


AVOIDING INSOLVENCY IN FAMILY BUSINESSES



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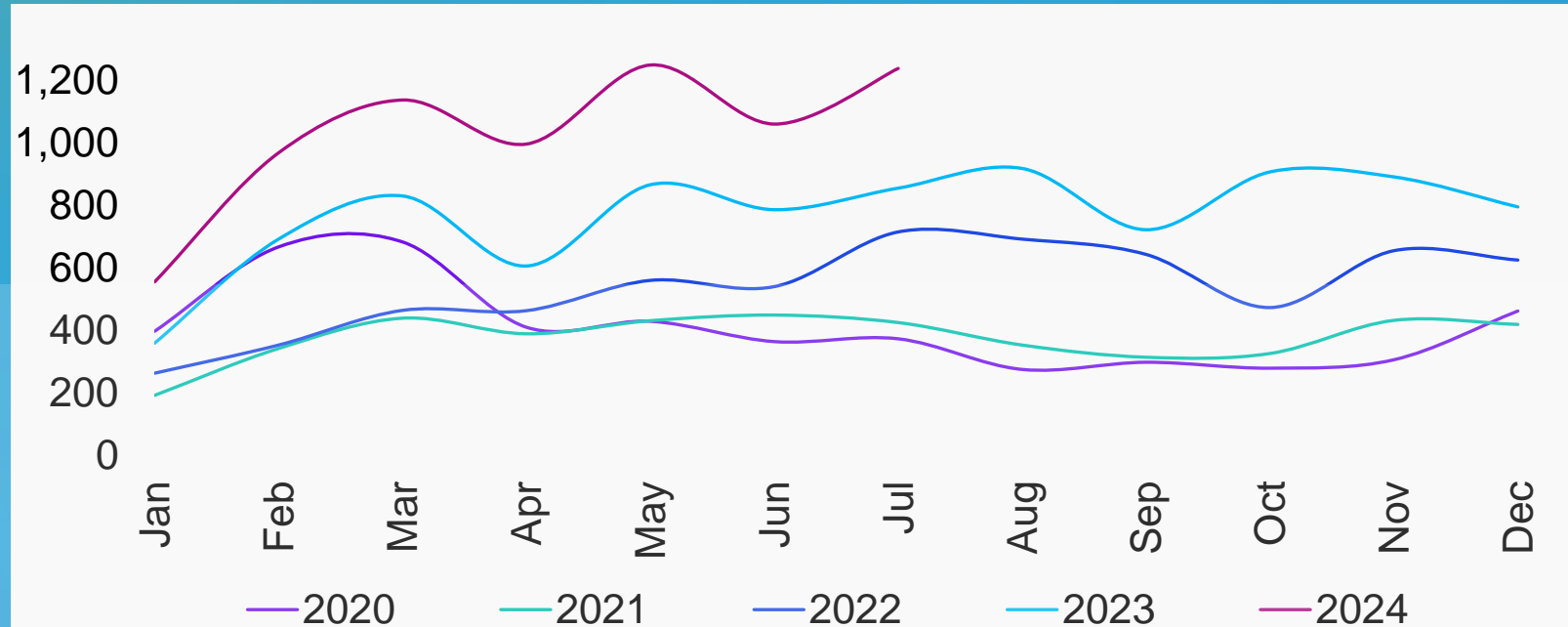


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Economic distress indicators: Where are we now?

