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Africa Round Table

Gaborone, Botswana
7-8 November 2024

Welcome and Introduction to the Africa Round Table initiative



- **Will Paterson, INSOL Fellow, World Bank Group**
- **Adam Harris, INSOL International Past President, Bowmans, Republic of South Africa**

Organising Committee



- **Adam Harris – Co Chair, Bowmans Law, Republic of South Africa**
- **Antonia Menezes – Co Chair, INSOL Fellow, World Bank Group**
- **Jeffrey Bookbinder, Bookbinder Business Law, Botswana**
- **Chipso Gaobatwe, INSOL Fellow, Gaobatwe Law, Botswana**
- **Ayodele Kusamotu, INSOL Fellow, Kusamotu & Kusamotu, Nigeria**
- **Jo Mitchell-Marais, INSOL Fellow, Deloitte, Republic of South Africa**
- **Judy Muigai, DLA Piper Africa, Kenya**
- **Will Paterson, INSOL Fellow, World Bank Group**
- **Butler Phirie, DPS Consultancy, Botswana**

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Breakfast Sponsor:



Coffee Break Sponsors:



Housekeeping



- **Reminder of lunch and coffee break timings**
- **Mobile phones to silent please**
- **Wi-Fi Network: WIFI@AVANI**
- **INSOL Events App:**
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(Search: INSOL International Events App)
- **Chatham House Rules**

Keynote Address



Maurice Conti – Artificial Intelligence

Peer to Peer Discussion



- **René Bekker, SARIPA, Republic of South Africa**
- **Chipo Gaobatwe, INSOL Fellow, Gaobatwe Law, Botswana**
- **Richard Kayibanda, Rwanda Development Board, Rwanda**
- **Audrey Naa Dei Kotey, AudreyGrey Unlimited, Ghana**
- **Judy Mugo, Business Registration Service, Kenya**

Networking Coffee Break



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BUSINESS LAW

Macroeconomic Challenges for Corporate Distress



- **Chair: Liang Wang, World Bank Group, Botswana**
- **Ubong Awah, International Finance Corporation, Ghana**
- **Dr Keith Jefferis, Econconsult Botswana (Pty) Ltd, Botswana**
- **Celia Van Niekerk, Development Bank of Southern Africa, Republic of South Africa**



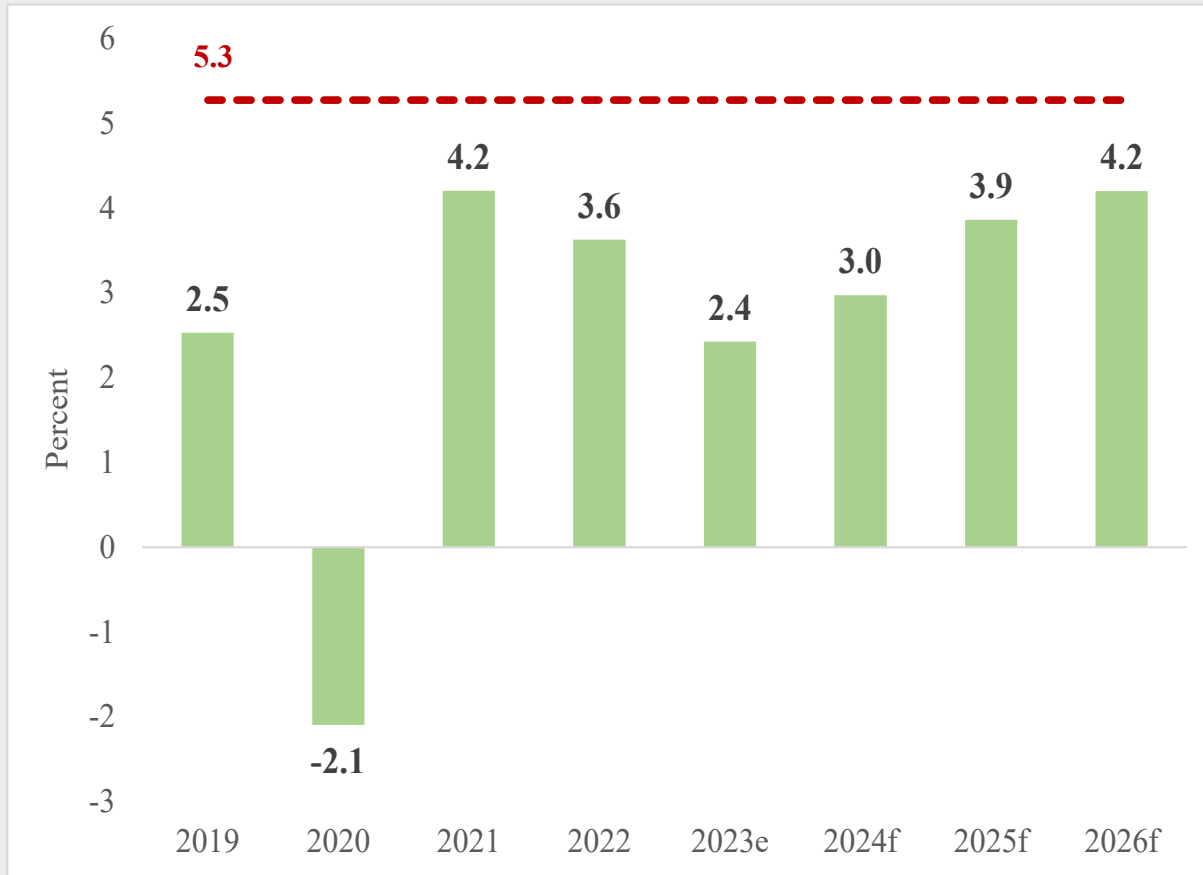
OCTOBER 2024 | VOLUME 30

AFRICA'S PULSE

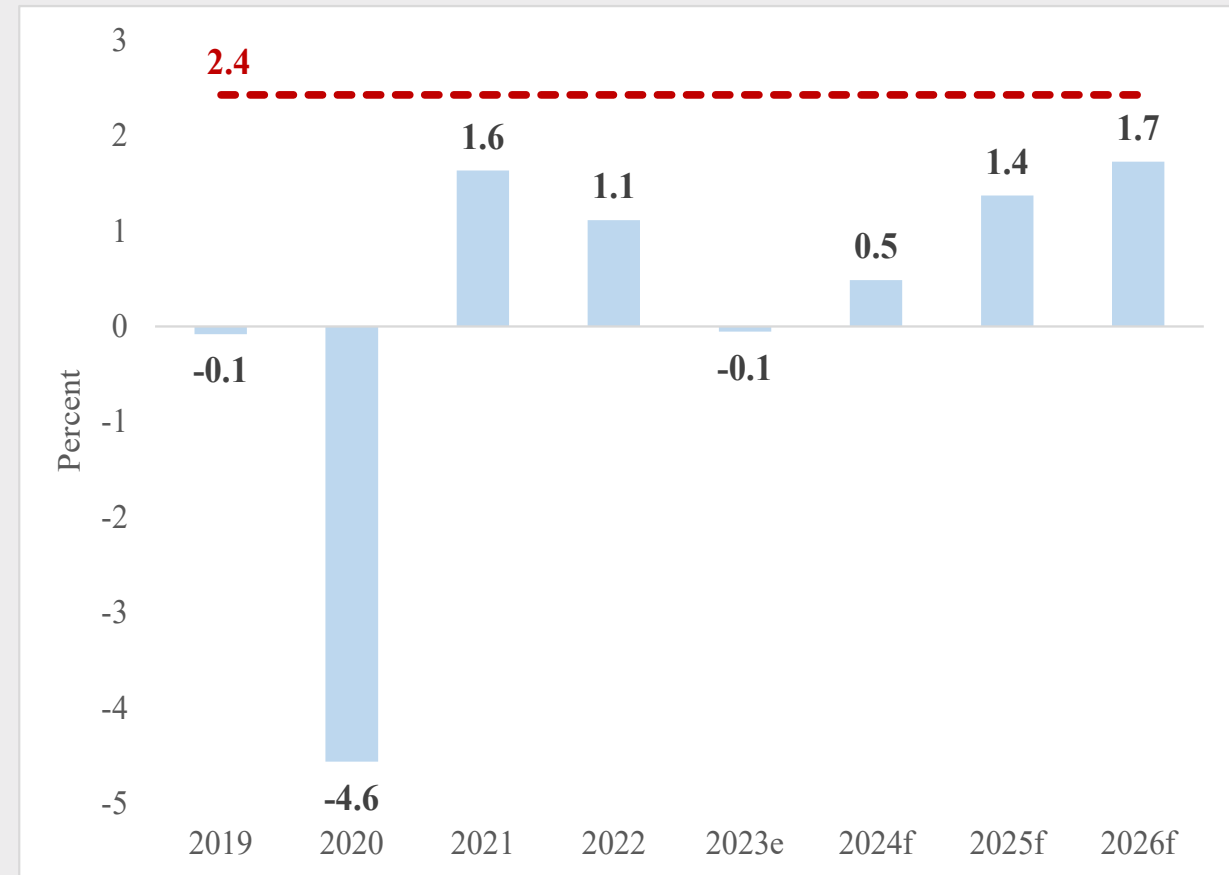
AN ANALYSIS OF ISSUES SHAPING AFRICA'S ECONOMIC FUTURE

SPEED OF RECOVERY REMAINS SLOW

GDP Growth



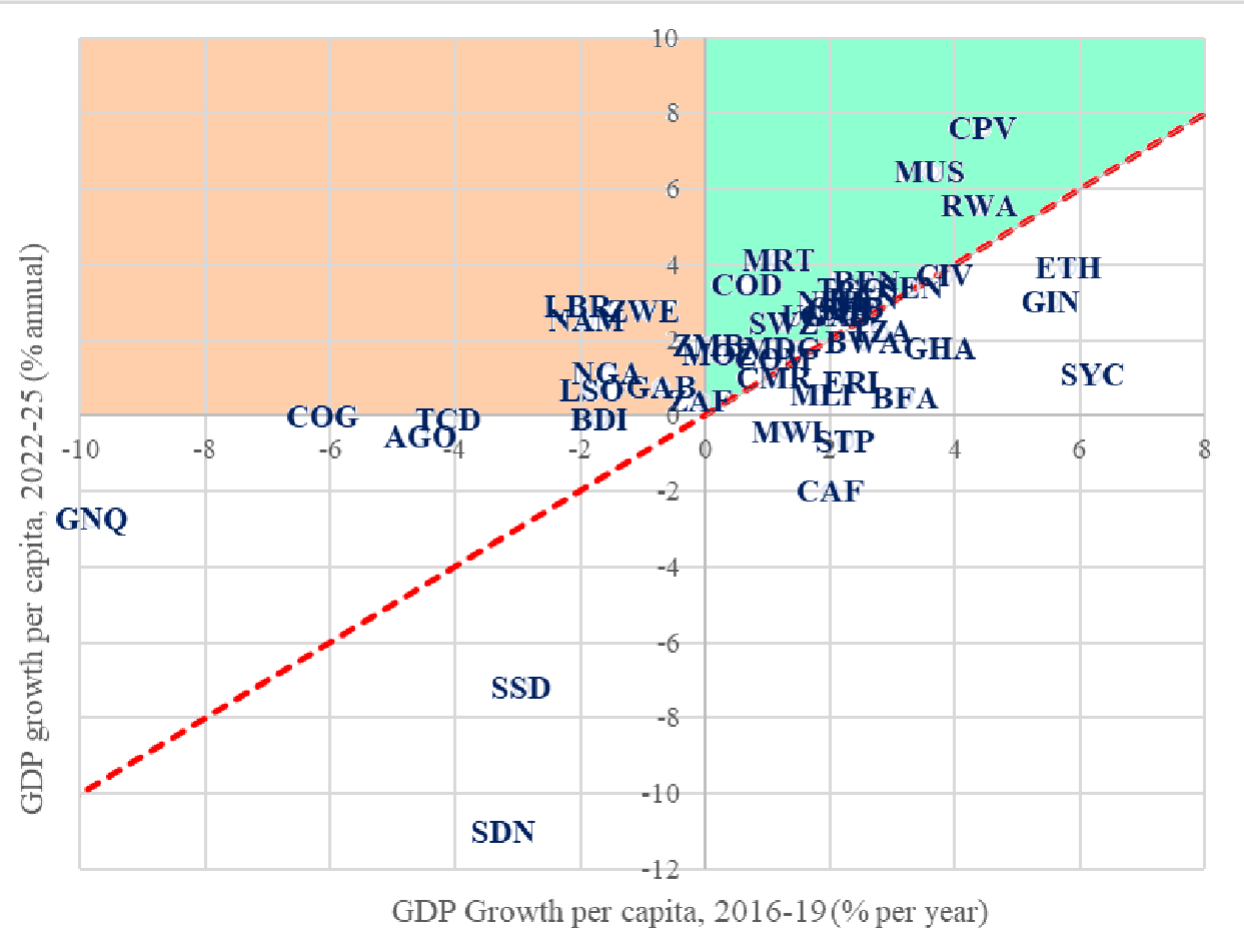
Growth in GDP per capita



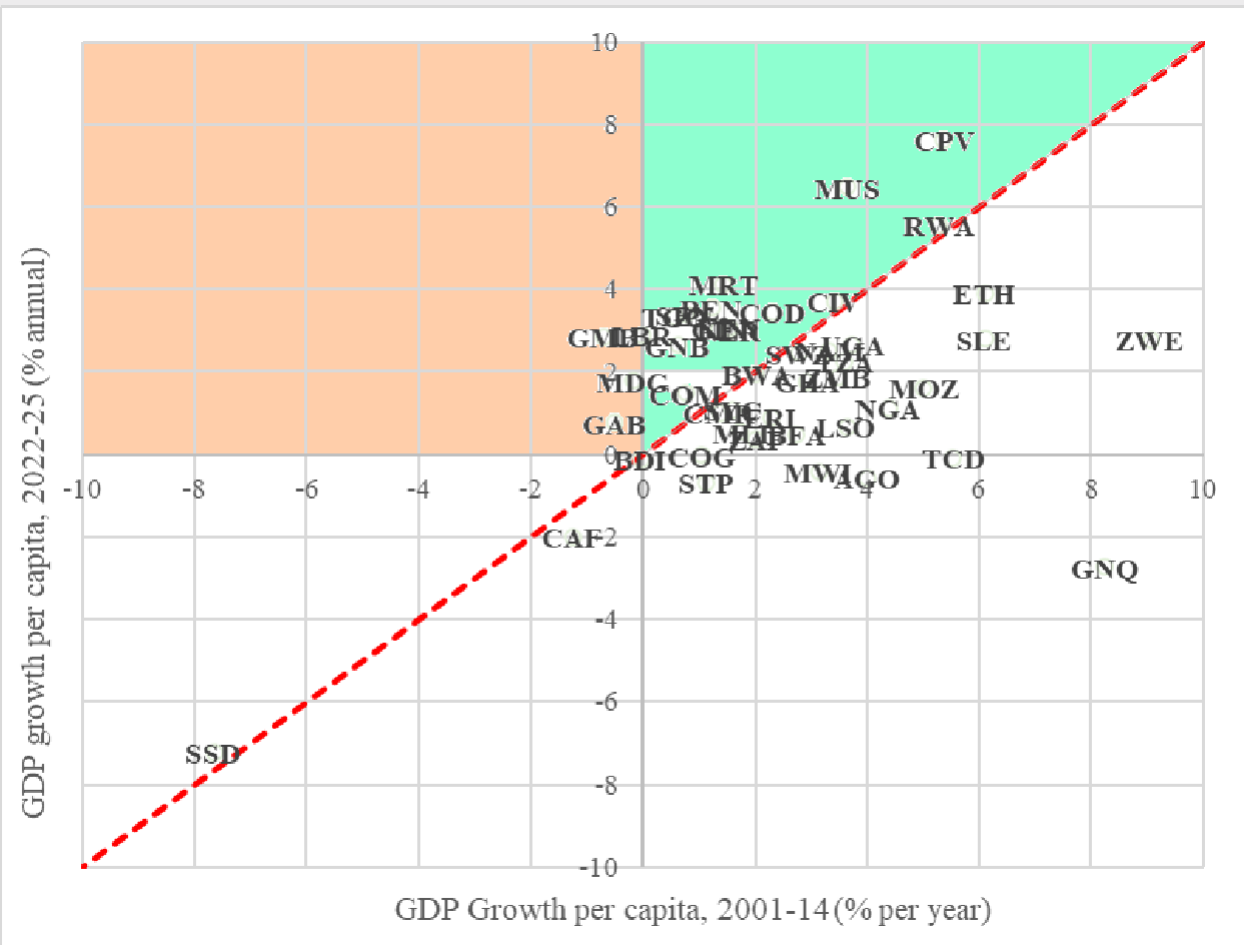
Source: World Bank staff estimates. Note: The red dotted line represents the annual average growth in 2000-14 (last period of high growth in the region) for both GDP (5.3 percent) and GDP per capita (2.4 percent).

