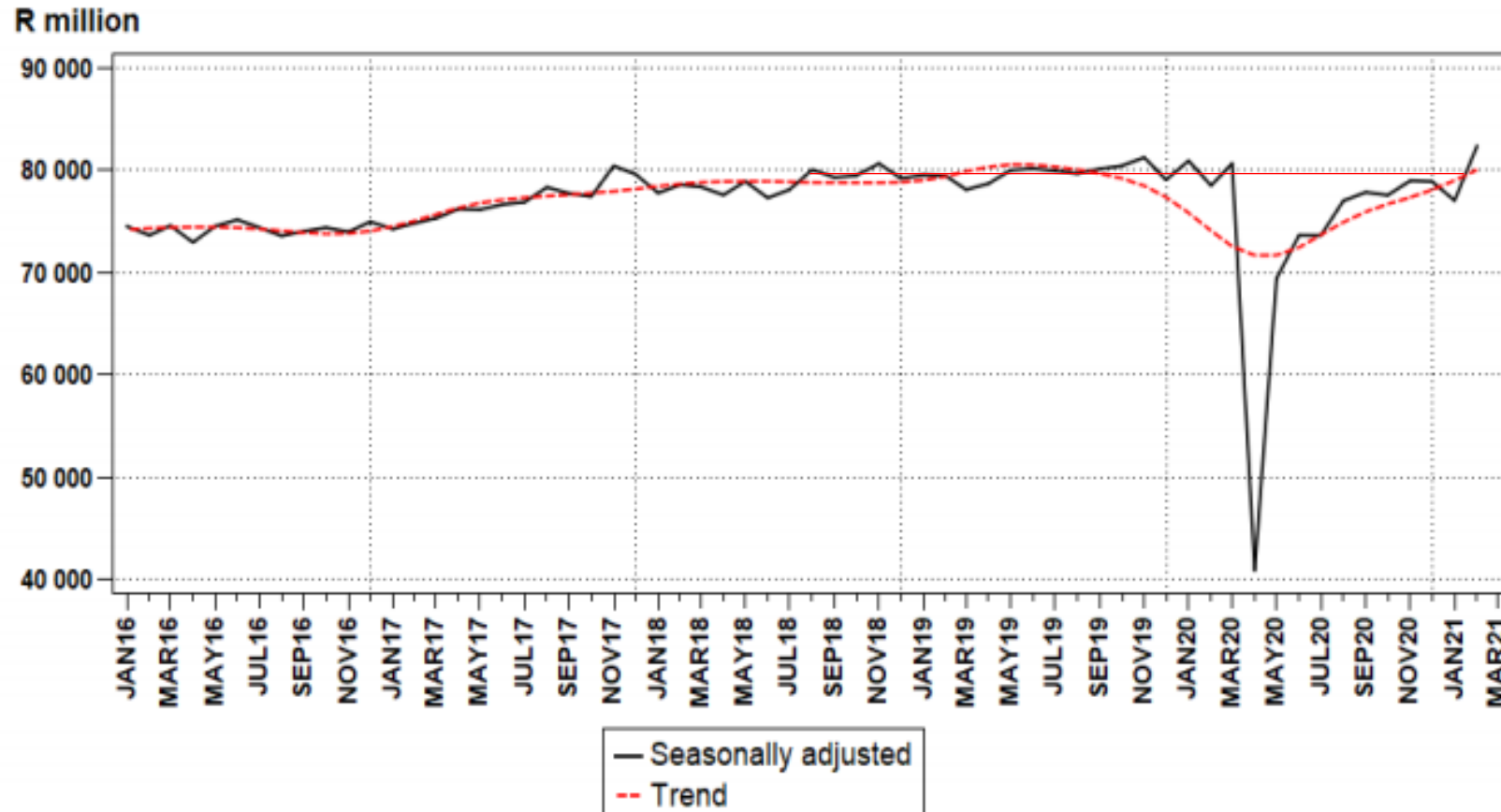
What has COVID Done-Manufacturing?