Insolvency appointments at >50% above pre-COVID levels

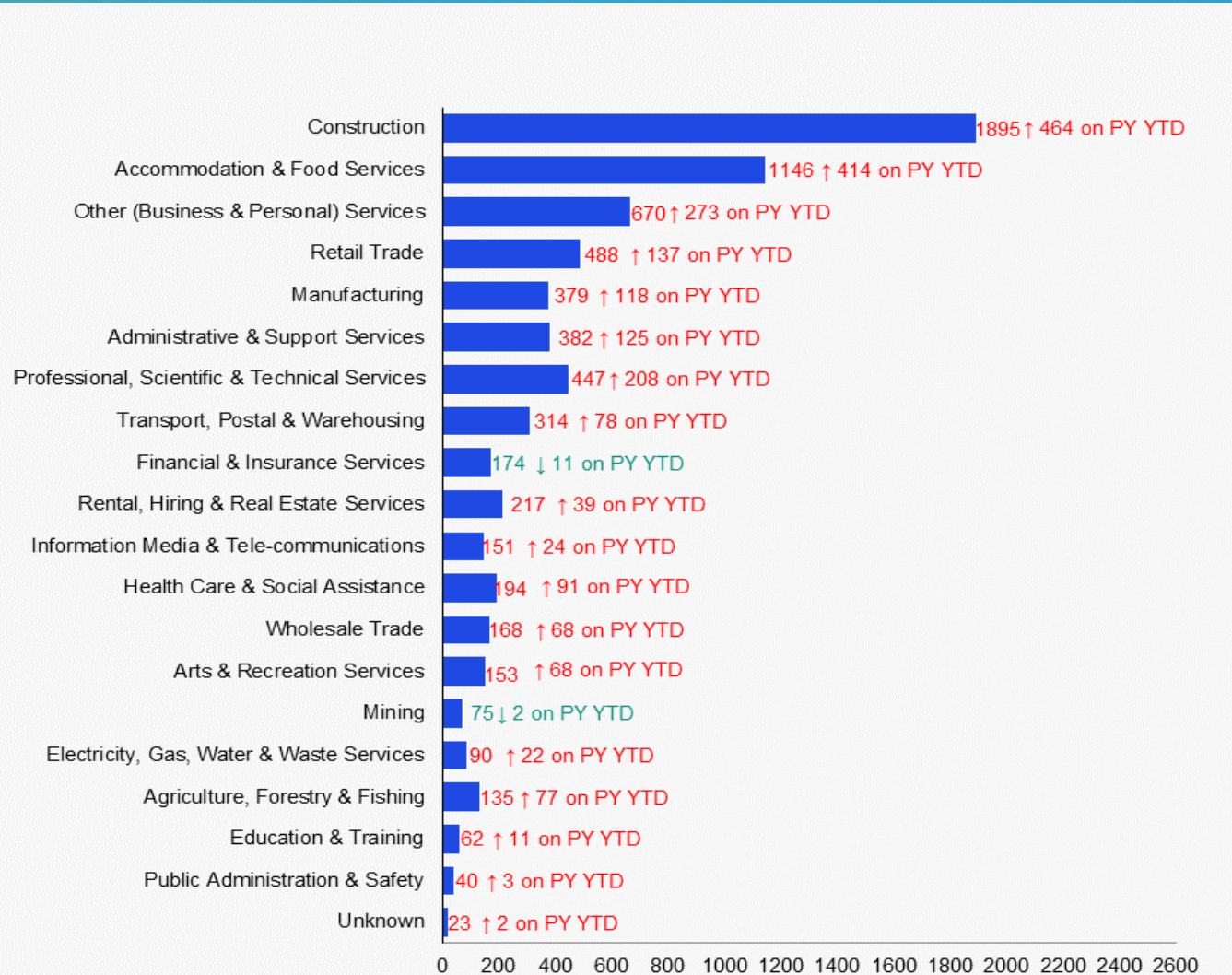


Insolvency appointments in July 2024 were down on the record-high in May 2024 but remain **more than 50% above pre-COVID levels** (Dec-19).

Construction and Accommodation and Food Services continue to be the industries under most stress.

However, ASIC's annual insolvency update for FY24 indicated the ratio of companies entering external administration compared to the number registered (0.33%) **was still below 2012-13 GFC levels (0.53%)**.