ECONOMIC POWERHOUSES CONTINUE TO UNDERPERFORM

2022-25 vs. 2016-19 (Pre-Pandemic)



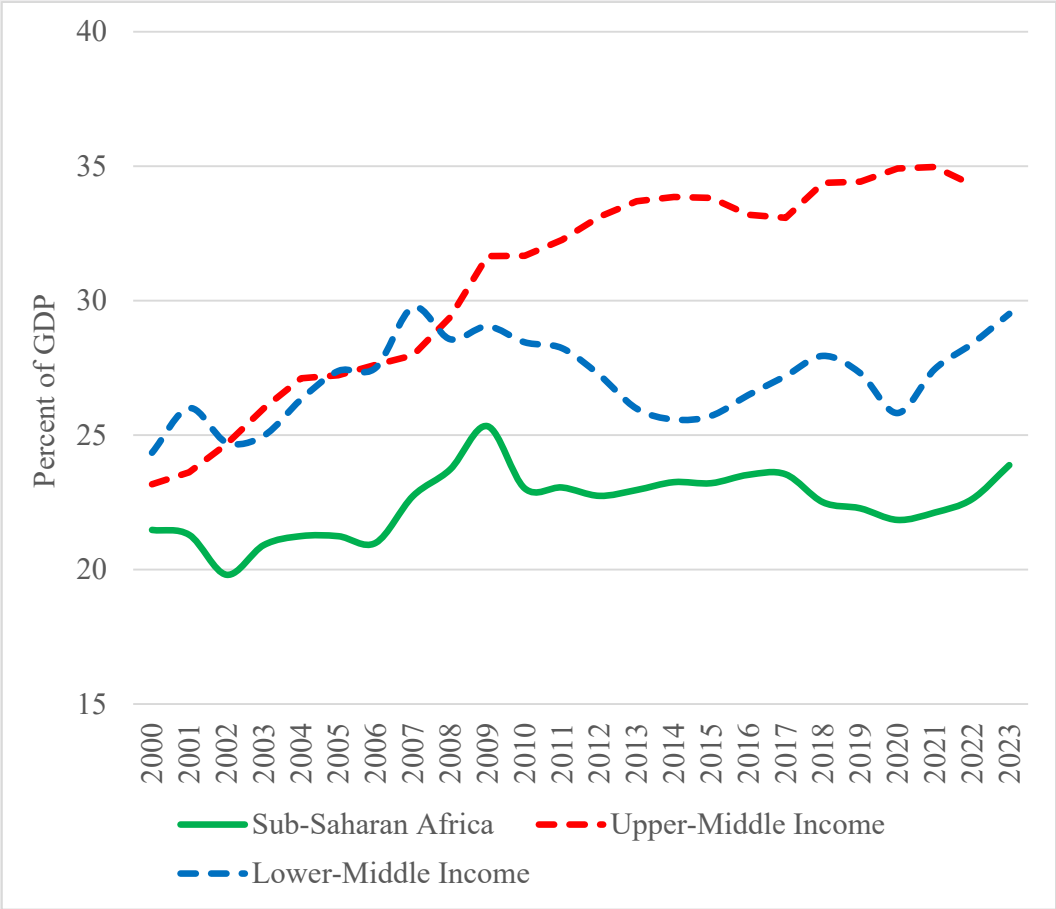
2022-25 vs. 2001-14 (High growth)



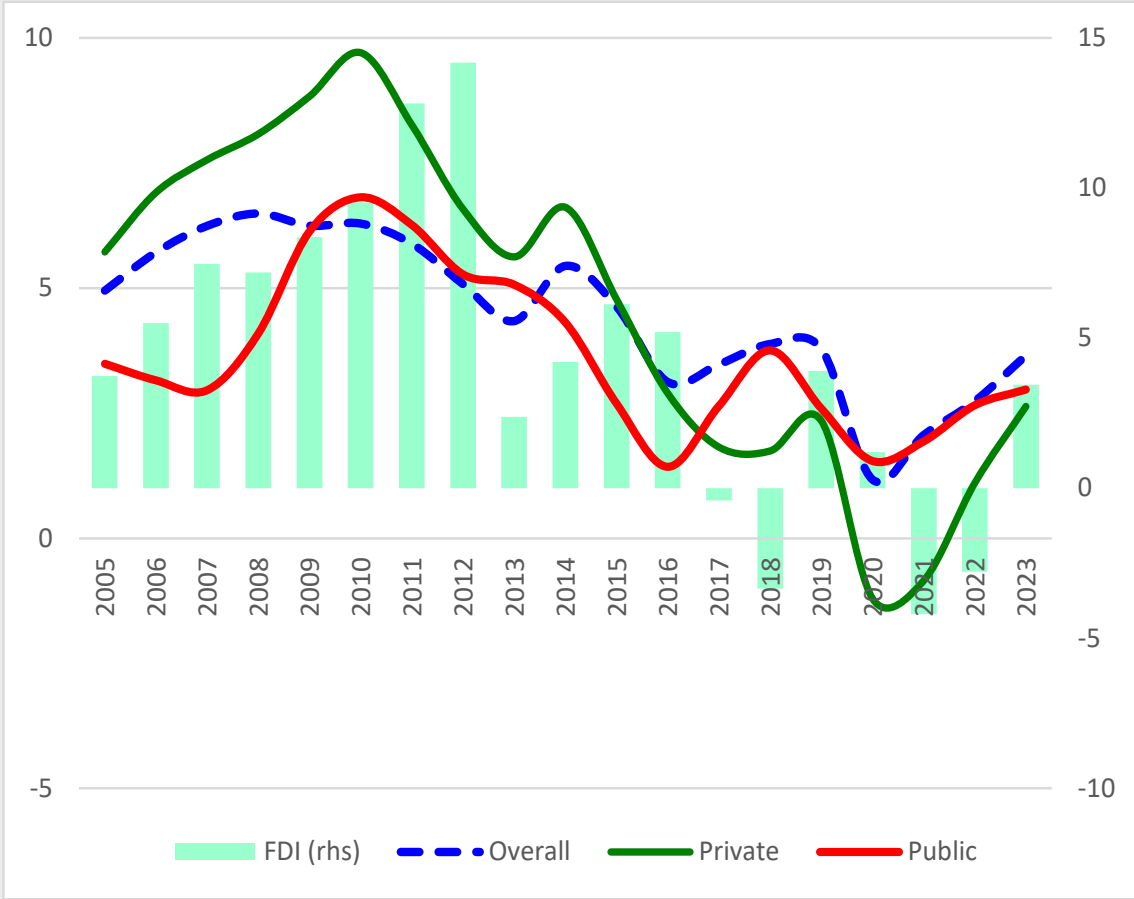
Source: World Bank staff estimates.

INVESTMENTS ARE DECELERATING

Gross Fixed Capital Formation (% GDP, median)



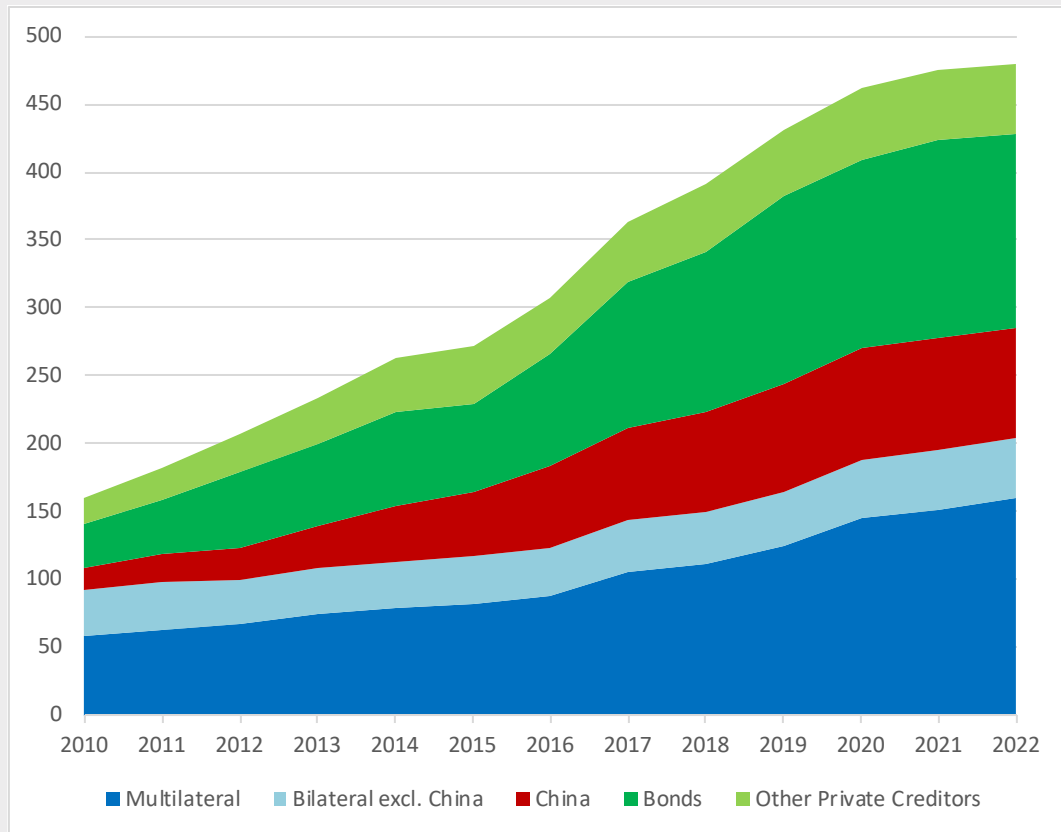
Investment growth in Sub-Saharan Africa (% 5-year moving averages)



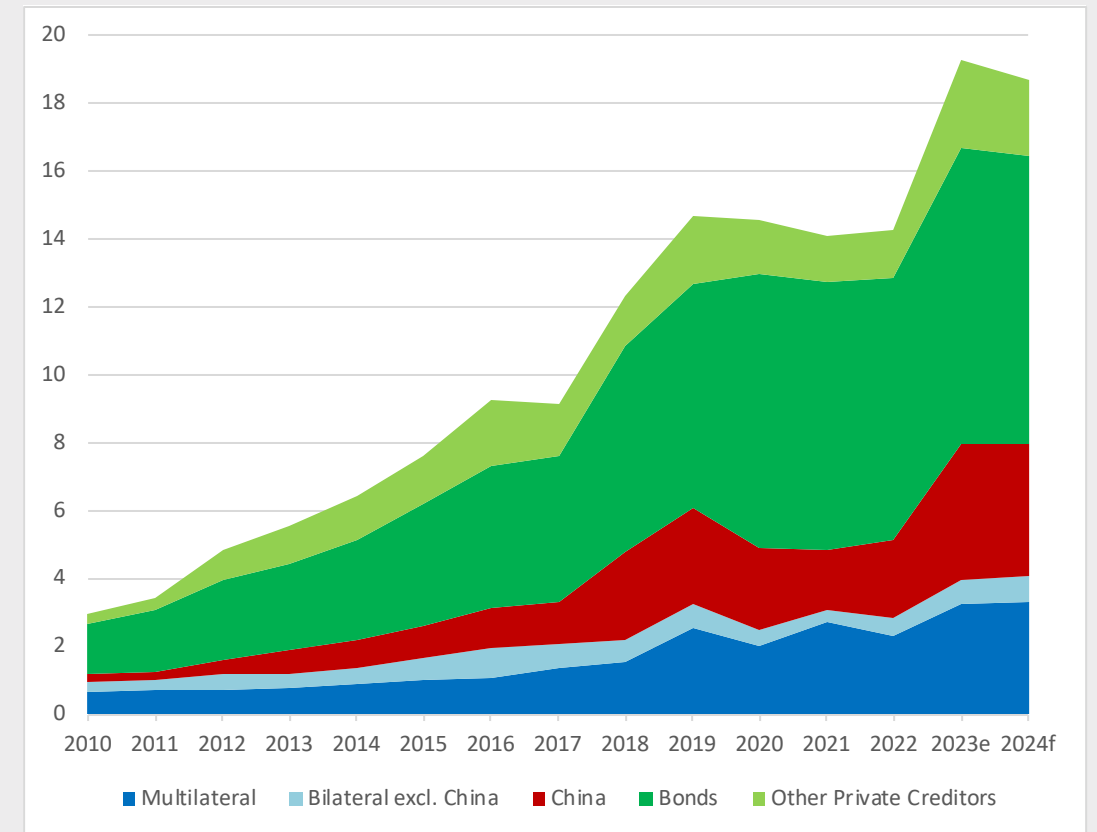
Source: World Bank staff projections.

MOUNTING EXTERNAL INTEREST PAYMENTS IS UNDERMINING BENEFITS OF FISCAL CONSOLIDATION

PPG External Debt Stocks (US\$ billions)



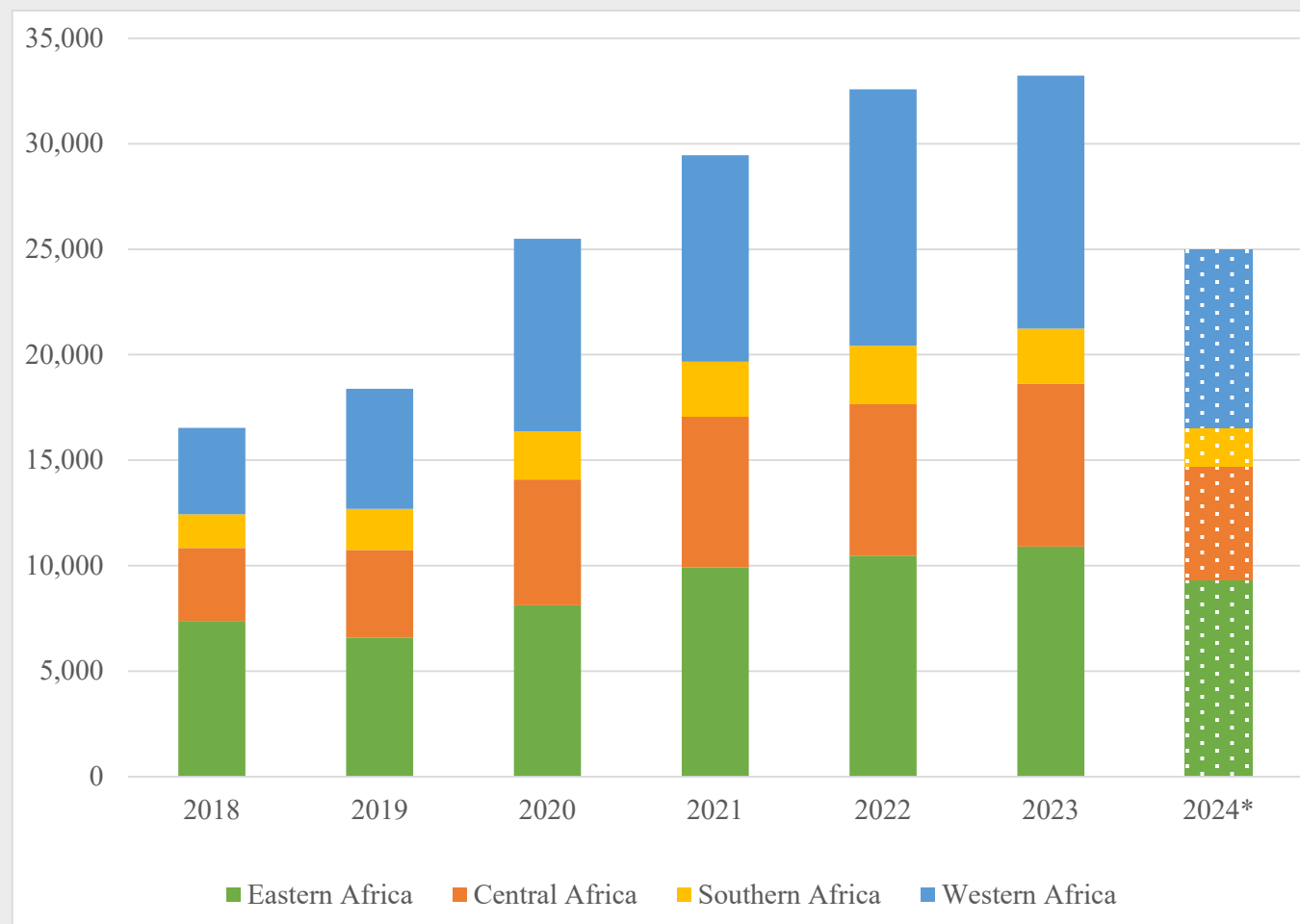
Interest Payments on PPG External Debt (US\$ billion)



Source: World Bank staff projections.

POLITICAL INSTABILITY AND VIOLENT CONFLICT REMAINS ELEVATED

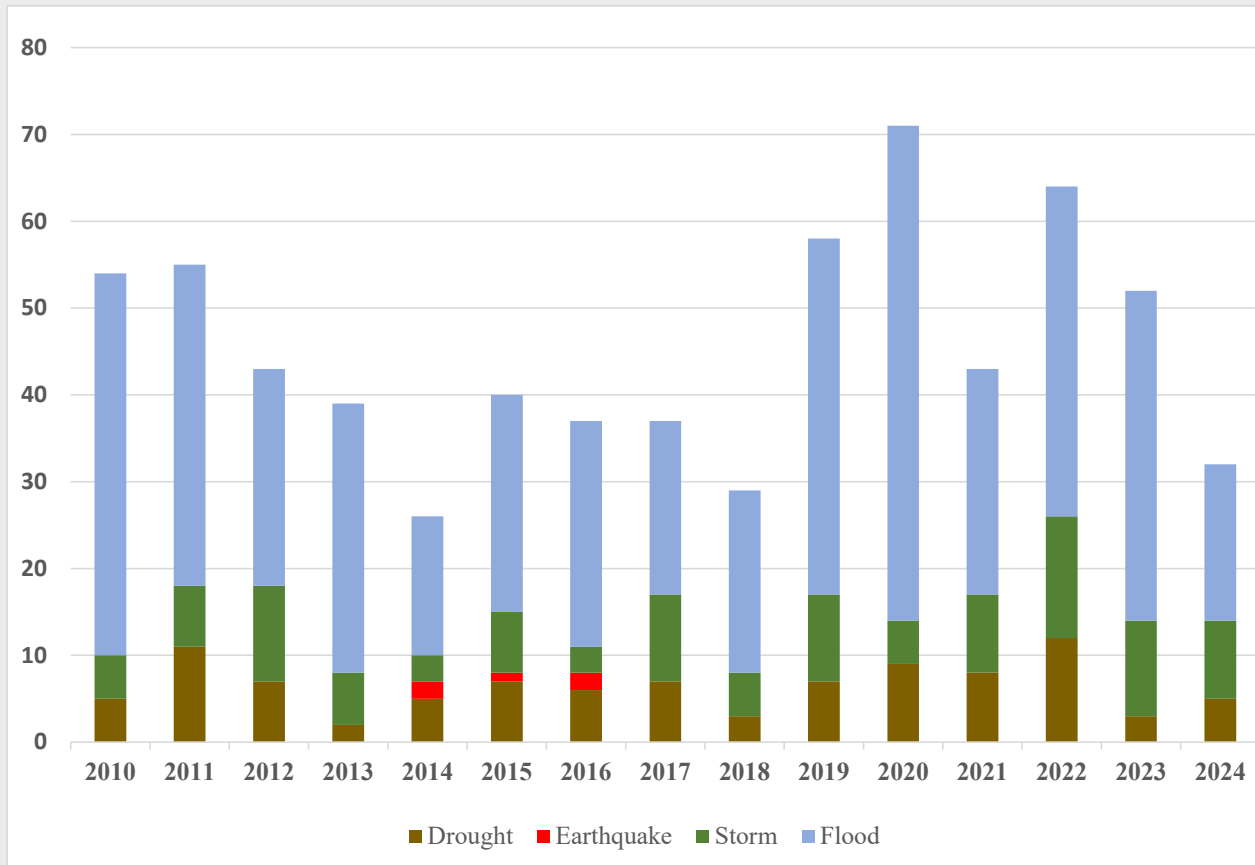
Conflict and Violence in Sub-Saharan Africa: By subregion (*number of events*)



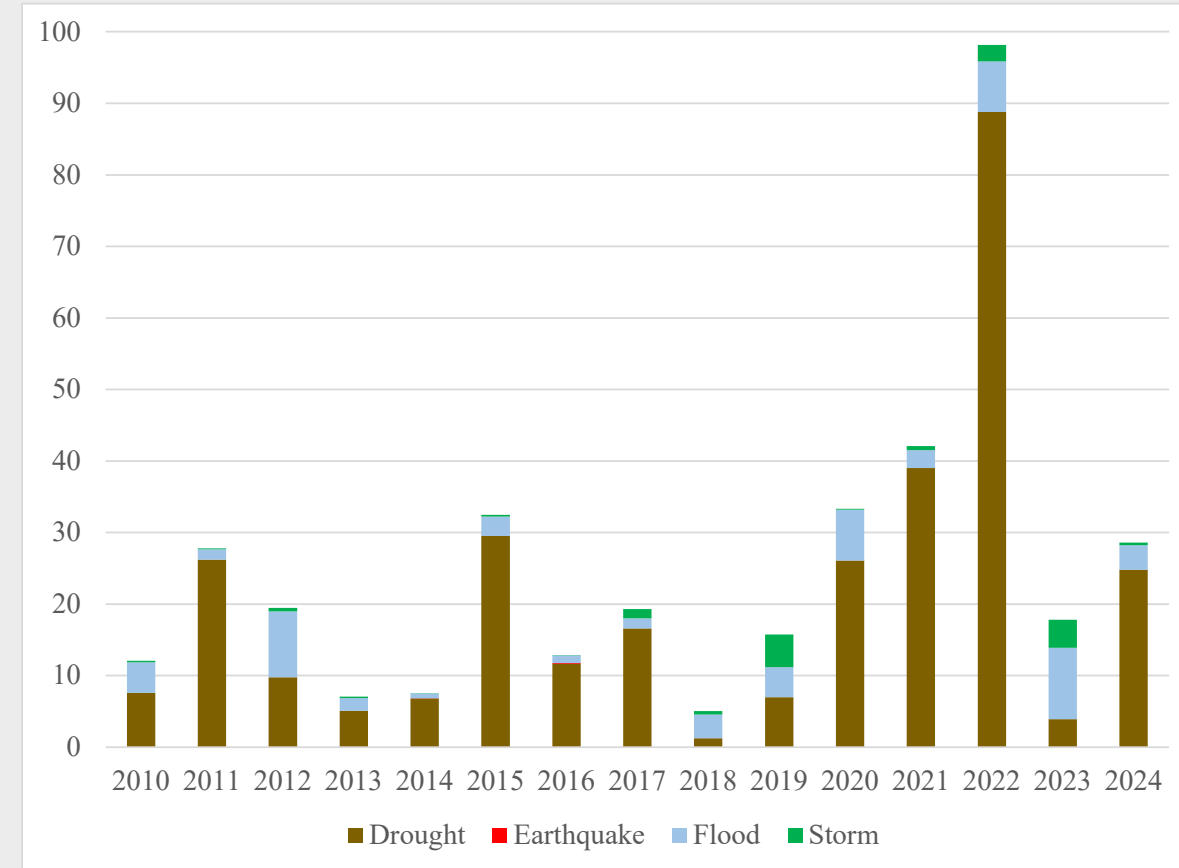
Source: ACLED (Armed Conflict Location and Event Data). Note: * As of September 20, 2024.