Source: STATSA-February 2021

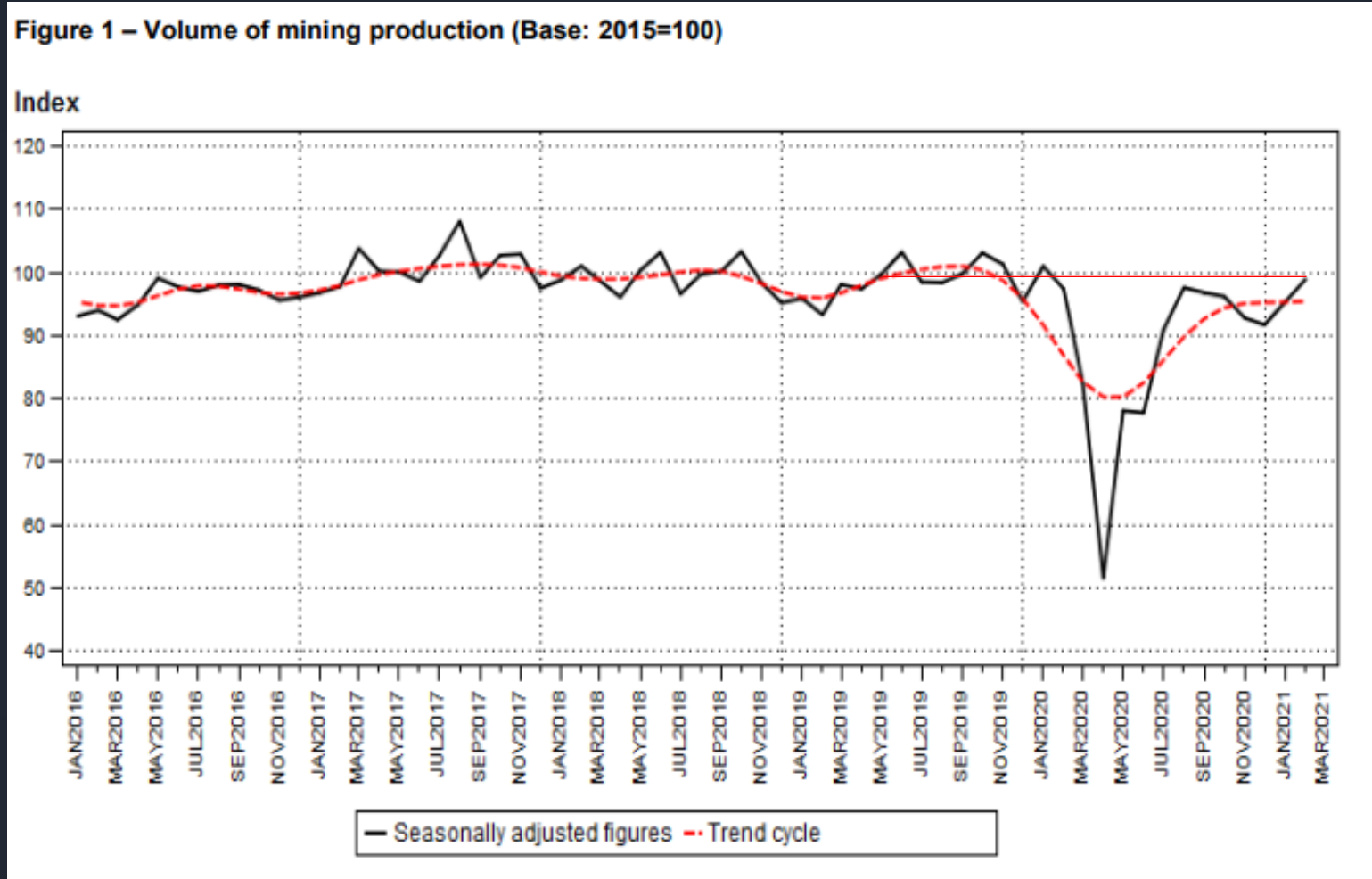
What has COVID Done-Retail?