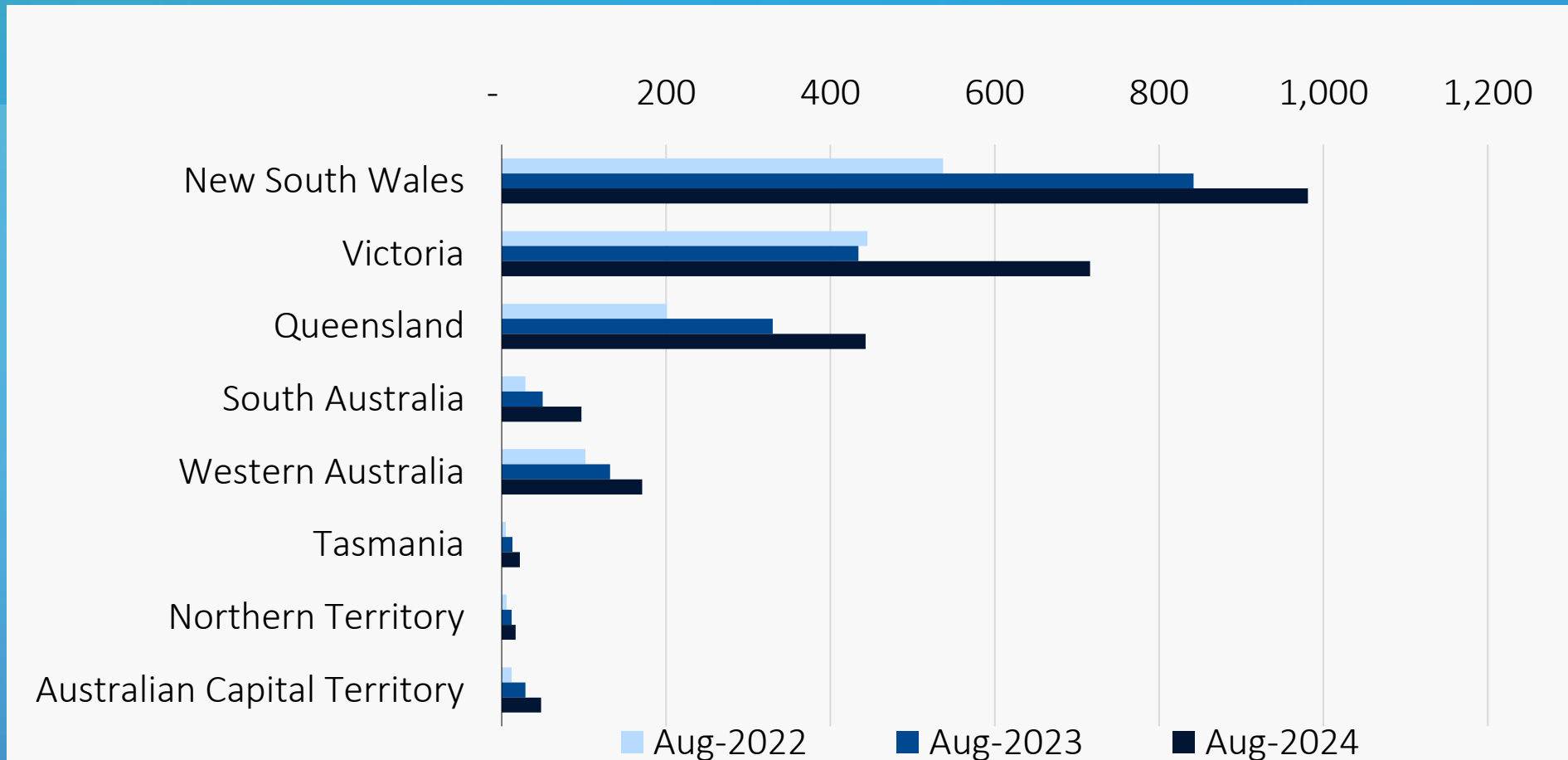
Insolvency appointments by industry type (YTD July-24)