WEATHER SHOCKS HAVE DISRUPTED LIVELIHOODS OF MILLIONS

Extreme Weather Events, 2010-2024 *



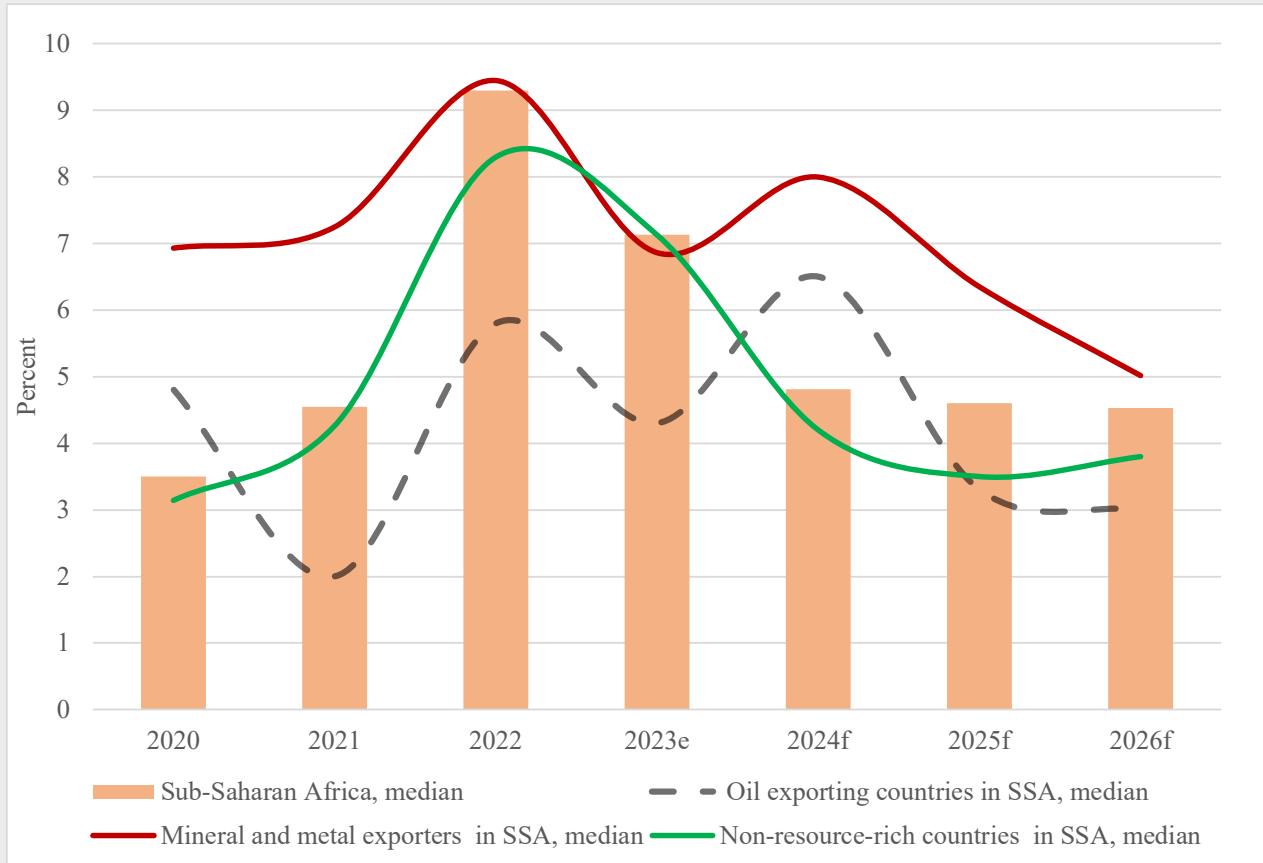
People Affected, 2010-24* (millions)



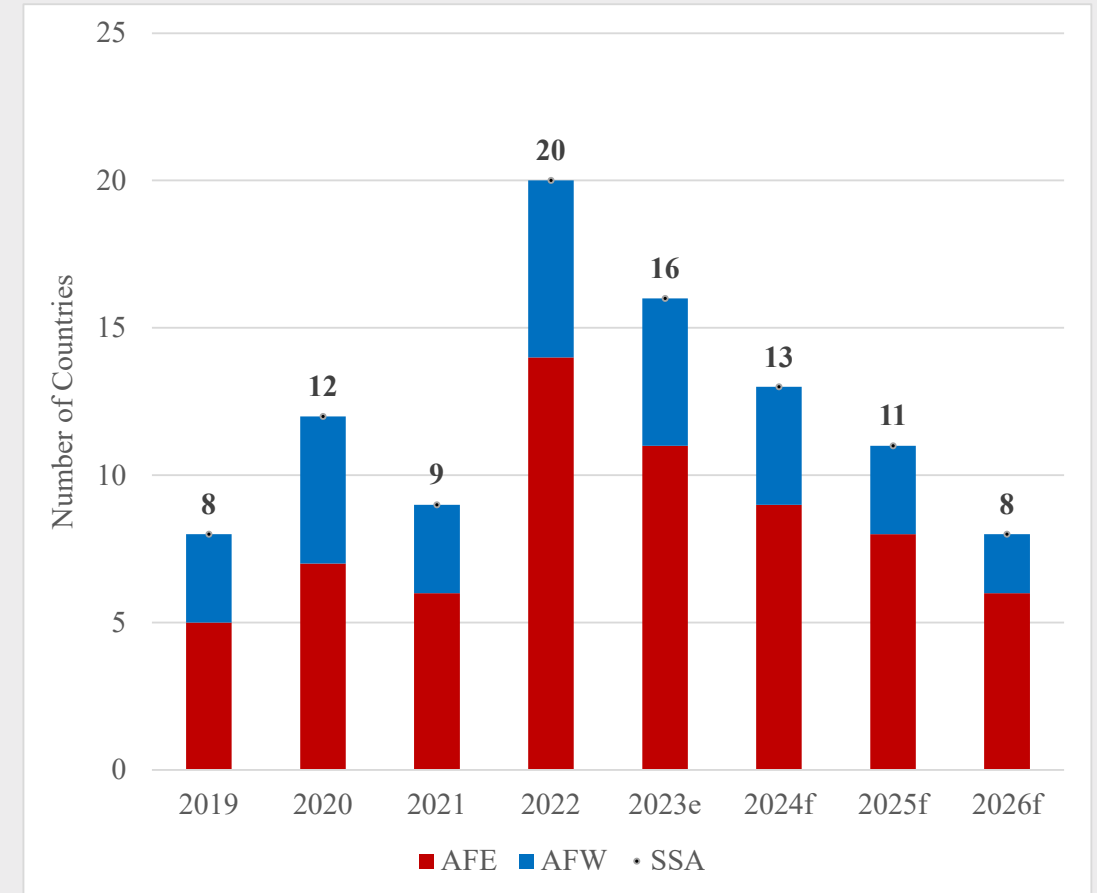
Sources: EM-DAT. The International Disaster Database. Note: * Information available up to September 23, 2024

INFLATION CONTINUES DECELERATING IN SUB-SAHARAN AFRICA

Inflation in Sub-Saharan Africa (*median*)



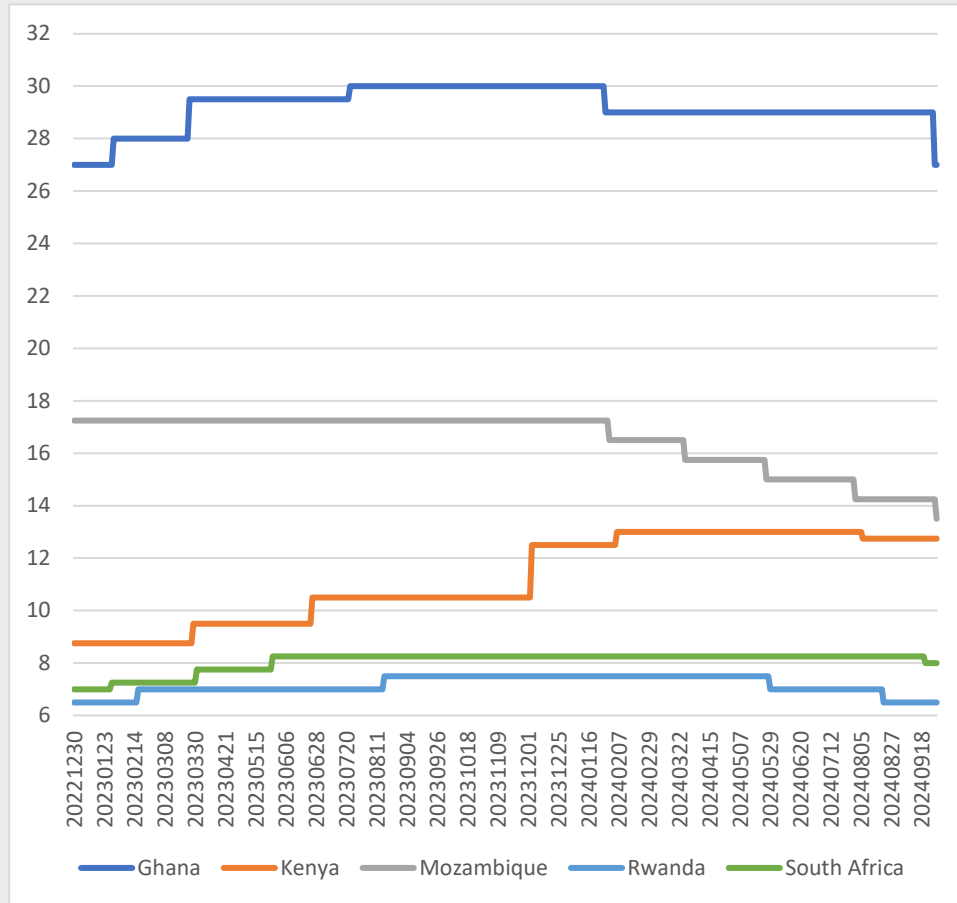
No. SSA countries with double-digit inflation



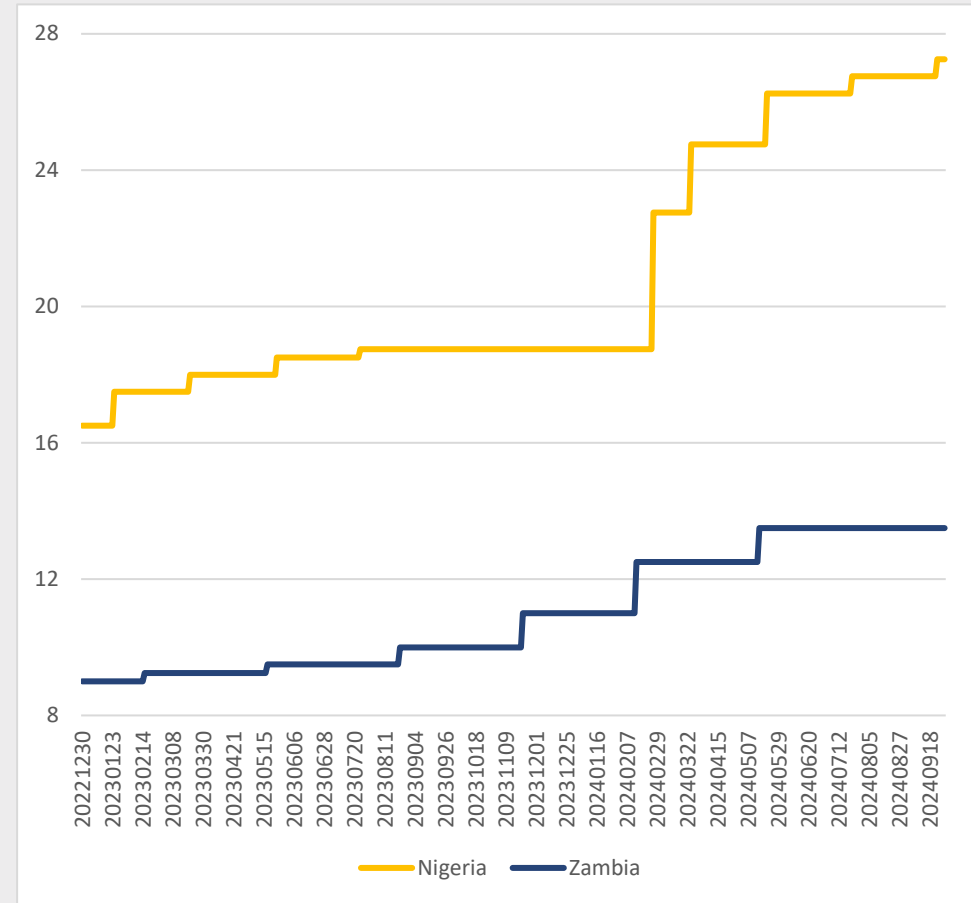
Source: World Bank staff projections, Haver Analytics and IMF's International Financial Statistics

AND SOME CENTRAL BANKS HAVE STARTED AN EASING CYCLE

Falling monetary policy rates



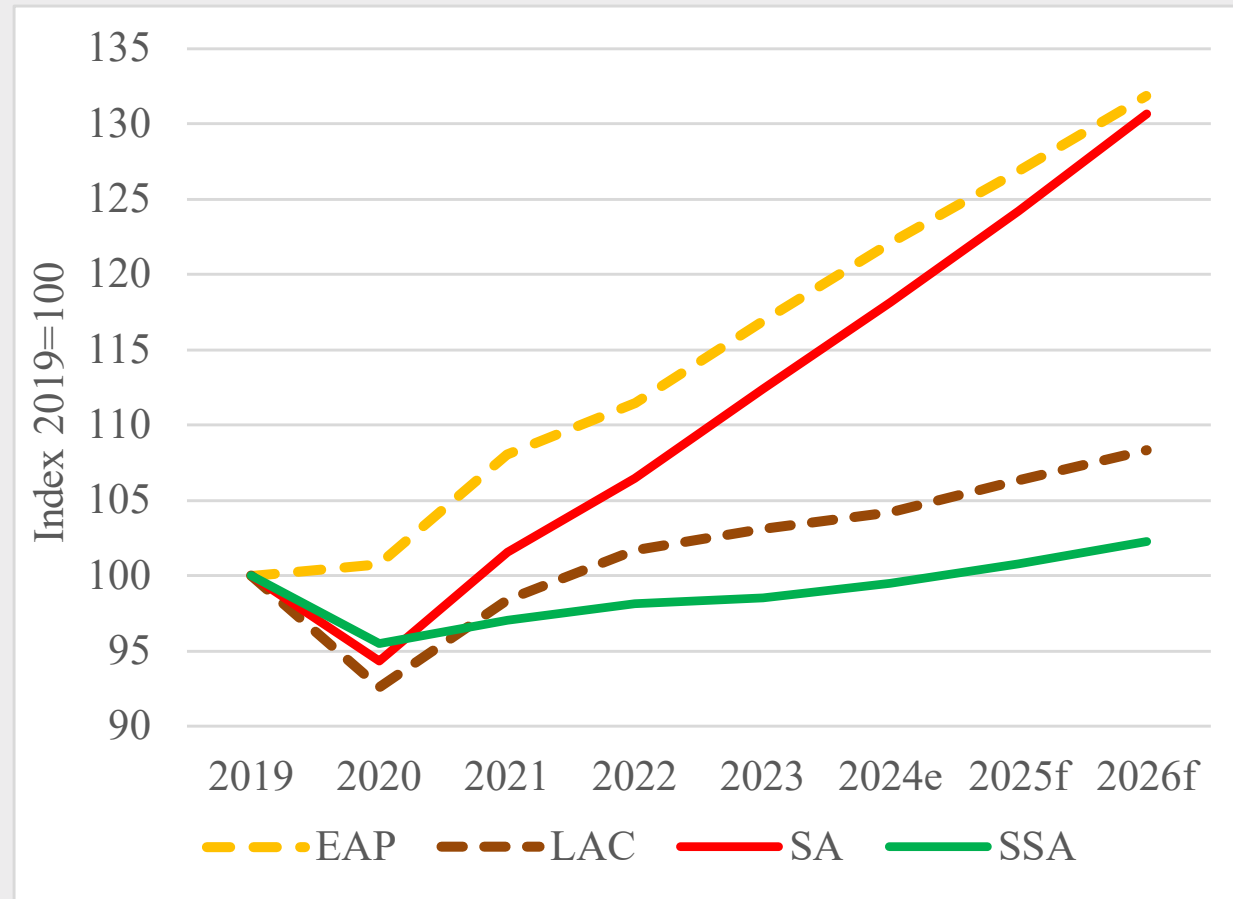
Increasing monetary policy rates



Source: ACLED (Armed Conflict Location and Event Data). Note: * As of September 20, 2024.