Figure 1 – Retail trade sales at constant 2015 prices



Source: STATSA-February 2021

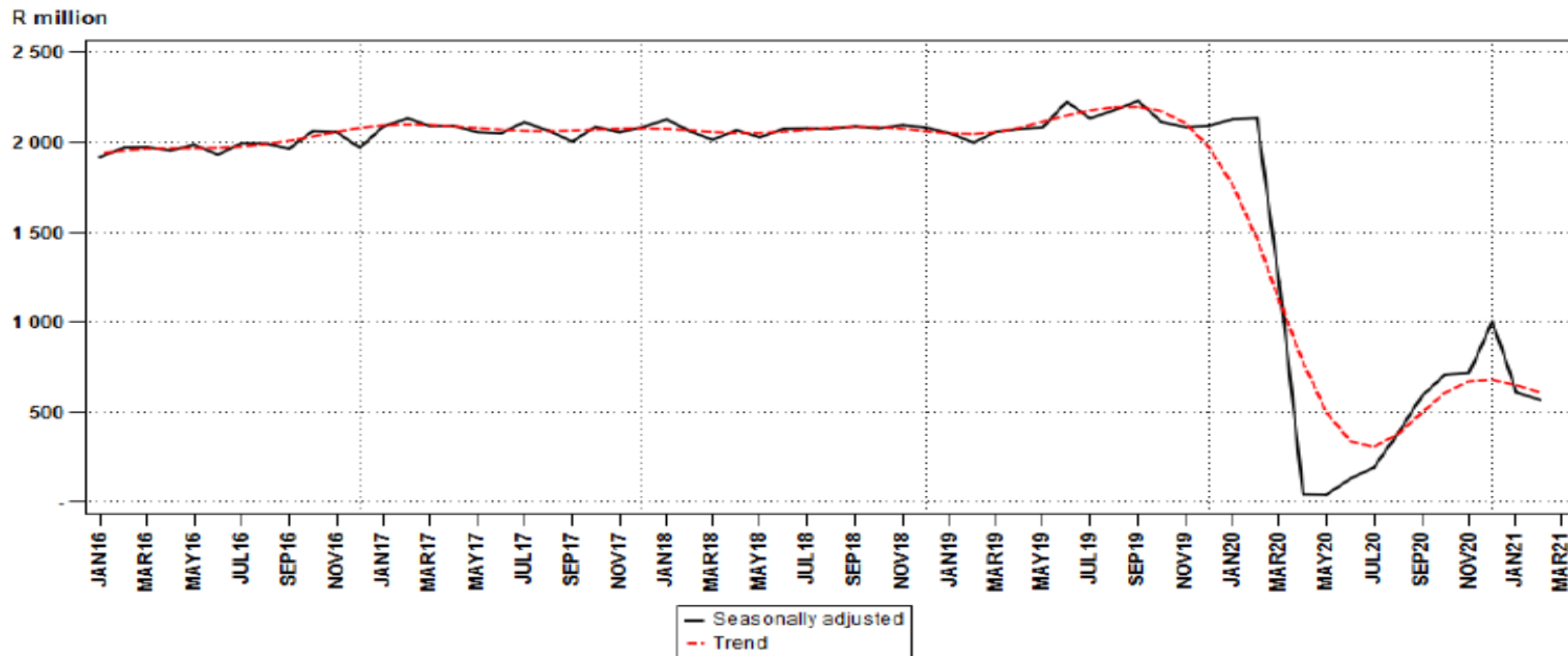
What has COVID Done-Mining?



Source: STATSA-February 2021

What has COVID Done-Tourism?