PY YTD: Prior Year – Year to Date

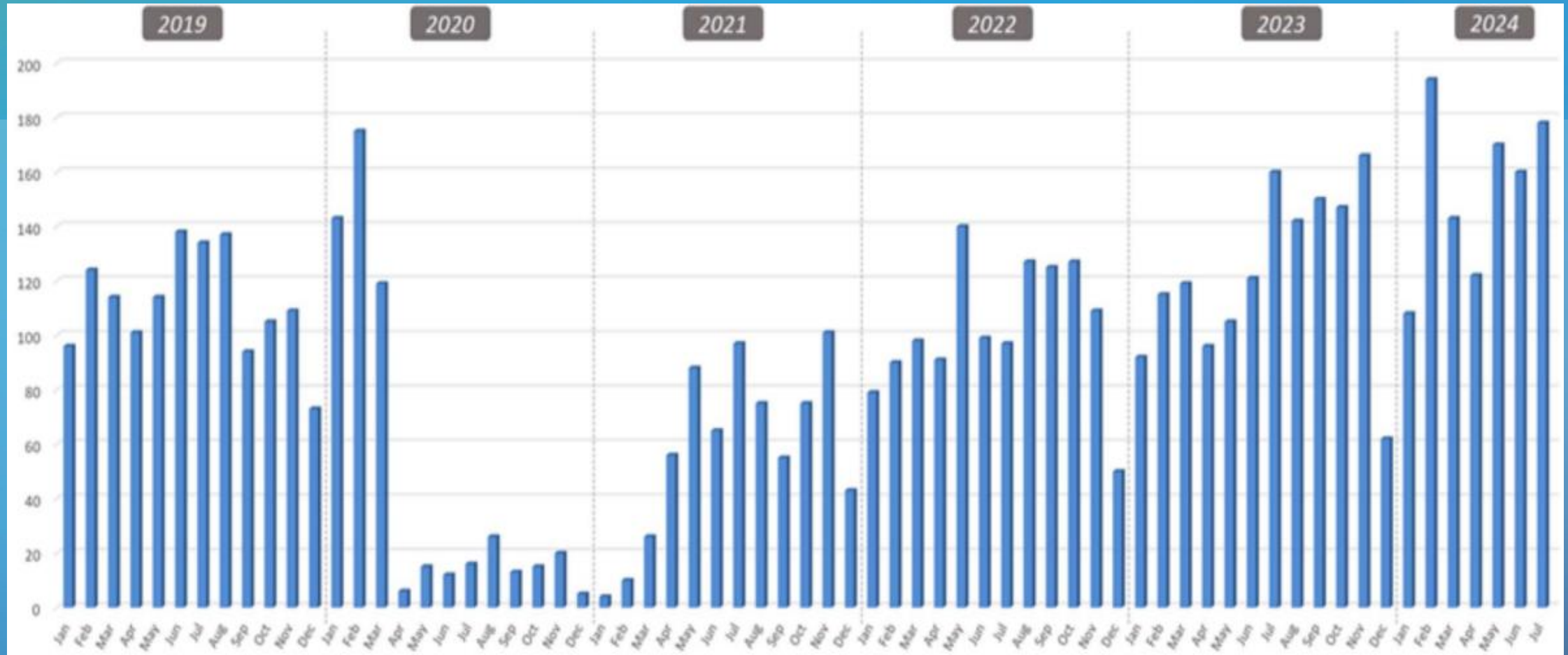
Source: ASIC Insolvency Statistics, ALARES

Insolvency appointments by principal place of business (FY YTD)