IT IS CRITICAL TO JUMPSTART GROWTH

Real Income Per Capita in Sub-Saharan Africa, 2019-2026f



Sources: World Bank. Global Economic Prospects, June 2024

Macroeconomic Challenges for Corporate Distress



- **Chair: Liang Wang, World Bank Group, Botswana**
- **Ubong Awah, International Finance Corporation, Ghana**
- **Dr Keith Jefferis, Econconsult Botswana (Pty) Ltd, Botswana**
- **Celia Van Niekerk, Development Bank of Southern Africa, Republic of South Africa**



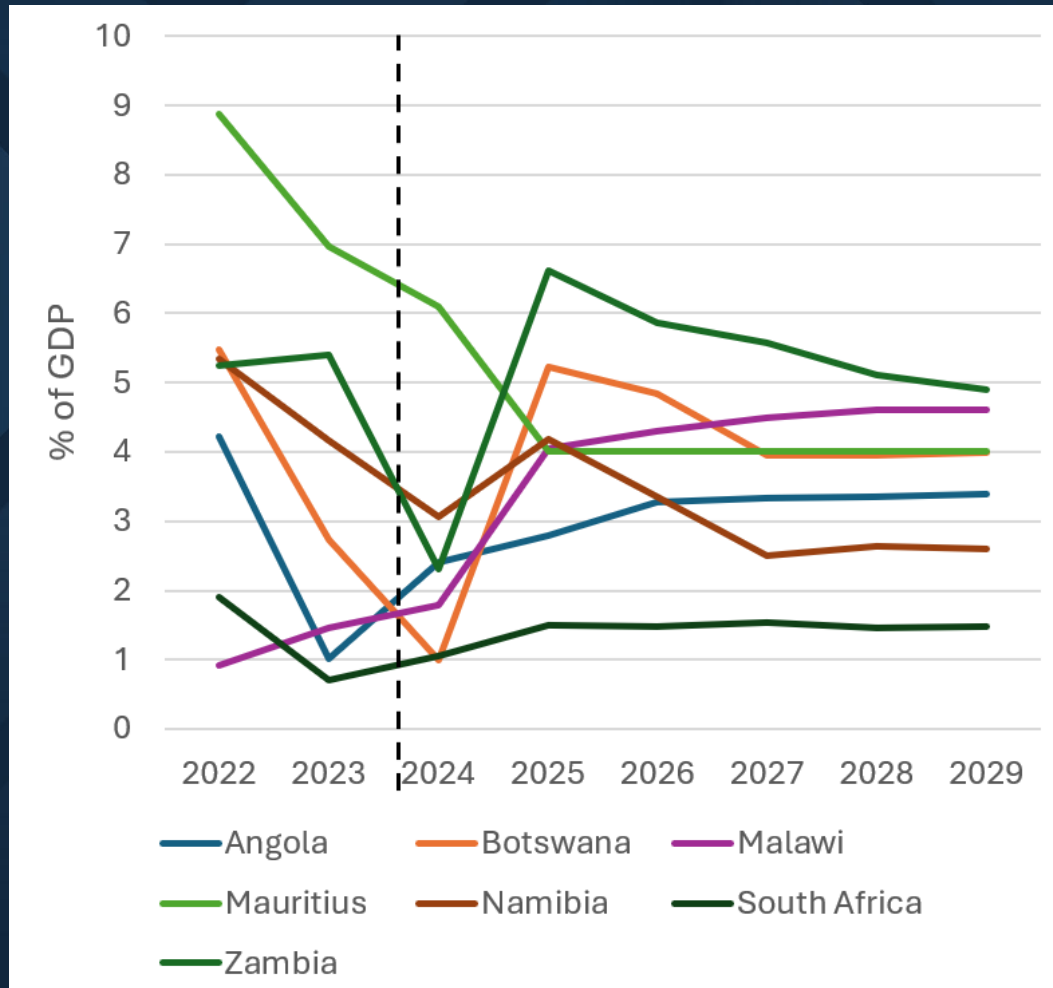
Regional Macro Trends in Southern Africa

Main relevant macro variables



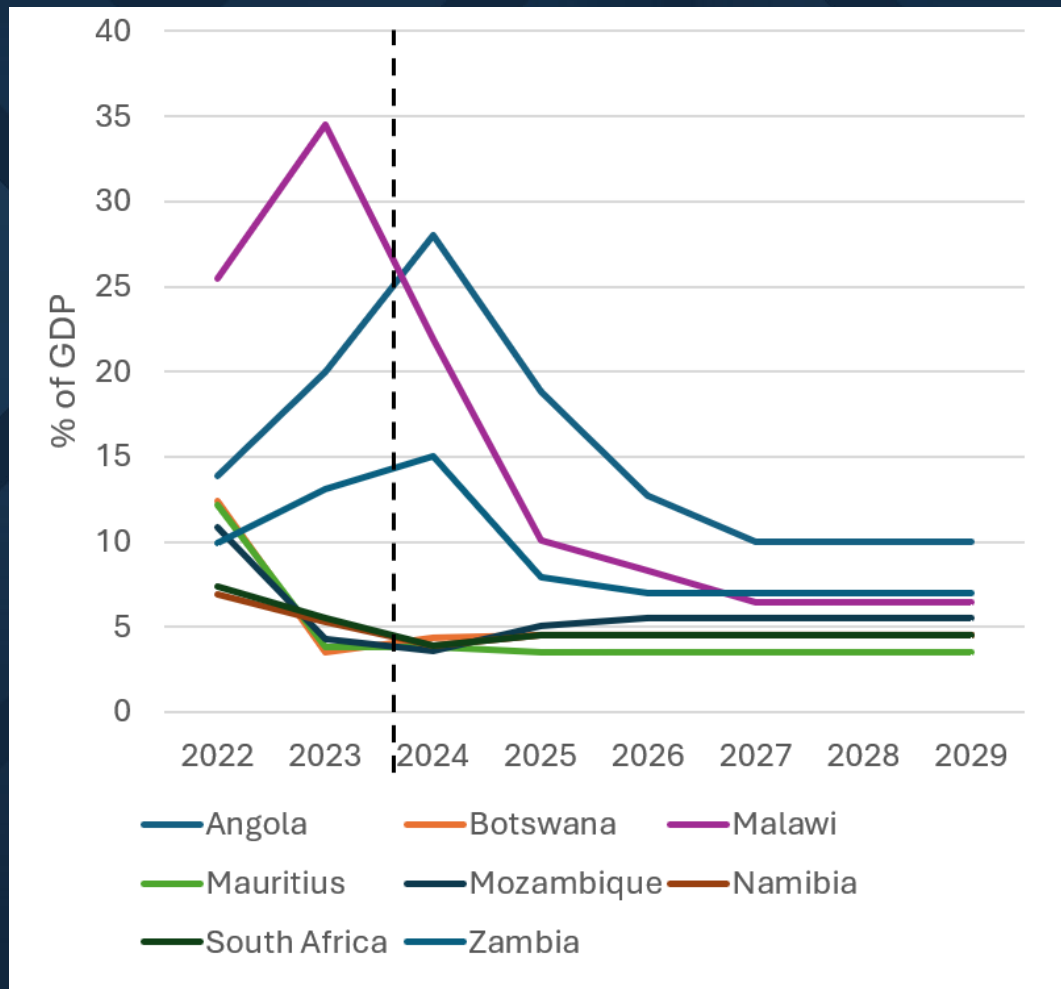
- What are the main macroeconomic factors that affect firms and their commercial prospects?
- **GDP growth:** are economies / markets growing or stagnating?
- **Interest rates:** low or high, speed of change over time, relative to expectations, and relative to inflation (real interest rates)
- **Inflation:** high, low, speed (shocks) and direction of change.
- **Exchange rates:** level and speed/direction of change (especially, relative to expectations)
- **Balance of payments:** can current account deficits be financed; is the country building up external assets or liabilities (debt); implications for exchange rates
- **Fiscal pressures:**
 - are governments providing fiscal injections/contraction?
 - do governments face liquidity challenges that may cause them to build up arrears;
 - balance between spending on recurrent obligations and investment (e.g. infrastructure)
 - debt service obligations; credit ratings;
- Quick overview of recent macro performance and IMF projections for selected SADC countries

GDP growth



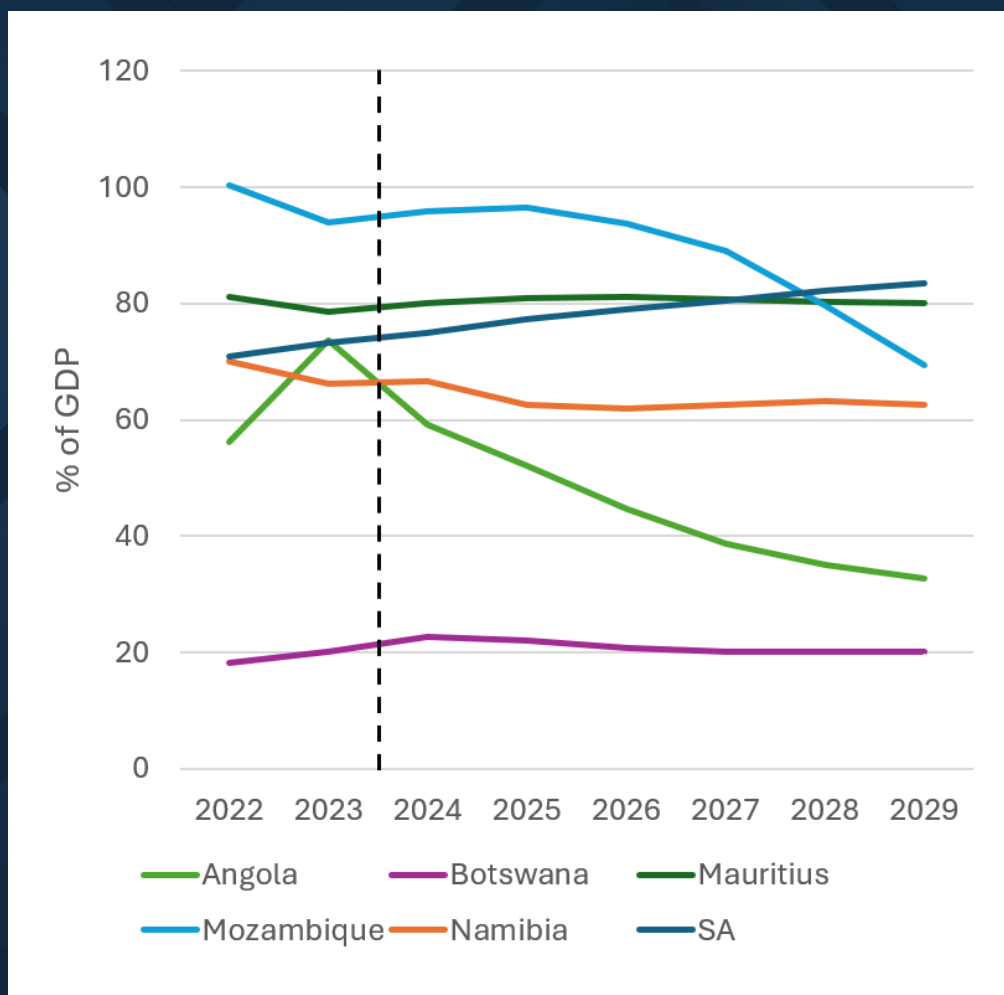
- SADC countries have very dispersed growth rates
- Post-COVID bounce in 2022
- Slowdown in 2023/2024 (especially resource economies)
- Wide spread of “steady-state” growth trajectories
- SA a particular laggard
 - Also Namibia (but oil/gas boom coming)
 - Malawi (structural issues)
 - Botswana (high diamond dependence and uncertainty)

Inflation



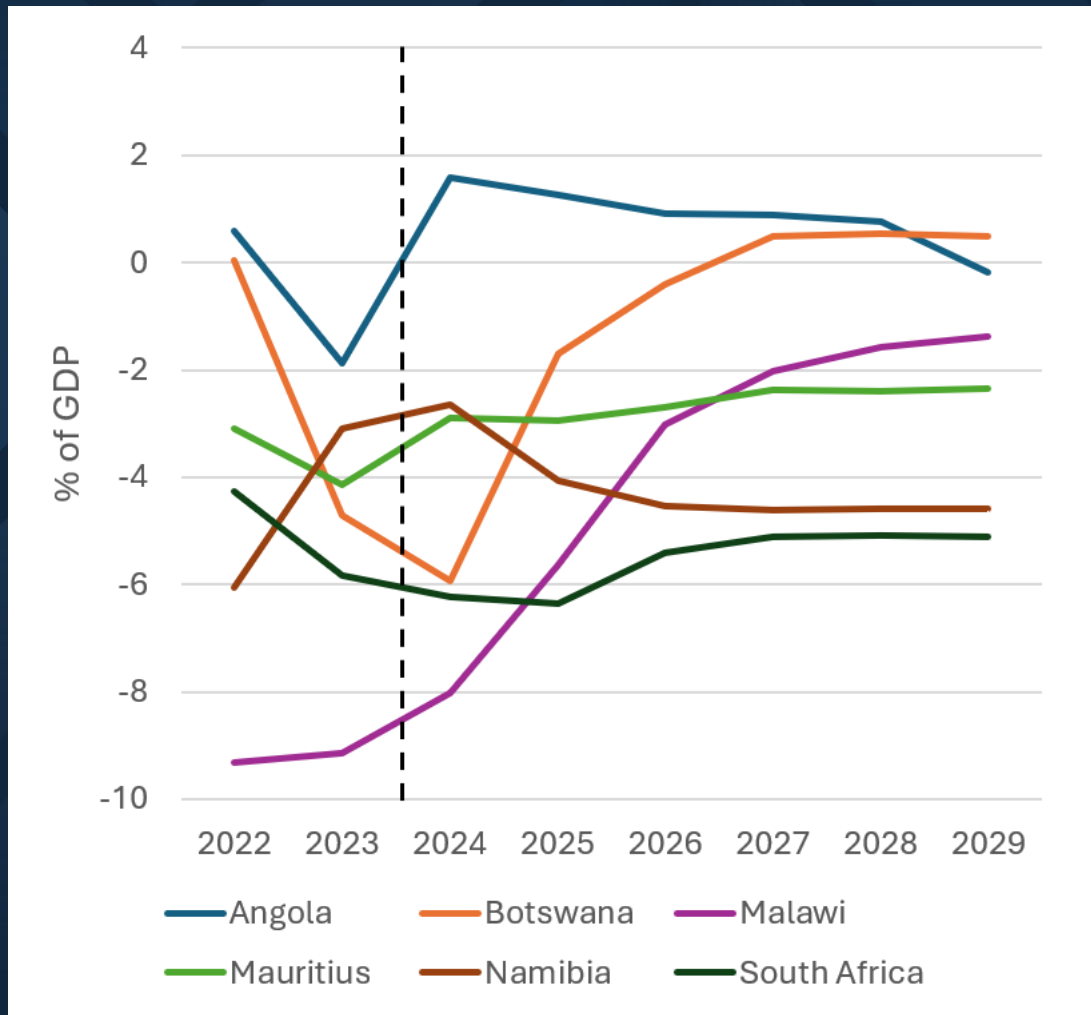
- SADC countries generally have modest inflation levels (single digit)
- With the exception of (2023):
 - Angola, Malawi, Zambia, Zimbabwe
- Most countries projected to get inflation under control
 - Main localised risk (i.e. apart from global pressures) is from exchange rate instability

Gross Debt



- Many SADC countries generally have high debt levels (>60% of GDP)
- Sustainability depends on many factors, notably:
 - Currency – domestic vs external
 - Trends in overall debt levels
 - Interest rates & burden on budget
- Most worrying trend is SA (high and rising)
- Also Zambia (well over 100%, no IMF projections)
- Botswana is a low outlier
- Angola has the most ambitious debt reduction plan

Fiscal balance (% of GDP)



- Most countries currently running large fiscal deficits
- These are potentially destabilising due to implications for debt
- Most have fiscal consolidation plans
 - But unclear whether these will be realised in practice
- SA is a particular concern
 - Projected to run a large fiscal deficit into the medium term
 - Hence rising debt
- Namibia also has a challenging fiscal trajectory
- Botswana has continually postponed fiscal consolidation commitments

Macro summary



- **South Africa** is the major economy in the region and can potentially lift growth, but is failing to do so
- **Resource-based economies** still experiencing volatility
- **Fiscal positions** the source of considerable macro instability and debt stress
- **Inflation** generally falling but subject to global risks as well as regional and domestic pressures (drought, food prices, exchange rates)
- **Interest rates:** policy rates falling, but govt borrowing may keep capital market rates high, and offshore borrowing still expensive and risky

Macroeconomic Challenges for Corporate Distress

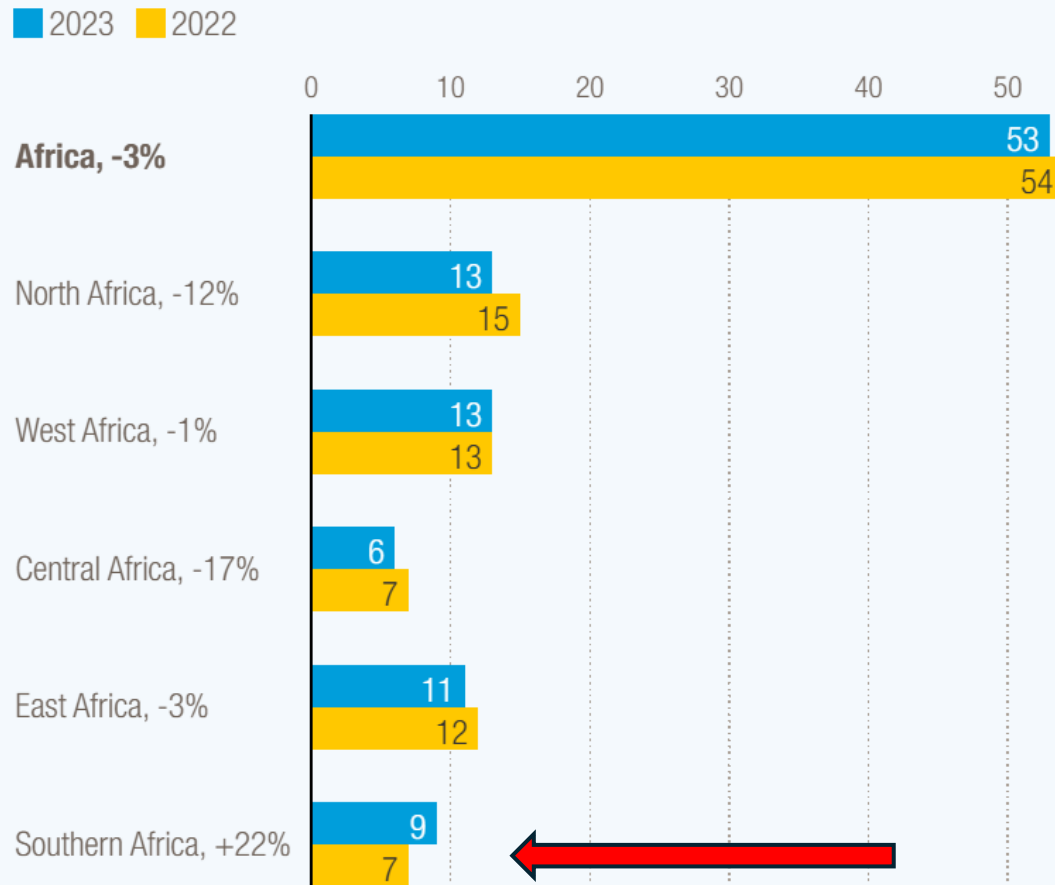


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SETTING THE SCENE: FDI TRENDS



Foreign direct investment (FDI) by region, billions of dollars, per cent, 2022–2023



Source: UN Trade and Development (UNCTAD), FDI/MNE database.