Figure 2 – Income from accommodation at current prices



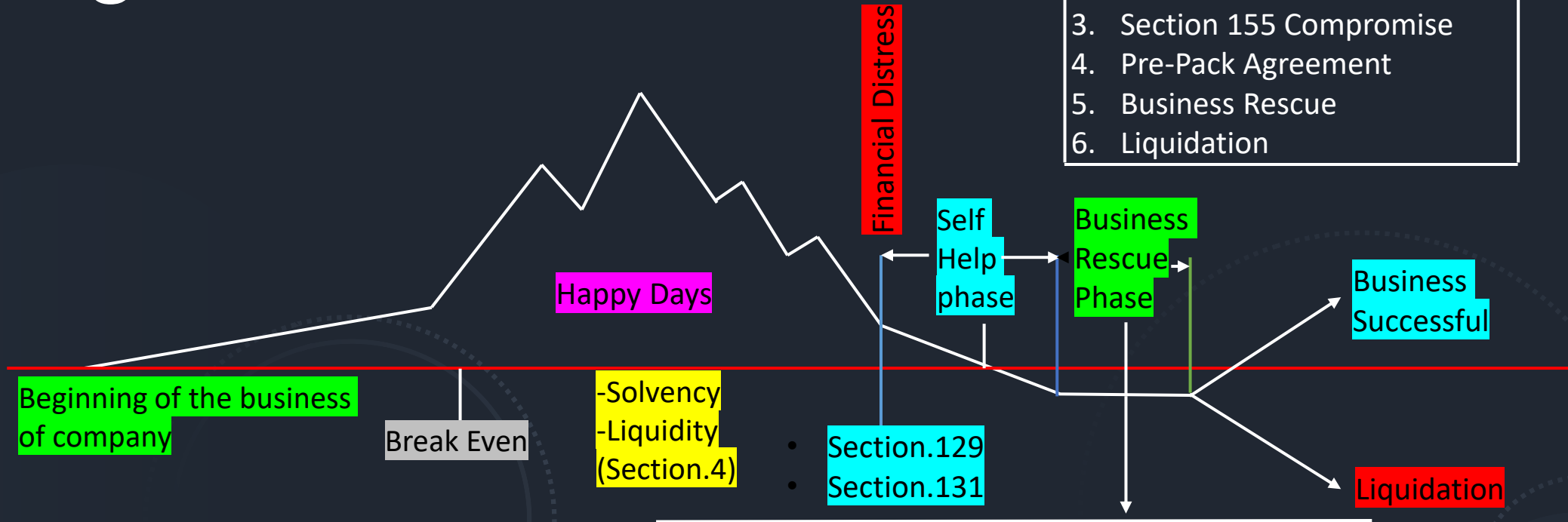
Source: STATSA-March 2021

Financial distress, Is there any?

- Inflation increased, exchange rate increased but sales decreased?
 - How are we funding the shortfall
 - Increased external finance;
 - Director/Shareholder loans to the company;
 - Retrench employees;
 - Reduced profits-financial breakeven.

Timing of financial distress?

1. Arrangements with creditors
2. Multi Creditor Workout
3. Section 155 Compromise
4. Pre-Pack Agreement
5. Business Rescue
6. Liquidation



How do we identify financial distress?

- **SALES STRATEGY:**
 - Declining sales;
 - Few customer ensuring majority of Revenue;
 - Late deliveries.
- **PROCUREMENT:**
 - Firefighting Suppliers;
 - Non-Payment of SARS (VAT & PAYE), Workman's Compensation, Pension Fund;
 - Supplier trade account suspensions.
- **HUMAN RESOURCES:**
 - Excessive salary/wage bill;
 - Low staff morale;
 - Partial or no salary payments.
- **PHYSICAL INFRASTRUCTURE:**
 - Ageing assets;
 - Increased repair cost.
- **FINANCIAL:**
 - Management accounts not live;
 - Cashflow Shortages;
 - Incorrectly stated value of assets and loan accounts.

How do we deal with financial distress?

- **SELF-HELP**

- Directors and Shareholders invest personal funds(Beware).

- **INFORMAL BUSINESS TURNAROUND**

- Productivity SA BT&R Program(Efficiency and Management Upskilling).

- **BUSINESS RESCUE**

- Official moratorium and protection of company to facilitate formal restructuring;
- Stops firefighting, Focusses available cash income generation activities, restructures debt obligations.
- Protects employment opportunities.

- **LIQUIDATION**

- No prospect of saving the company.

BUSINESS TURNAROUND AND RECOVERY (BT&R)

PRESENTED BY: SINOBOLE SHOBA (PRODUCTIVITY
PRACTITIONER)