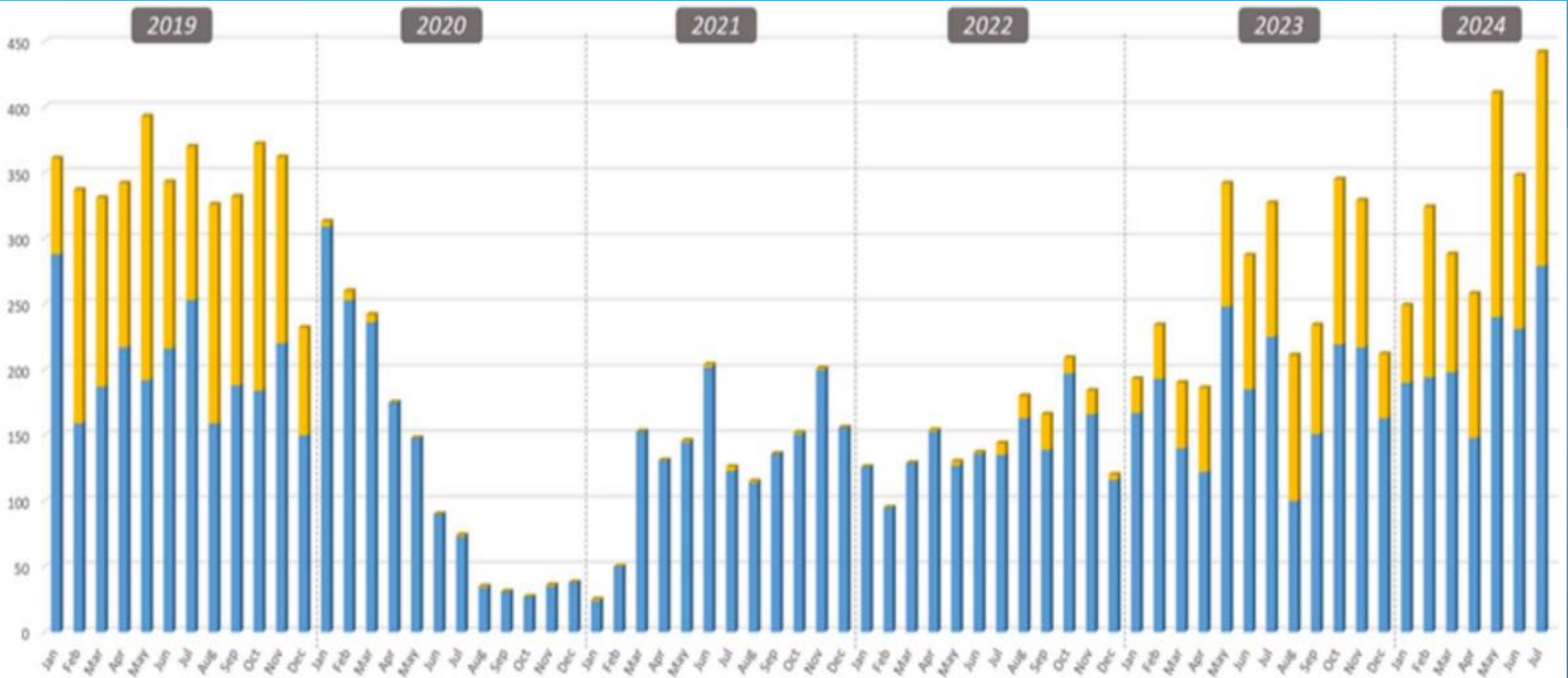


Source: ASIC Insolvency Statistics

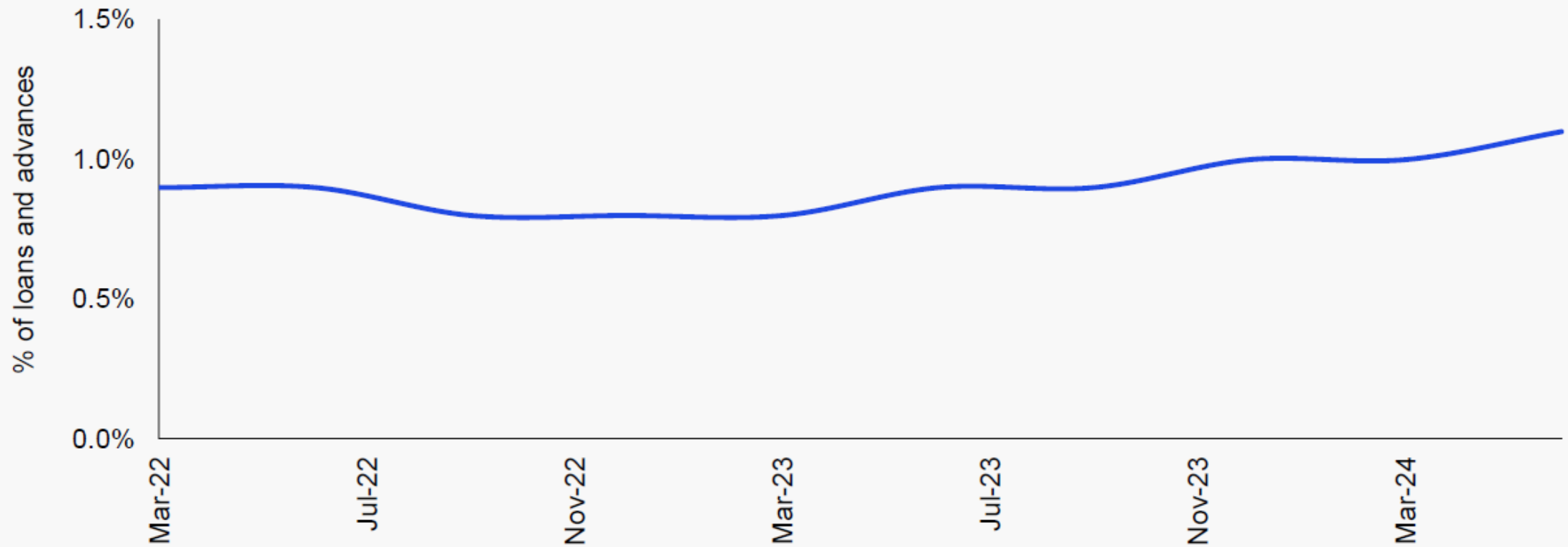
Court actions by the 'Big 4' banks



Winding up applications – initiated by ATO v non-ATO

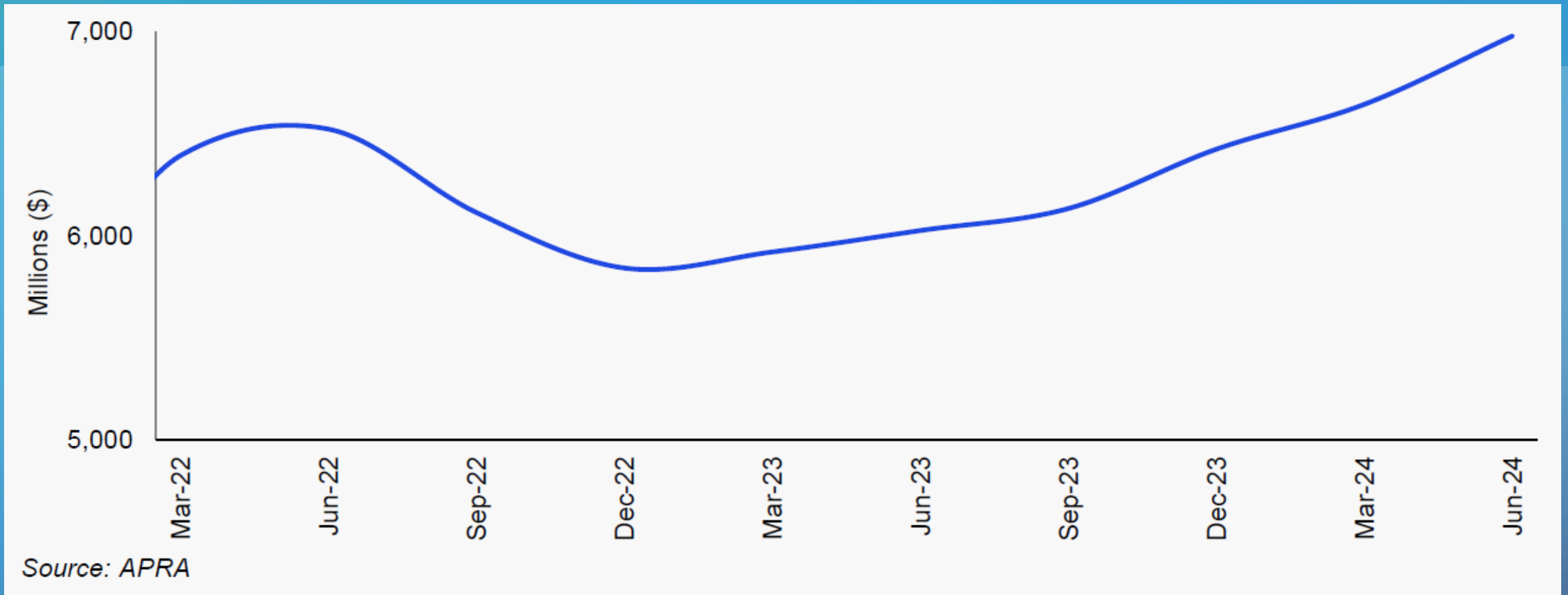


Non-performing loans (quarterly)



Source: APRA

ADI – specific provisions (quarterly)





ATO 2024-25 Corporate Action Plan



Key focus on “strengthening debt collection”



Increased focus on business debt including SGC, PAYG withholding and GST



Commitment to “digital blueprint” for SME tax reporting which will see instantaneous and digital tax reporting



“

We will take decisive and swift action with those clients who make the choice not to engage and who purposefully avoid payment obligations ...”

ATO 2024/25 Corporate Plan



ASBFEO Quarterly Report: Growing concerns for family enterprise



50% increase in requests for help from distressed business owners who are fearful that another business who owes them money has become insolvent or who are worried about their own ability to meet their financial commitments