- Globally, tight financing conditions in 2023 led to a 26% downturn in international project finance, which is crucial for infrastructure investment in areas such as power and renewable energy
- Foreign Direct Investments falls across most parts of Africa

(Source: *World Investment Report: 2024*)

FDI FLOWS IN AFRICA: 2023

AFRICA'S ECONOMY

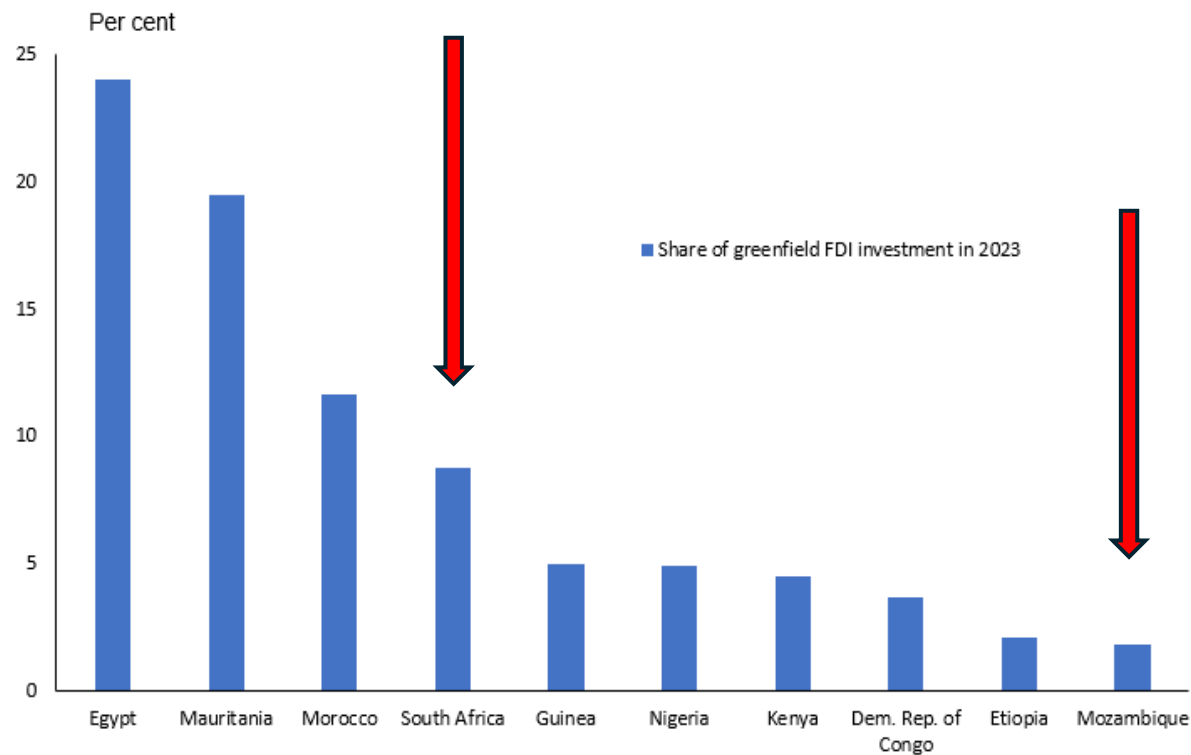
DBSA



Despite a decline in FDI investment in 2023, several megaprojects were announced for the African continent

Economics

Chart 2: Top 10 African countries receiving the largest share of announced greenfield projects in 2023



Source: World Investment Report

- Total FDI flow into Africa decreased by 3,0 per cent in 2023.
- Egypt received the largest share of greenfield project FDI in 2023, followed by Mauritania, Morocco and South Africa.
- Greenfield announcements included megaprojects such as a green hydrogen project in Mauritania.
- Africa also received project finance for wind and solar electricity production, with the largest projects located in Egypt, South Africa, and Zimbabwe.
- Value chains for electric vehicles also prompted foreign investments. The largest deals announced included one to establish an electric vehicle battery manufacturing facility in Morocco.
- The main economies investing in the continent, by FDI stock, are the Netherlands, France, the United States, the United Kingdom, and China.

OUTLOOK: Infrastructure Projects (South Africa)



- Government focus: SONA – key focus area
- Government support initiatives specifically for project preparation
- GNU
- Energy supply



OUTLOOK: Infrastructure Projects

(South Africa – Recent “Mega projects”)

- 26 “Mega projects” – planned at around R800bn (Aug 2024)
 - R113bn energy related
 - R104bn public housing and community development programme
 - R195bn refurbishment of health facilities, airport infrastructure & special economic zones
- Specific projects include:
 - Eskom Tubatse pumped Hydro storage project (R36bn)
 - Eskom Mossel Bay gas project (R30bn)
 - New Cape winelands airport (R7bn) + ACSA infrastructure investment (R12bn)
 - Rooiwal wastewater treatment (R36bn)
 - Investment by Volkswagen (R4bn) to refurbish its Kariega plant



OUTLOOK: Infrastructure Projects

(Southern Africa - Namibia)

- Infrastructure development has accelerated at unprecedented rate – demands of oil & gas sector
 - Oil finds estimated at 11 billion barrels of oil off Namibia's coast
- Government planned infrastructure investments (\$5bn) by 2027
- March 2024 – Namibia and SA in talks to launch infrastructure projects worth ZAR7 billion (USD377m) over the next 3 years

OUTLOOK: Infrastructure Projects

(Southern Africa - Namibia: Recent projects)



- Energy: First ever World Bank financed energy project (US\$139m) - Transmission line & battery storage system
- Transport: Walvis Bay railway & Hosea Kutako International Airport Road
- Water (N\$1bn / US\$53m) – sustainable water supply & irrigation



OUTLOOK: Infrastructure Projects

(Southern Africa - Zambia)

- Energy: Significant challenges
- Transport:
 - 828km of new roads planned (PPP's)
 - Revitalisation of railway network
 - Zambia – Lobito corridor (US\$308m)
- Mining: Revival of old mines & new investments

Macroeconomic Challenges for Corporate Distress



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GLOBAL INSOLVENCIES

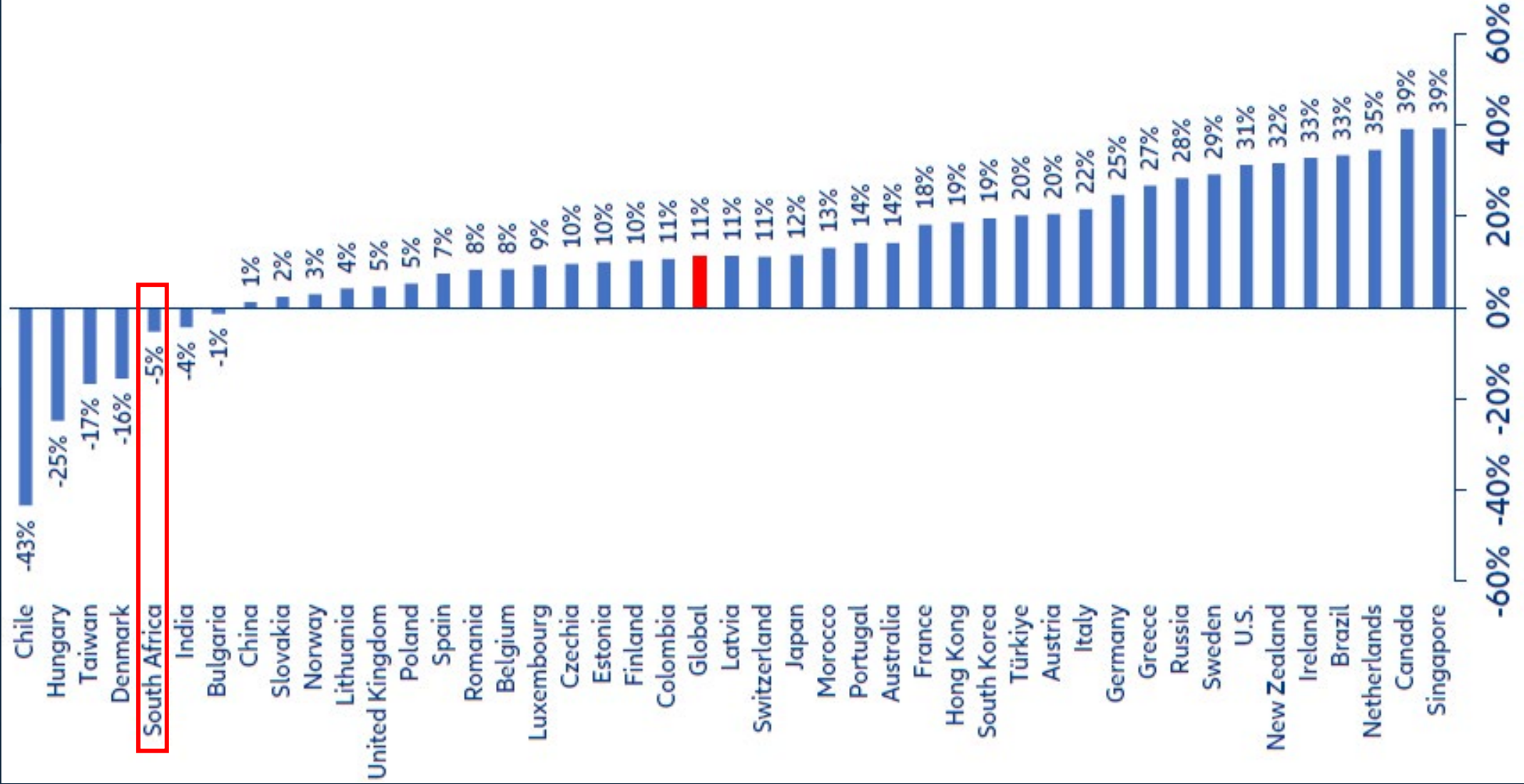
YTD & Expectations for 2024



- YTD 2024: Number of business insolvencies worldwide -  by 9%
- 2024: Expected double digit increases in bankruptcies for ½ of the world
- A broad-based rise across sectors, with few sectors escaping the (upward) national trend
- Large firms have not been immune to rising business insolvencies

(Source: Allianz Research: *Global Insolvency Outlook: The ebb and flow of the insolvency wave* - 15 October 2024)

GLOBAL INSOLVENCY HEATMAP







GLOBAL INSOLVENCIES

Outlook 2025



- Household orientated sectors remain on watchlist
- Challenges for construction & real estate sectors to continue
- Vigilance to remain for trade sectors, including retail & automotive
- Overall – global moderate  of 2% in business insolvencies
- Some light at the end of the tunnel – 2026  of 1%

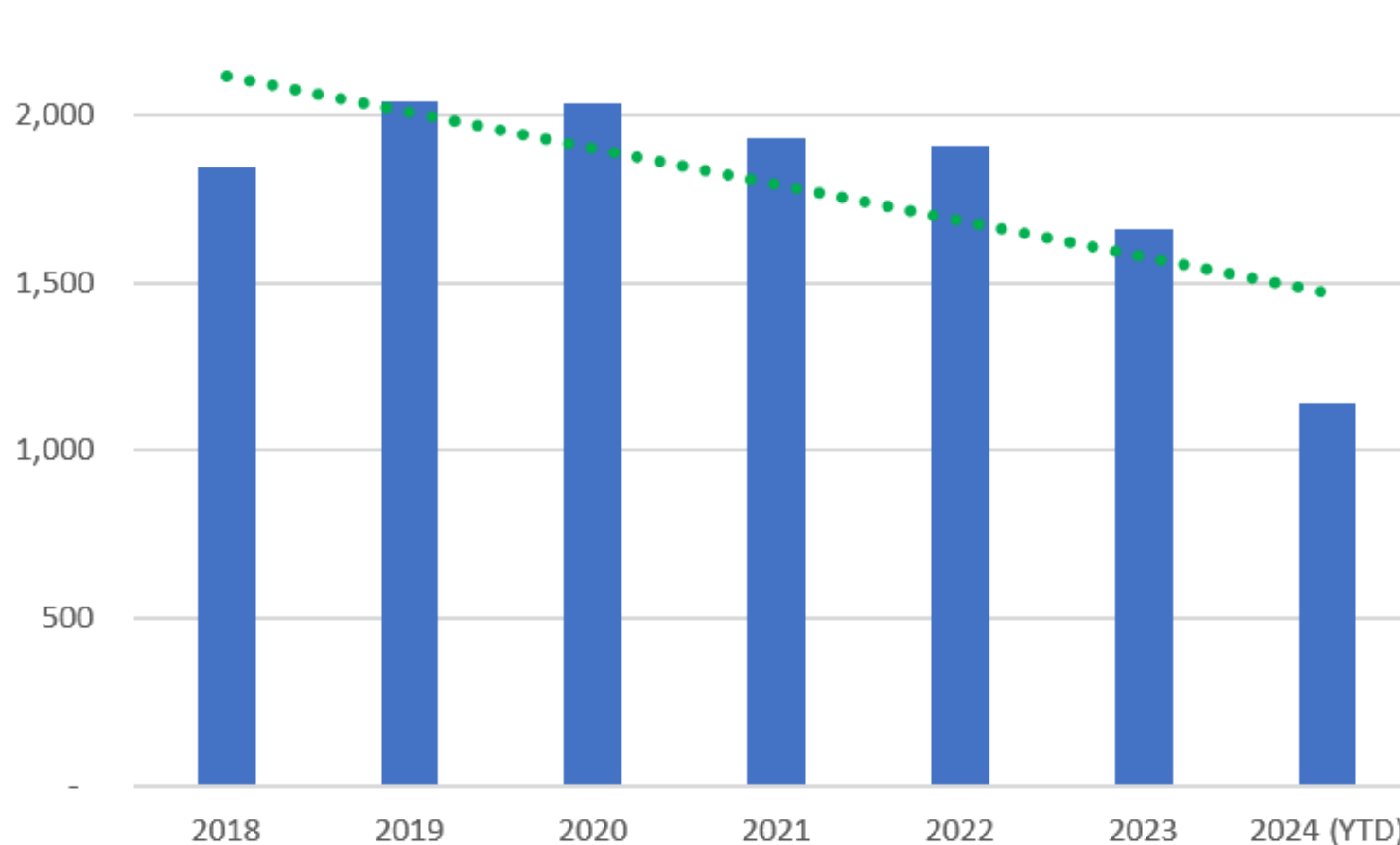
(Source: Allianz Research: *Global Insolvency Outlook: The ebb and flow of the insolvency wave* - 15 October 2024)

INSOLVENCIES - SOUTH AFRICA

Bucking the trend



South Africa: Total Liquidations (Number)

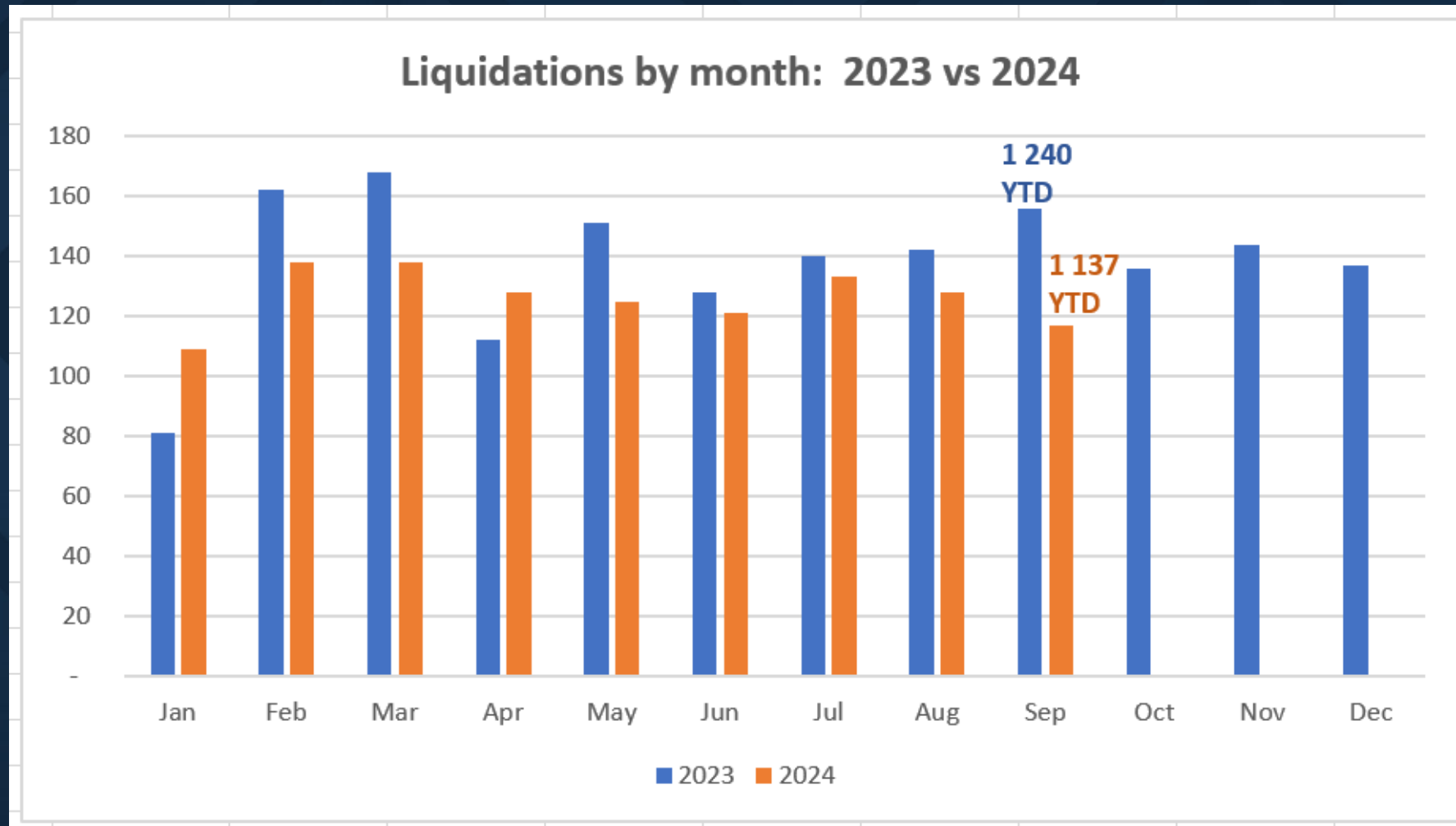


- YTD  8.3% for first 9 months compared to 2023 YTD period
- Compulsory vs Voluntary liquidations
- Data limitations

(Source: STATS SA – Statistics of liquidations (preliminary) – September 2024)

INSOLVENCIES - SOUTH AFRICA

Seasonality trends



(Source: STATS SA – Statistics of liquidations (preliminary) – September 2024 and September 2023)

INSOLVENCIES - SOUTH AFRICA

Industry trends



- YTD lower, but shift in industry trends
- Tourism and retail sector continues to reflect strain
- Rise y-o-y for real estate & services industry

Industry	Jan – Sep 2024			January – September 2023		
	C	V	Total	C	V	Total
1.Agriculture, hunting, forestry and fishing	0	12	12	1	6	7
2.Mining and quarrying	2	4	6	1	5	6
3.Manufacturing	4	41	45	4	38	42
4.Electricity, gas and water	1	1	2	0	1	1
5.Construction	7	42	49	13	50	63
6.Trade, catering and accommodation	24	189	213	23	211	234
7.Transport, storage, communication	3	17	20	0	25	25
8.Financing, insurance, real estate, business services	34	293	327	58	367	425
9.Community, social, personal services	8	74	82	11	78	89
10.Unclassified	42	339	381	55	293	348
Total number of liquidations	125	1 012	1 137	166	1 074	1 240

(Source: STATS SA – Statistics of liquidations (preliminary) – September 2024 and September 2023)

Macroeconomic Challenges for Corporate Distress



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Networking Lunch



Savuti Restaurant

Please return by 1.40 pm for a 1.45 pm start

The Intersection of Technology and Insolvency



- **Maurice Conti, Applied Intelligence LLC, United States of America**
- **Julie Hertzberg, INSOL International Past President, Alvarez & Marsal, United States of America**
- **Will Paterson, INSOL Fellow, World Bank Group**

Networking Coffee Break



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Corporate Workouts Workshop



- **Facilitator: Ken Afrah, Deloitte, Republic of South Africa**
- **Facilitator: Jo Mitchell-Marais, INSOL Fellow, Deloitte, Republic of South Africa**



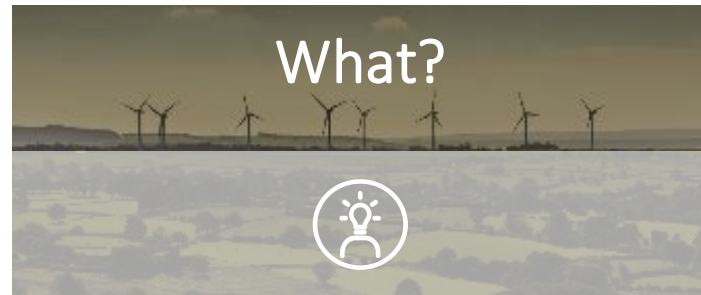
Workshop structure

Introduction to pre-packs	15 mins
Case study overview: introducing Widget Works	15 mins
Case study: pre-pack feasibility	35 mins
Case study: assessing restructuring options	35 mins
Case study outcome and key takeaways	10 mins

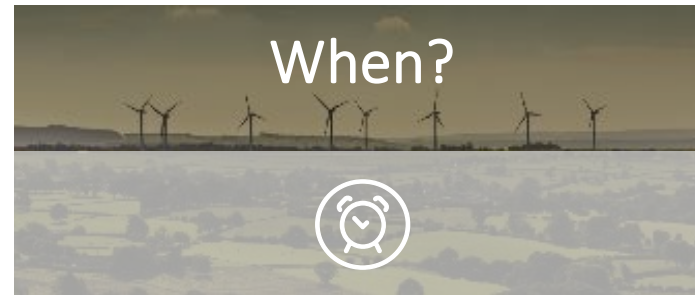


Introduction to pre-packs

What is a pre-pack?