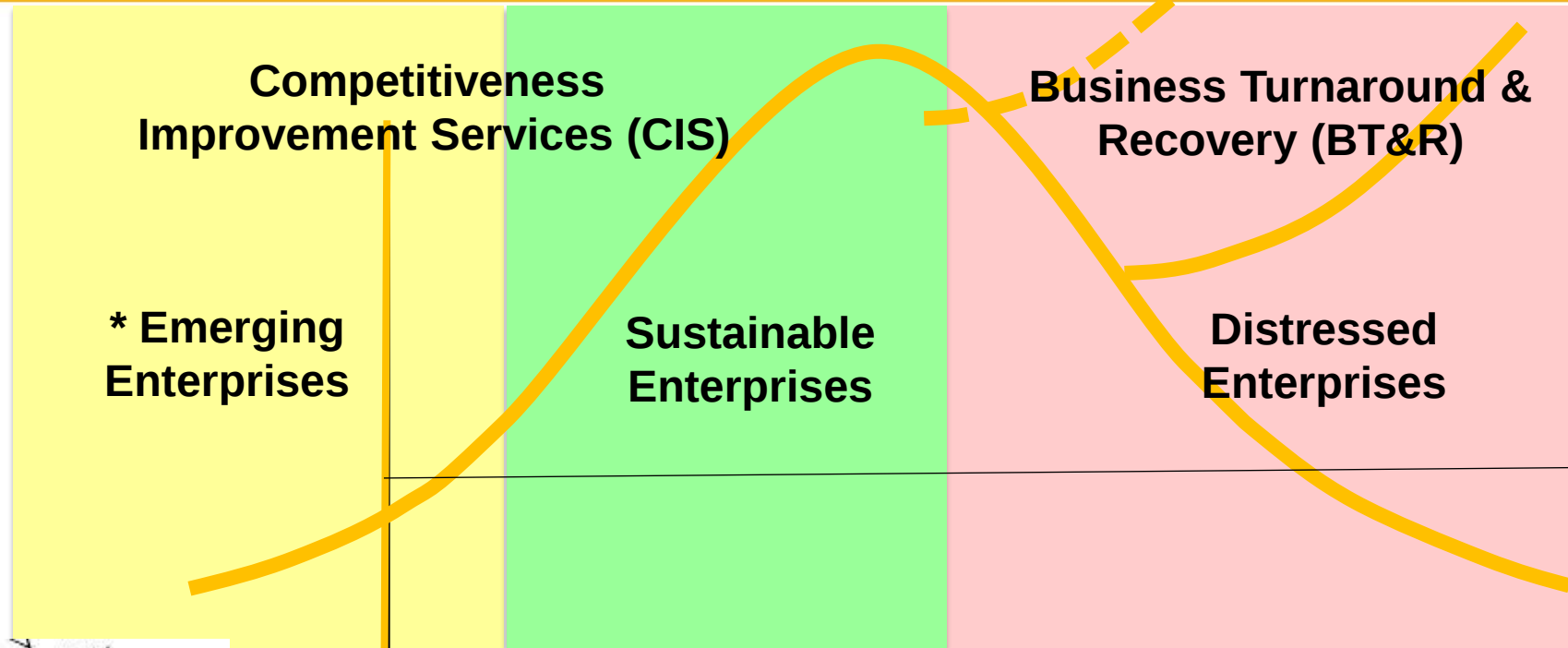


WHAT DOES (BT & R) DO??

Business Turnaround and Recovery provides support to enterprises facing economic distress and initiatives or schemes aimed at minimising the retrenchment of employees or preventing job losses, as per S7 and S32(g) of employment services Act and S5(d) of the Unemployment insurance Act. The scheme may provide for turnaround strategies, lay-offs, retraining or alternative opportunities.



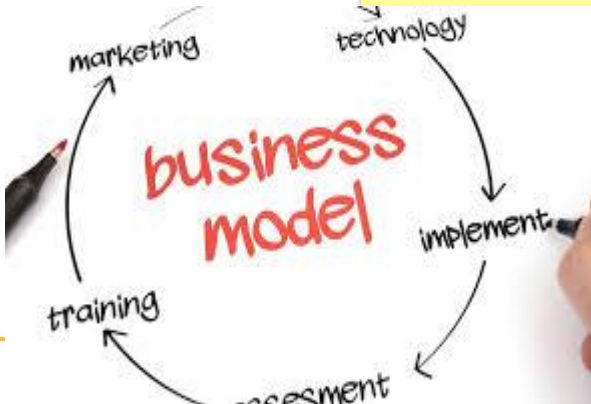
THE REGION 3 BUSINESS MODEL AT A GLANCE



REGION 3
KwaZulu Natal, Eastern
Cape, Mpumalanga

Office: eThekweni/Durban

- Suite 201, Cowey Park
- 91-123 Cowey Road
- Essenwood
- Tel: 031 268 9770



What practitioners face within 10 days?

- Suspend all agreements and payment obligations;
- Identify, notify and meet with the business critical affecting parties;
- Meet with Employees;
- Evaluate the business feasibility within the first 10 days;
- Negotiate with threatening creditors;
- Negotiate with financial institutions;
- Post-Commencement Financing/Bridge capital;
- Guide and coach the Executive Management
- Restructure the affairs in a financially viable manner.

Executive Thoughts!

- Cannot pay debt immediate or ensuing 6 months=Financially distressed!
- Assets must be considered at market value/fire-sale value, not book value!
- Debtors over 60 days should be alarming!
- Creditors not paid per invoice terms or partial payments should be alarming!
- What security have you offered in the business?
 - Cession of debtors
 - Pledge
 - Notarial Bonds
 - Guarantee
 - Business or Personal Surety or Both
- Do you have live financial statements?
- Rule of 4 thumbs-Debtors, Creditors, Orders, Cash!

Thank you for the opportunity!



Gideon Slabbert
Business Rescue Practitioner
Cell: +27 82 699 4774
Email: gideon@turnaroundrescue.co.za
Web: www.turnaroundrescue.co.za



George Nell
Senior Business Rescue Practitioner
Cell: +27 82 772 9290
Email: george@corporatebusinessrescue.co.za
Web: www.corporatebusinessrescue.co.za