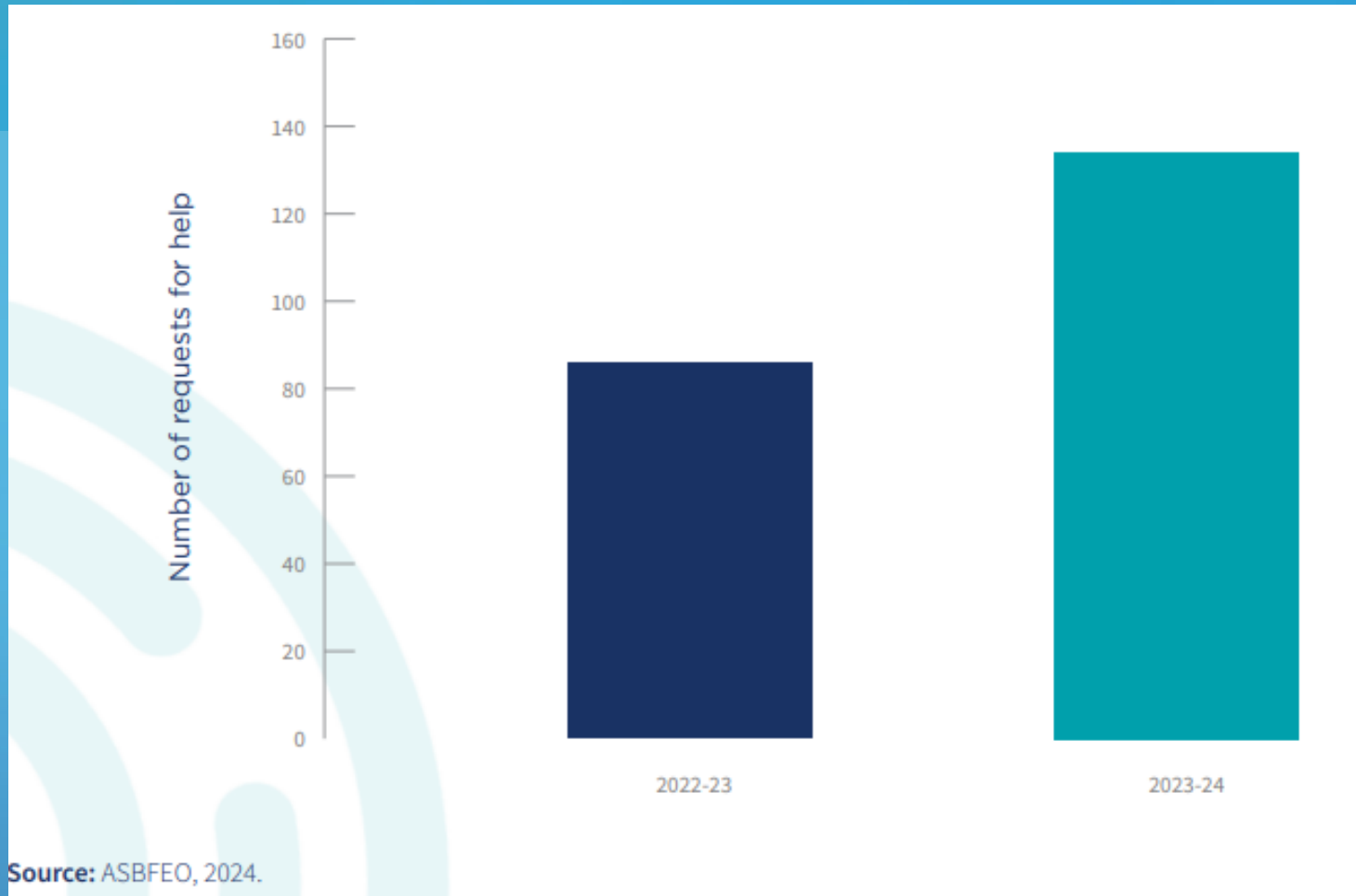


Payment disputes greatest areas of concern, accounting for 42% of assistance cases. Construction industry with highest number of payment disputes, while payment disputes in hospitality industry tripled in last 12 months



25% of SME businesses have no cash reserves, while 18% have < 1 month's cash reserves

ASBFEO requests for assistance with insolvency





“

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ATO 2024/25 Corporate Plan

KEY TAKEAWAY ...



Early engagement is key to successful outcomes



ILLUMINATING PRINCIPLES: CASE STUDY

Civil contracting business

3rd generation family owned

- Rapid operational growth in last 24 months
- Problematic commercial terms on key revenue generating project, caused primarily by supply chain issues
- Bank showing signs of concern, with facilities reaching term



Challenges with
banking
relationship

Renegotiation of
contractual terms and
supply chain issues

Debtor management
and finance function
capabilities



QUESTIONS?