A process in insolvency where the **sale of a distressed company's business or assets** is arranged with a purchaser **before the company formally enters insolvency**.

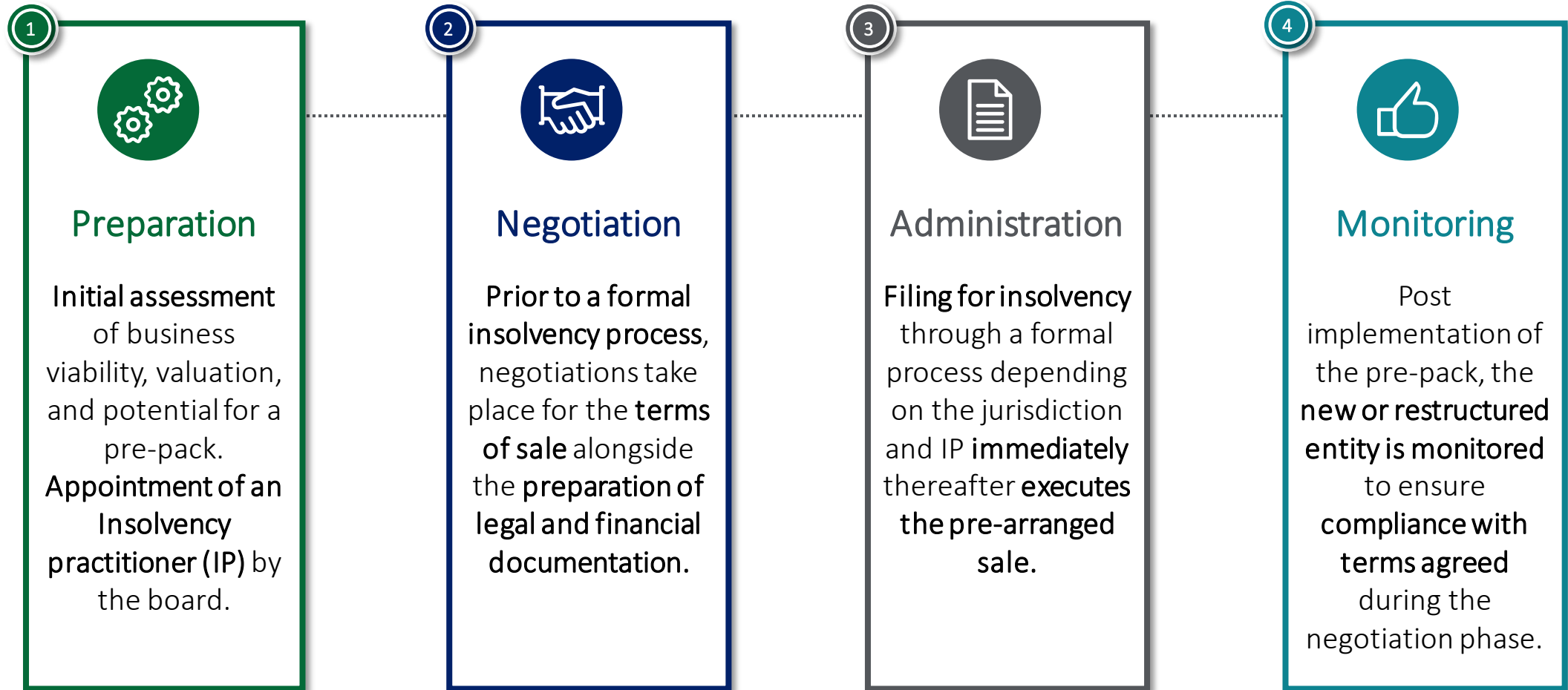


The insolvency practitioner effects the sale **immediately on, or shortly after, appointment**.



Pre-packs are designed to **expedite** the insolvency process, **avoid cost**, and **reduce value destruction**.

Step-by-step approach to pre-packs



Insolvency practitioner's role in pre-packs



Advantages of pre-packs



Risks involved in pre-packs



Transparency

Some stakeholders may feel excluded or unaware of the negotiations, leading to perceptions of unfairness / that better offers may be available



Connected party sales

Risk of conflict of interest when the business is sold to connected parties (e.g., existing management), requiring careful oversight



Employee rights

In some jurisdictions, pre-packs might bypass employee protections related to business transfers

- **Legal recourse** to challenge pre-packs, any breach of duty, and plan fairness if detrimental to their interests.
- **Connected party sales** are required to be **assessed and tested** by an **independent expert**.

Creditors and shareholders

- Generally, **limited protection and recourse** for employees.
- **Legal advice** is required to understand employee rights in different jurisdictions.

Employees

Framework for pre-packs in the UK, US, and Netherlands



Not legislated, however provision for pre-packs has been made in **regulatory documents** such as **Statements of Insolvency Practice 16 (SIP 16)** and was introduced by the **Joint Insolvency Committee** to prevent the misuse of pre-pack administrations.



A sale during bankruptcy is provided for in terms **Section 363 of the Bankruptcy Code** and further shaped by **case law and precedents** set by **U.S. bankruptcy courts**. Courts have generally upheld pre-packs as long as they **comply with the statutory requirements of Chapter 11 and Section 363**.

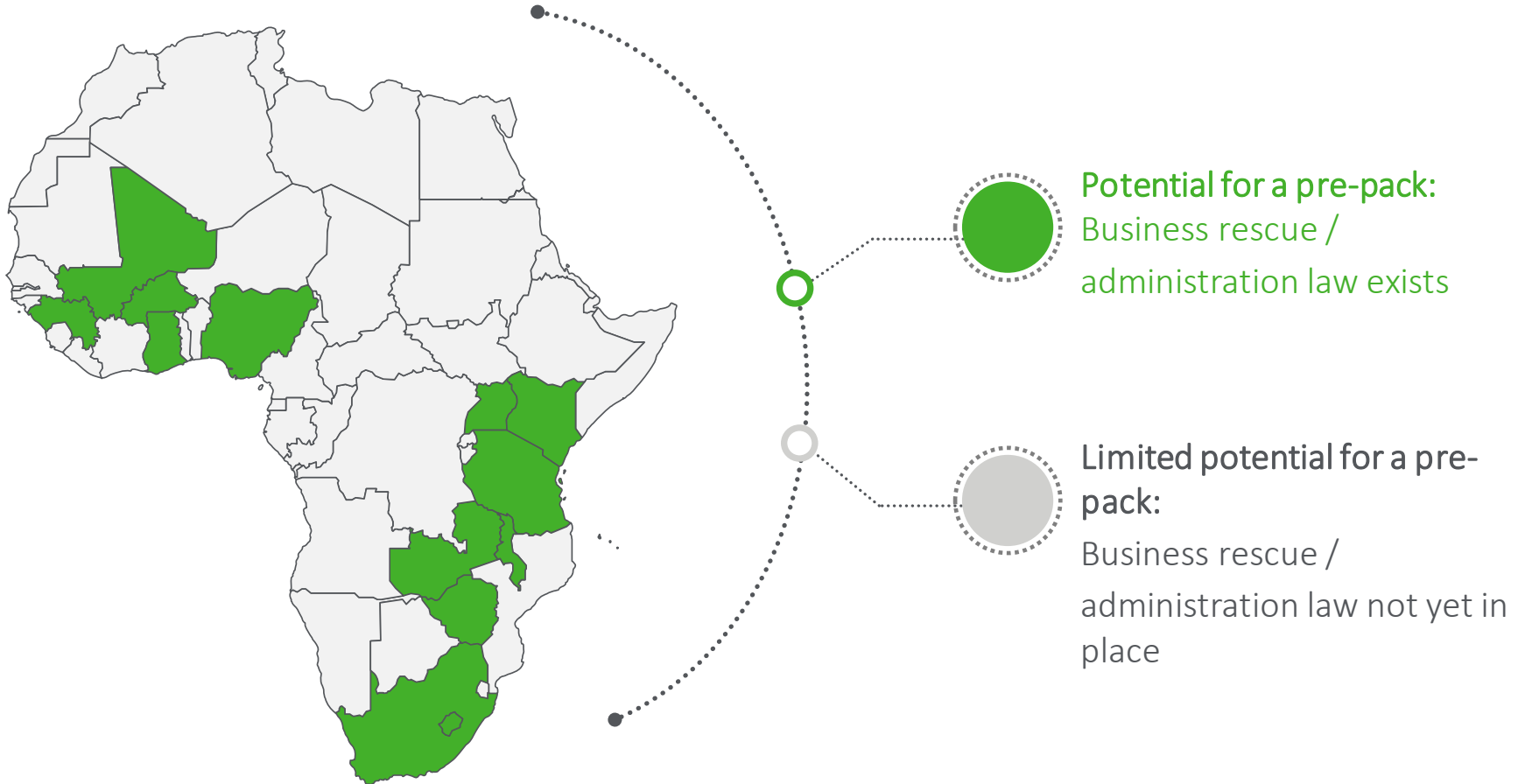


Article 63a of the Dutch Bankruptcy Act provides for **pre-packs** which, together with support from the **Restructuring Act** and evolving **case law**, provides the **basis** for the use of **pre-packs**. Practice is **primarily court-driven**, with significant input from **insolvency practitioners**.

Examples of successful pre-packs in these jurisdictions



Potential application in Africa

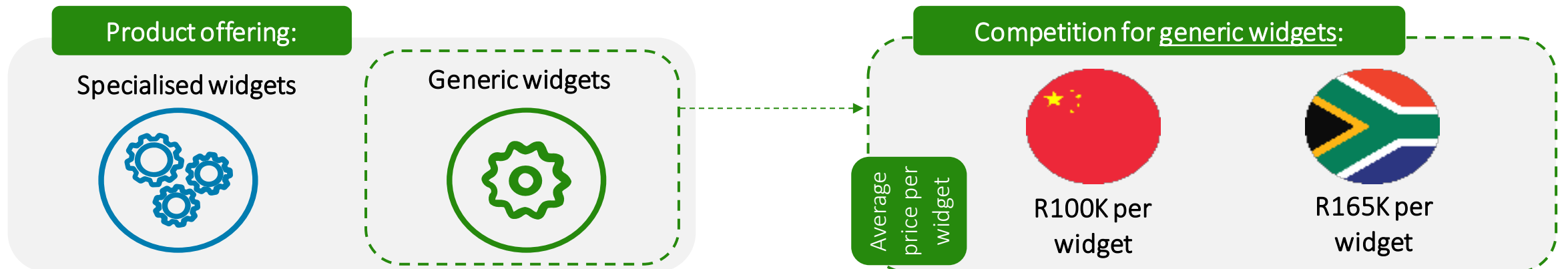


A welder in silhouette is working inside a large metal pipe. The welder is positioned on the left side of the frame, facing right. Bright sparks are flying from the welding point, creating a large, glowing arc of light that illuminates the interior of the pipe. The background is dark, and the overall scene is lit with a blue and orange glow from the welding process.

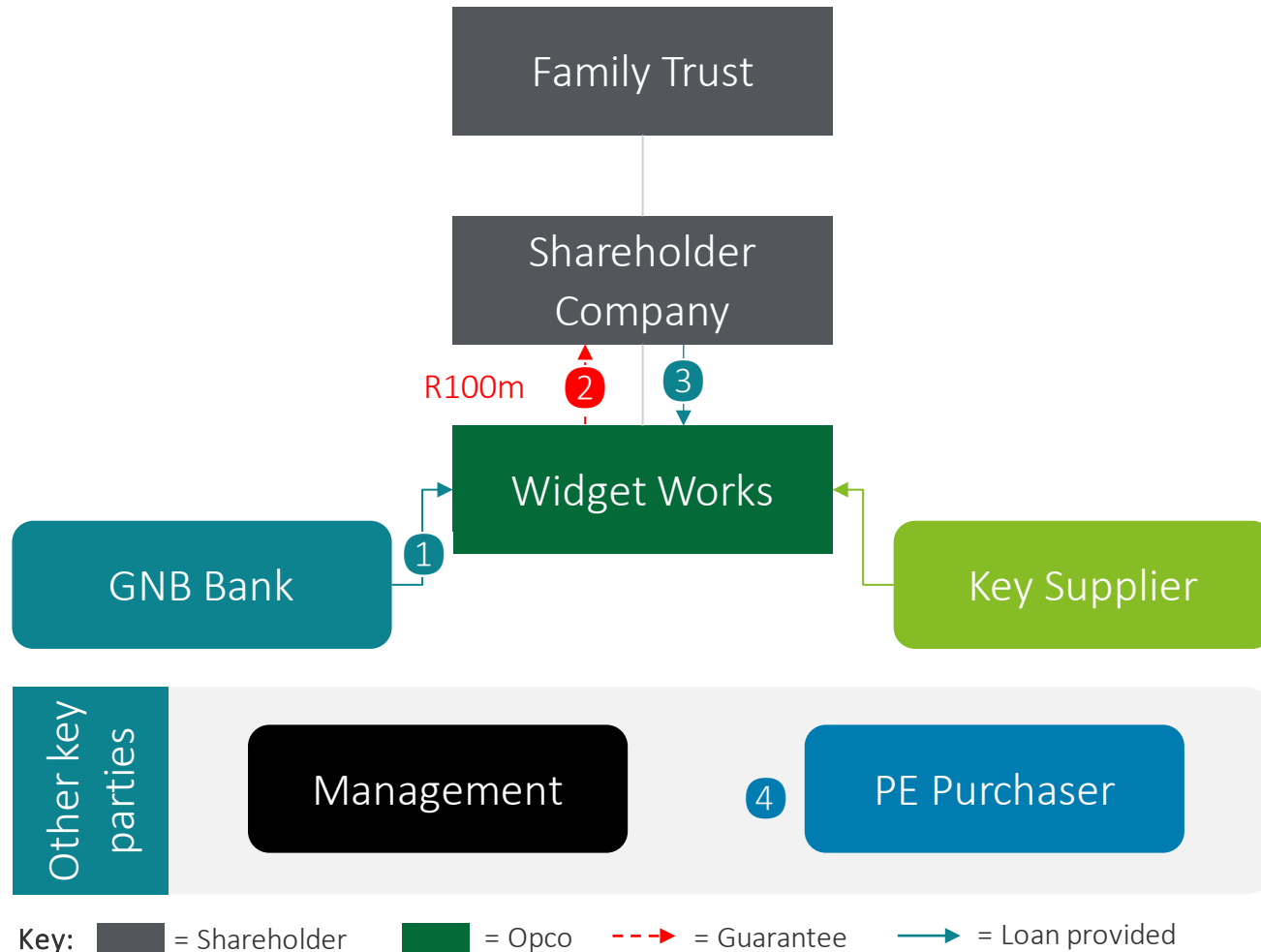
Case study overview:
introducing Widget Works

Widget Works at a glance

- Widget Works (WW) is one of the **few local players left in the South African widget manufacturing industry**, supplying **generic and high-quality specialised widgets**.
- **High-quality, specialised** widgets is WW's **USP** (there is no competition in this space).
- WW **competes with Chinese manufacturers** for the supply of **generic widgets**.
- WW **builds loyalty with customers** by offering customisation options to create bespoke widgets. These customers then **also make generic widget orders** (despite WW being **significantly more costly** than their Chinese-made counterparts).



Summarised group structure



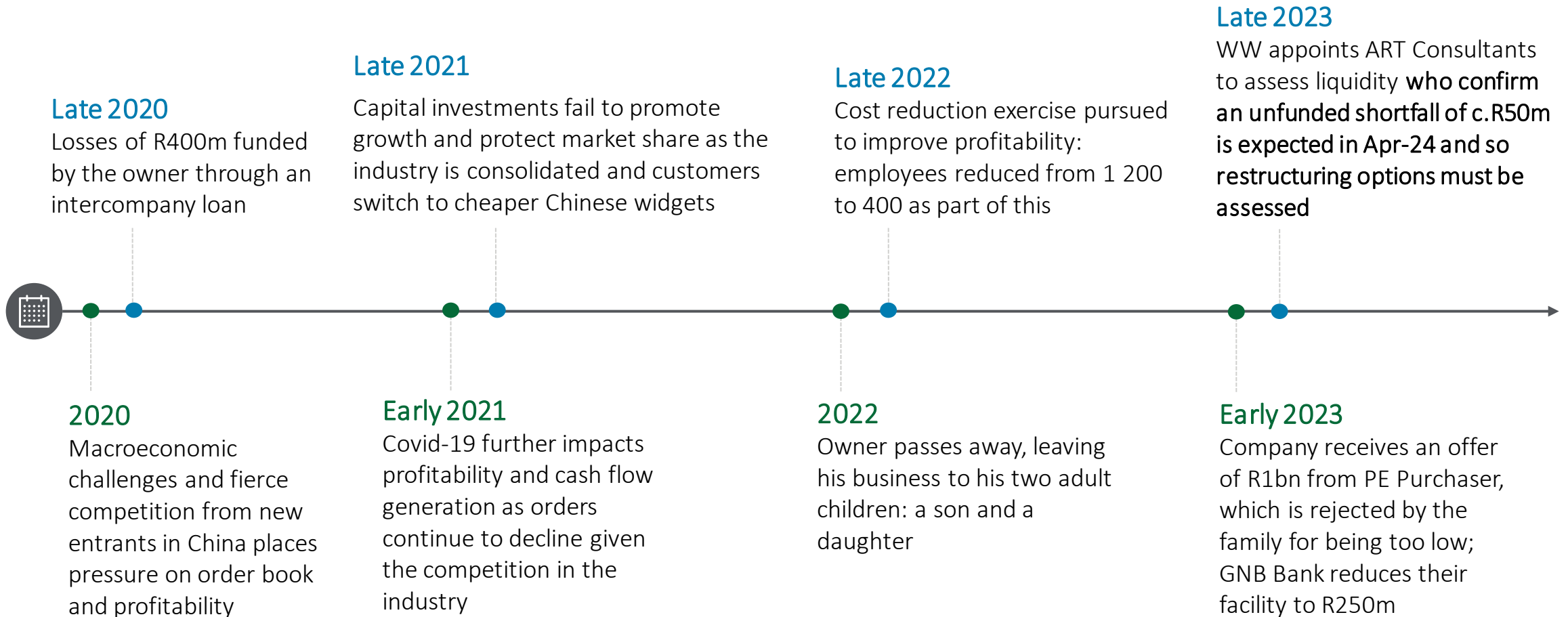
1 WW's primary lender is GNB Bank (R250m overdraft facility). WW's debtor book has been ceded to GNB Bank as security for their loan.

2 A default in WW could crystallise a R100m guarantee issued by the Shareholder Company.

3 Shareholders have funded shortfalls through an intercompany loan, which has an outstanding balance of R400m.

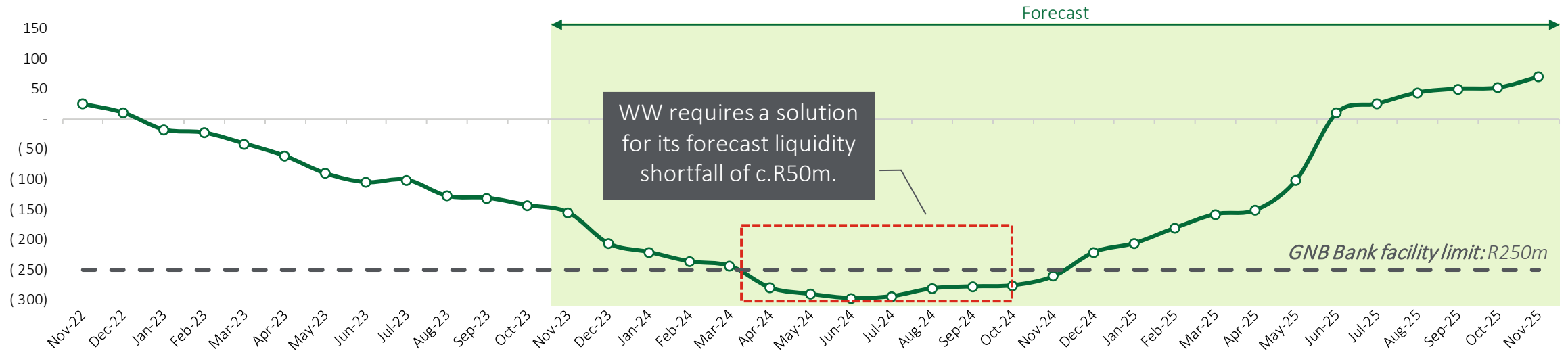
4 Interested parties include a PE purchaser that is looking to leverage the manufacturing capabilities of WW.

Timeline of key events leading to distress

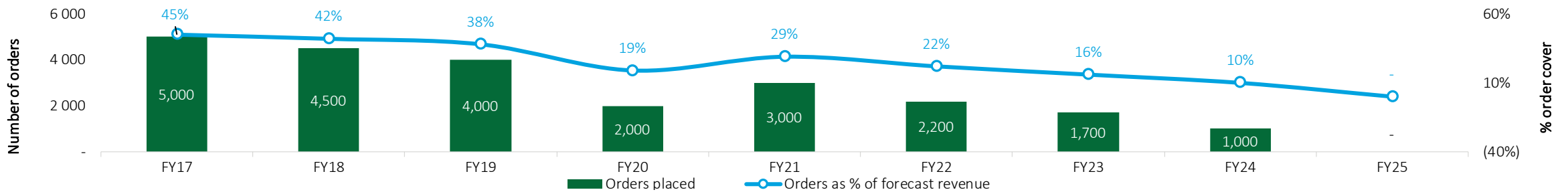


Liquidity runway

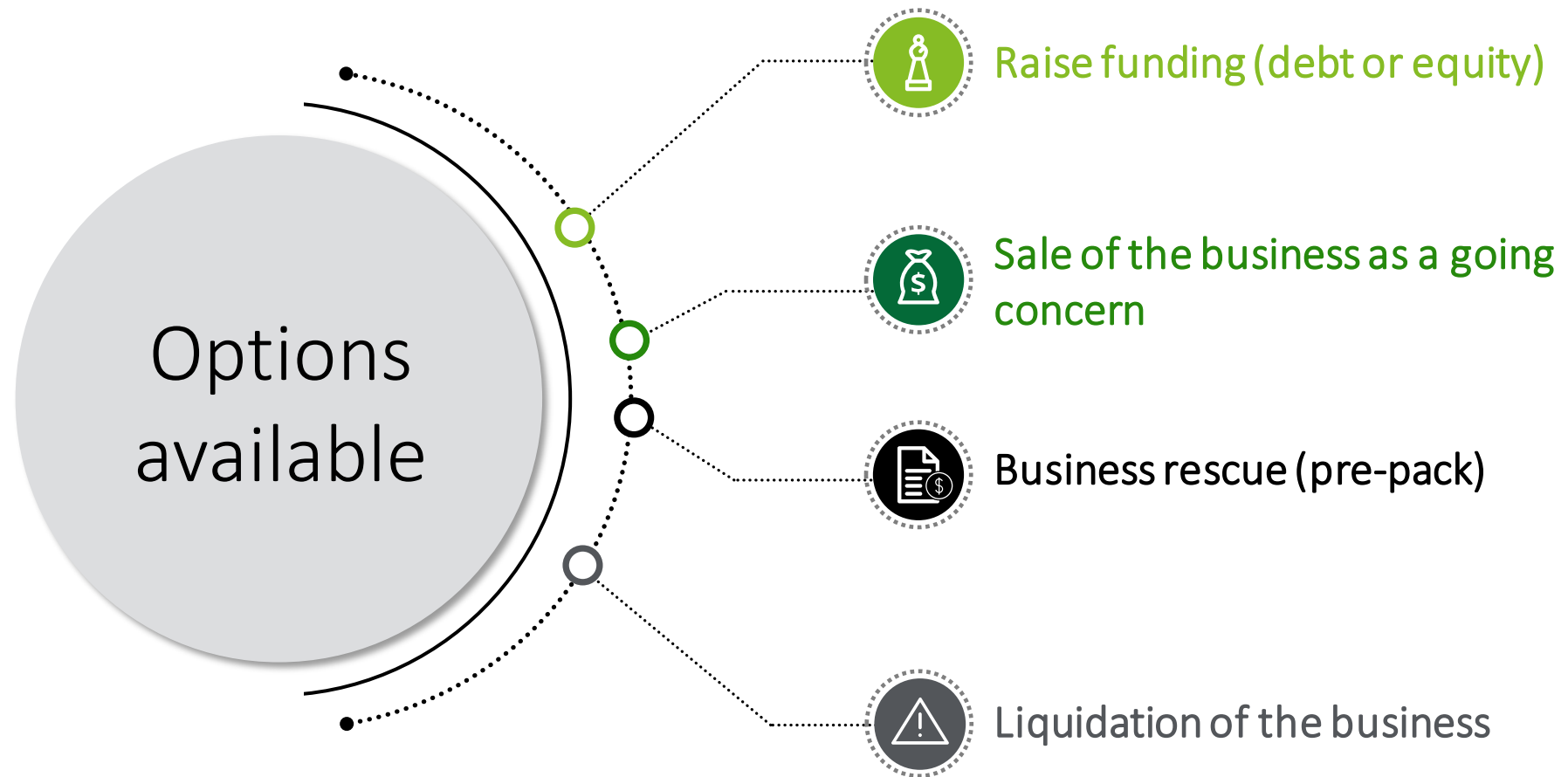
Closing cash forecast to Nov-25 (Rm)



Widget orders placed vs orders as a % of forecast revenue



Options available



Initial reactions to the situation: Family interactions



Daughter

“This company has been loss-making for some time now and dad’s already sunk our inheritance into this. There’s no way we’re putting another cent into this business. Is there any way to get our money back?”



Son

“This company meant everything to dad, how can you suggest liquidating it?! I want to keep his legacy alive...can I put in an offer to purchase the company?”

Family lawyer

“You could always consider liquidating the business? I’m not sure you would get anything back on the R400m intercompany loan, though.”





Family lawyer


“I don’t see why not...”




Initial reactions to the situation: Staff interactions

 **CEO**
“How do I fix this business? And how do I ensure we have funds to support us in the short-term... the bank said they won't give us more money, but maybe the family will?”

 **CEO**
“We still don't have an order book for next year, though... I think I need to see my guru Mr Musk, he can give me some advice – and maybe even some funding.”


Engineer employee 
“Market conditions aren't ideal right now, but if we keep offering the best quality customised widgets, we can win back customers and get this to work.”


Manual labourers 
“Well, whatever you decide, we will act if any more jobs are lost. We need these jobs to provide for our families and there aren't many options in this town...”

Initial reactions to the situation: Lender and supplier


 **GNB Bank**
“Why isn’t our facility getting repaid – it’s supposed to be revolving, but it’s been stuck at R250m for months now? I’m really starting to question whether this management team is up to the job...”


 **GNB Bank**
“I’ve just looked at the latest financial statements and the value of the debtors book we have as security is R375m – this only gives us 1.5x cover. We may be in trouble here...”


Key supplier 
“We haven't received any new orders or payment towards our last invoice. Widget Works is one of the last producers in South Africa – we might have a problem here”

Key supplier 
“We rely on WW for most of our orders. If we don’t get payment soon, we might need to switch to cash on delivery.”

Initial reactions to the situation: Purchaser and management

 PE purchaser
“This company doesn’t make sense in its current form. It’s been loss-making for years and I hear they don’t have any secured orders next year. The management team must go.”

PE purchaser 
“Let’s put in an offer. It’s a cheap way to buy their manufacturing facility, which we can repurpose to supply another company we own.”

 CEO
“I wonder if I need to disclose the lawsuit yet...we could be liable for up to R100m. But there’s no way we’ll lose that case, there’s no point in worrying everyone.”



Initial stakeholder views on options available



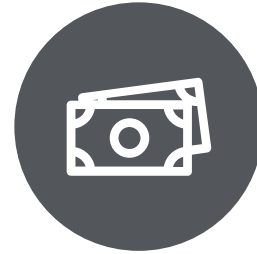
GNB Bank

*“A **sale as a going concern** will most likely be the cleanest **option for us**. That way, we get repaid and **don’t have to give away our security** to fund an insolvency process.”*



Shareholder (daughter)

*“We need to get our inheritance back, or at least as much as possible. Surely a **going concern sale** will help us get the most value for the business.”*



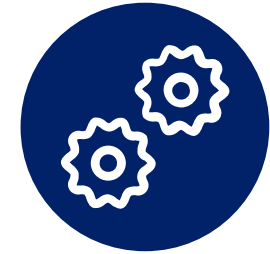
Management

“A lot of our employees are manual labourers that can find new jobs, but we will struggle so we need a solution that keeps the business going in its current form.”



Employees

*“We **don’t mind new ownership** if we can keep our jobs. There aren’t other opportunities for work in this market...we are **against any form of liquidation!**”*



Key Supplier

*“I would like to keep doing business with WW in a respectful manner... **hopefully new money brought in via a sale or bank debt can help pay for my invoices**”*



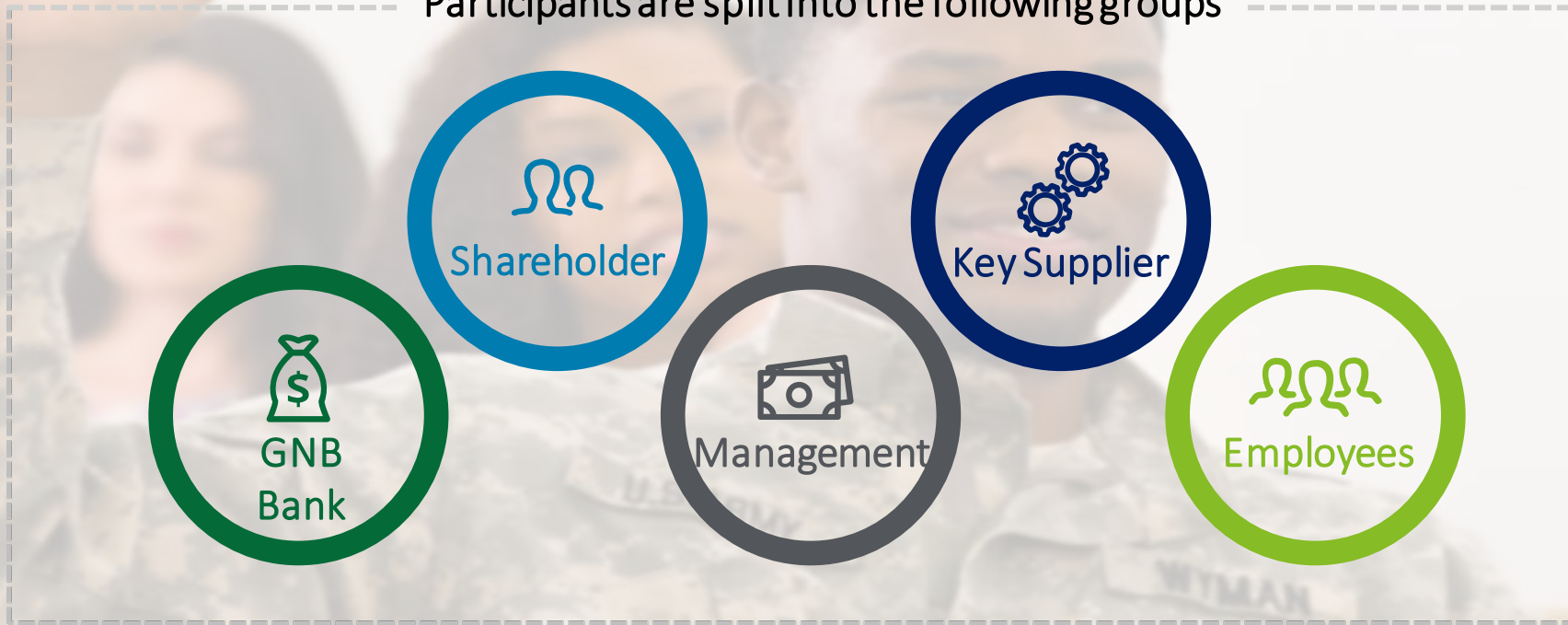
Case study: pre-pack feasibility

Case study

Case Study: pre-pack feasibility

- ⚠ WW needs at least R50m of “new money” and neither the existing shareholders or lenders will fund this! ART Consultants have been hired by the shareholder to consider a pre-pack sale.

Participants are split into the following groups

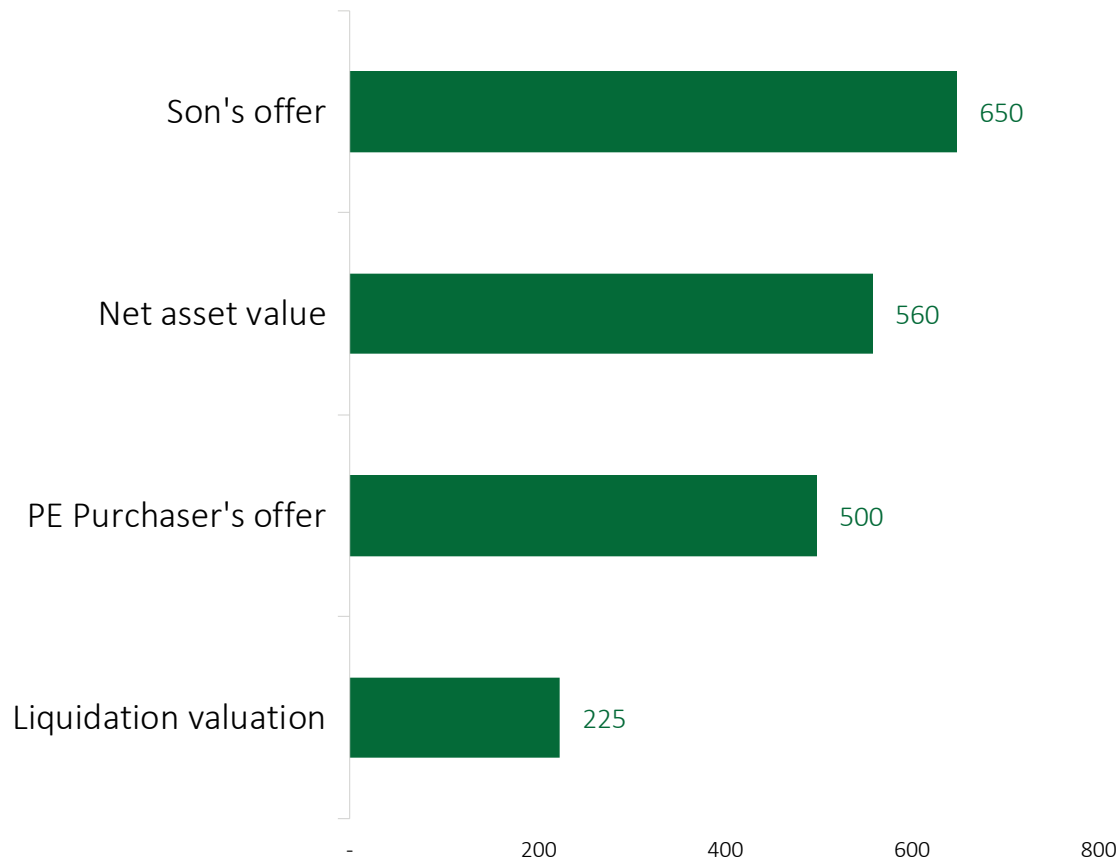


Offers received for WW

Area	Offer from Son (shareholder)	Offer from PE Purchaser
Purchase price	<ul style="list-style-type: none"> R650m 	<ul style="list-style-type: none"> R500m
Funding for purchase price	<ul style="list-style-type: none"> Fundraising required from friends and local lenders. 	<ul style="list-style-type: none"> Capital raised in a previous funding round that is readily available.
Strategy post-purchase	<ul style="list-style-type: none"> Deliver on existing strategy with the current management team and employees. 	<ul style="list-style-type: none"> Close the manufacturing facility for 6 months for repurposing and lay off management and engineers. 400 manual labourers are retained. Reopen the facility, which will supply an offtaker owned by the PE Purchaser.
Use of proceeds	<ul style="list-style-type: none"> R50m applied to GNB Bank facility, only if GNB Bank agrees to keep R250m headroom going forward. R200m to Key Supplier, bringing the outstanding balance up to date. R400m to the Shareholder loan. 	<ul style="list-style-type: none"> R225m to GNB Bank, with the remaining R25m written off and the facility cancelled. R60m to management and engineer employees for redundancy costs. R100m to Key Supplier, representing full and final settlement, with no further supply. R100m to the Shareholder loan, representing full and final settlement. R15m for transaction costs.

Valuation of the WW and illustrative outcomes vs liquidation

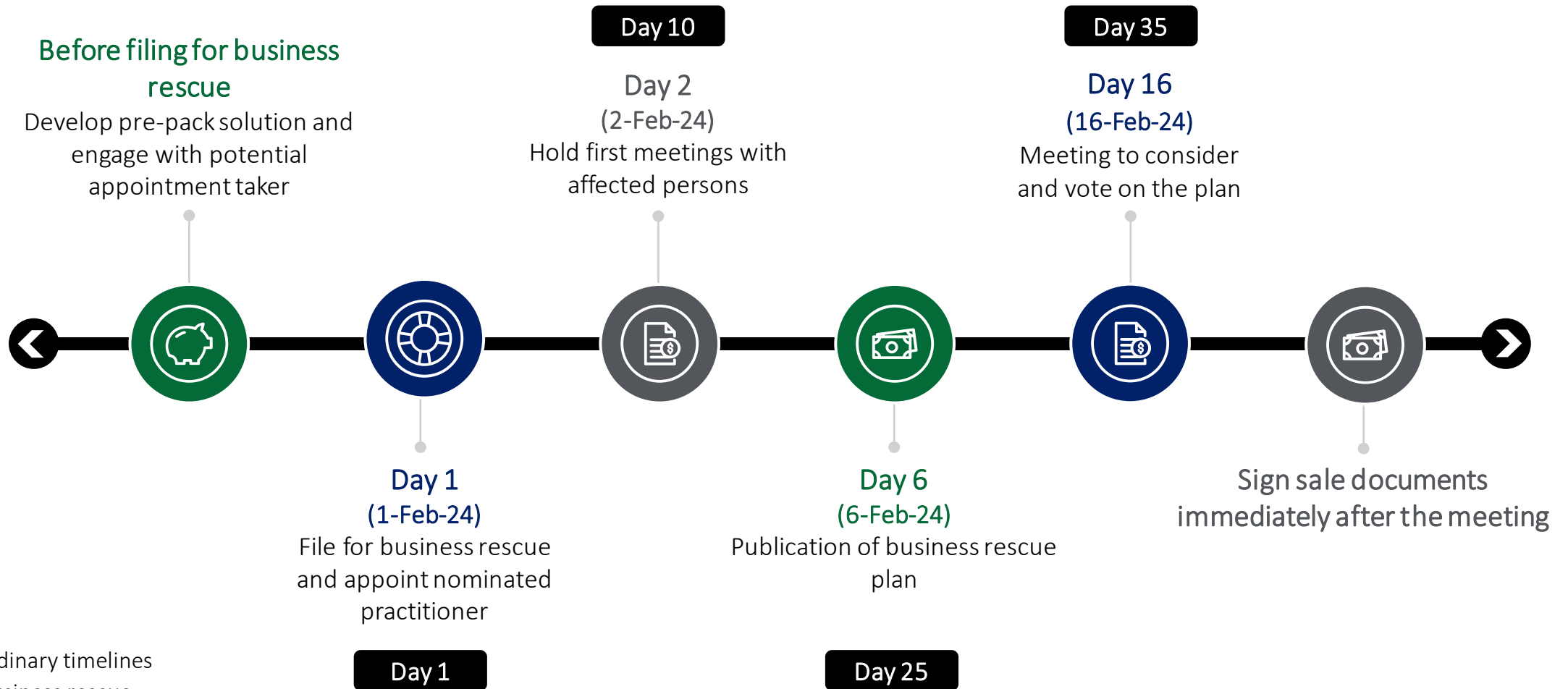
Valuation data points (Rm)



Estimated stakeholder recovery	Claim (Rm)	Illustrative recovery % in a pre-pack		Illustrative recovery % under liquidation
		Son's offer	PE Purchaser offer	
GNB Bank	250	20%	90%	75% ¹
Employees (lay-off costs)	60	Not applicable	100%	30%
Key Supplier	200	100%	50%	0%
Shareholder	400	100%	25%	0%

¹ In a liquidation, GNB Bank would call on the R100m guarantee provided by the Shareholder, which forms a key part of this 75% recovery.

How a pre-pack would work in business rescue



Group exercise

Question: pre-pack feasibility



Your table represents one of the five key stakeholders at WW (GNB Bank, Shareholder, Employees, Key Supplier, or Management).

In your table groups, please discuss the following:

- What risks and opportunities do you see in a pre-pack?
- Would you be supportive of a pre-pack? From which purchaser and under what conditions?
- Pick one alternative African jurisdictions – how would the risks and opportunities change in that jurisdiction compared to SA?

You have 20mins to discuss in your groups, followed by 10mins of feedback.



Case study: assessing restructuring options

WW loses R100m lawsuit

Reminder



CEO

“I wonder if I need to disclose the lawsuit yet...we could be liable for up to R100m. But there’s no way we’ll lose that case, there’s no point in worrying everyone.”



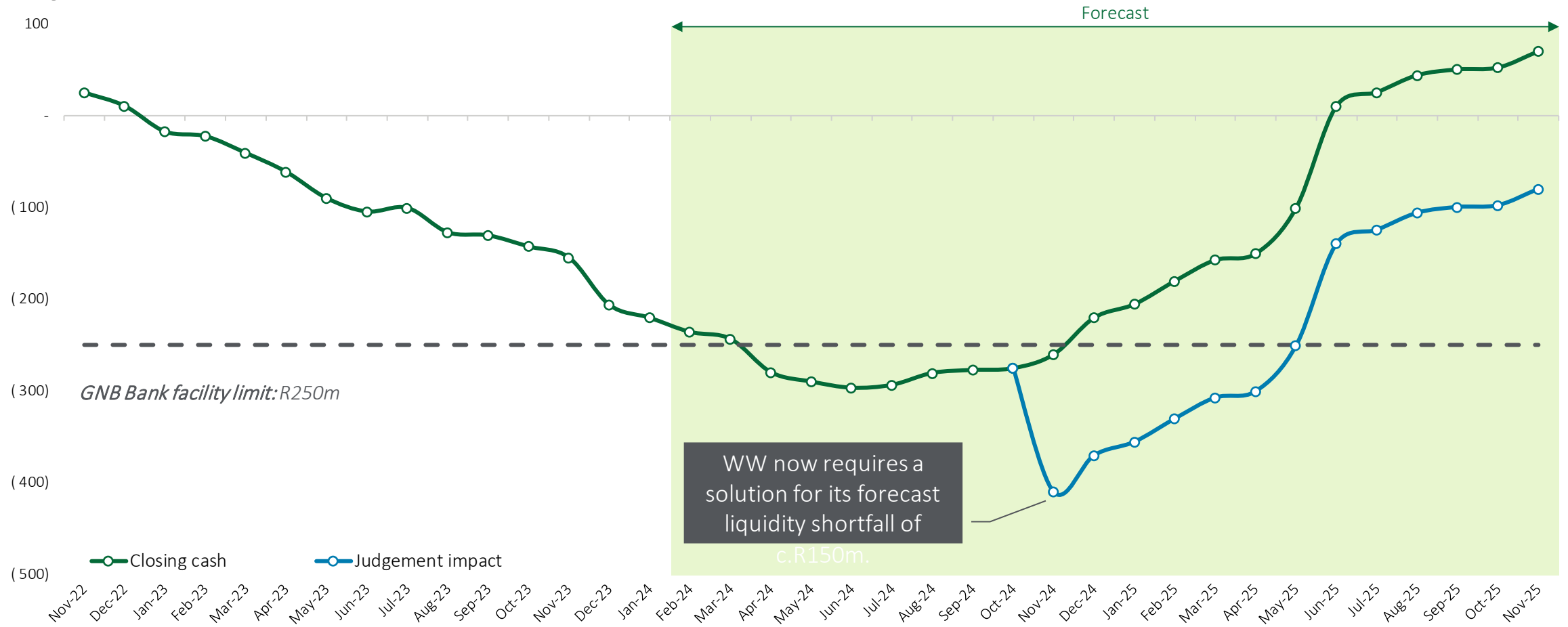
January 2024 judgement outcome

The Supreme Court of South Africa has ruled in favour of a major customer’s claim, resulting in an amount of R100m due and payable by WW by November 2024:

- Full settlement of the amount due results in a negative closing cash balance over the entire forecast period.
- **Total funding of R150m is now required.**
- The reputational impact of the judgement has yet to be assessed.
- An insolvency process may provide protection against payment of this claim.


Impact of the judgement on liquidity

Closing cash forecast to Nov-25 (Rm)



Case study

Case Study: restructuring options

 WW cannot afford to pay the amount due under the judgement! Given this new information, the options available to stakeholders has changed.

Participants remain in the following groups



Summary of WW options

1

Appeal judgement and do nothing

Appeal judgement and wait for verdict before pursuing options

2

Find a buyer that will fund the judgement*

The direct sale of WW as a going concern, with proceeds used to pay the judgement

3

Do not pay judgement and pre-pack sale

A pre-pack business rescue plan is negotiated with key creditors before entering BR

4

Do not pay judgement and file for liquidation

WW assets are sold to repay creditors in accordance with insolvency law

**A going concern sale in which creditors are paid in the ordinary course. The purchase price proceeds raised would be used to repay the judgement and debt (GNB Bank and Shareholder loan).*

Initial stakeholder views on options available



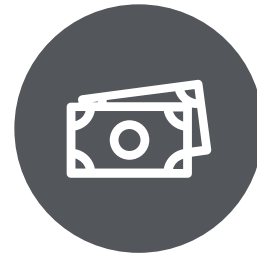
GNB Bank

*“There is no way WW can find a buyer with the judgement hanging over its head, and **we will not support a liquidation that erodes our security.** It may be time to call on our guarantee...”*



Shareholder
(daughter)

Daughter: “We cannot believe management hid this – we can’t see how the company survives this.”
Son: “My offer is off the table – I can’t support this management team.”



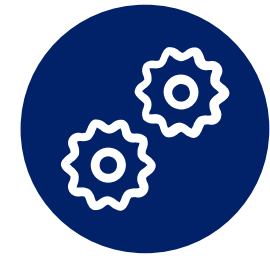
Management

*“Everyone is getting carried away. **We will appeal the judgement,** and our lawyers have advised that there is a high chance we will be successful. **Patience and cool heads is what is needed here.**”*



Employees

*“When we fall short, we face disciplinary action and dismissal – why does management play a different game? **A new management team and better lawyers could fix this and save our jobs.**”*



Key Supplier

*“If WW can hide something like this, what else are they hiding? We hate to do it, but **it’s time to move to cash on delivery terms** and send a letter of demand for our outstanding balance.”*

Revised offer received for WW

Area	Revised offer from PE Purchaser
Purchase price	<ul style="list-style-type: none"> R350m
Strategy post-purchase	<ul style="list-style-type: none"> No change.
Use of proceeds	<ul style="list-style-type: none"> R200m to GNB Bank, with the remaining R50m written off and the facility cancelled. R60m to management and engineer employees for redundancy costs. R50m to Key Supplier, representing full and final settlement, with no further supply. R20m to the Shareholder loan, representing full and final settlement. R20m for transaction costs.

Estimated stakeholder recovery	Claim (Rm)	Illustrative recovery % in a pre-pack	Illustrative recovery % under liquidation
GNB Bank	250	80%	75% ¹
Employees (lay-off costs)	60	100%	30%
Key Supplier	200	25%	0%
Shareholder	400	5%	0%

¹ In a liquidation, GNB Bank would call on the R100m guarantee provided by the Shareholder, which forms a key part of this 75% recovery.

N.B. The founder's son has withdrawn his offer. A new sales process is required to identify additional buyers.

Group exercise

Question: restructuring options



As in the previous exercise, your table represents one of the five key stakeholders at WW (GNB Bank, Shareholder, Employees, Key Supplier, or Management).

In your table groups, please discuss the following:

- What option do you support, and why?
- With hindsight, how could you have improved your position?

You have 20mins to discuss in your groups, followed by 10mins of feedback.

The background of the slide features a warm, orange-toned sunset sky. In the foreground, the dark silhouettes of two people are visible on a rocky cliff edge. One person is standing on the cliff, leaning forward, while the other is hanging from their hands, appearing to be climbing or being lowered. The overall mood is one of challenge and teamwork.

Case study outcome and key
takeaways

Case study outcome



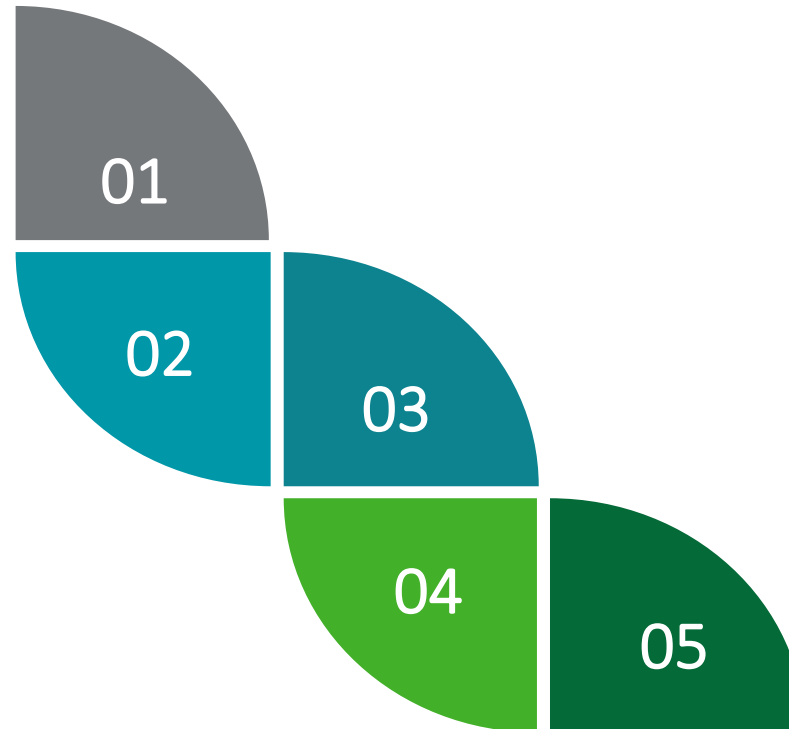
The appeal was denied by the SCA and a pre-pack did not take place



PE firm purchased the business at a significant discount through liquidation



Value was destroyed through the liquidation process



Additional capital was injected to support operations



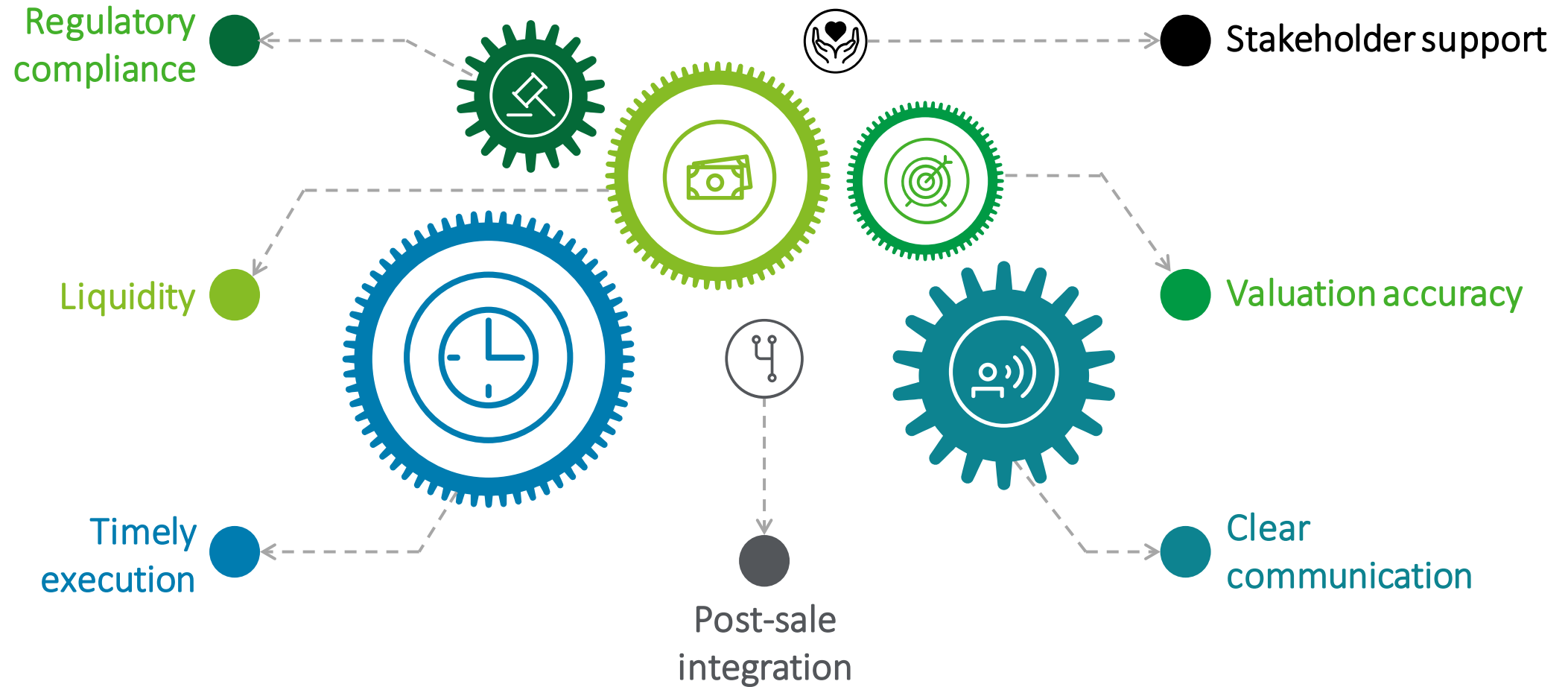
Over time the business is transformed to complement the PE firm's portfolio



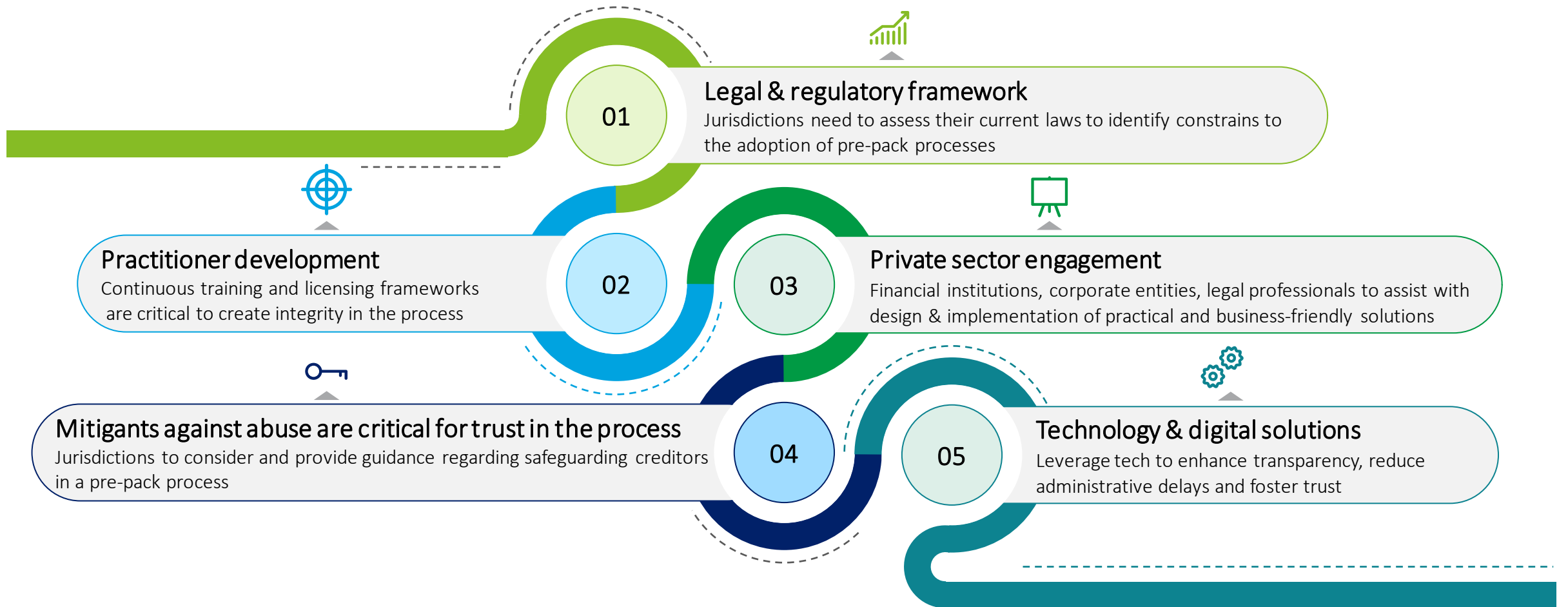
Conclusion

A true pre-pack process would have prevented this value destruction.

Key takeaways: Critical success factors for a pre-pack



Key takeaways: Next steps for pre-packs in Africa



Closing Remarks

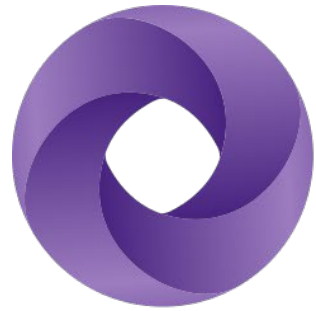


- **Adam Harris, INSOL International Past President, Bowmans, Republic of South Africa**
- **Will Paterson, INSOL Fellow, World Bank Group**

Africa Round Table Networking Reception & Dinner



Hotel Garden - drinks from 6pm



Grant Thornton