



Rodgers Reidy
Insolvency · Forensic · Reconstruction



BTG Global Advisory

Webinar Summary

Around the World with Rodgers Reidy & BTG Global Advisory

Impacts of COVID-19 in Australia, New Zealand,
Malaysia, Hong Kong, Canada and the United States.

Wednesday 16th September 2020
12.00PM - 1.00PM (AEST)



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UNITED STATES

COVID-19 IMPACT

The uncertainty of the upcoming presidential election has added even more economical stress on top of the stress from the COVID-19 pandemic.

CMBS: The first half of 2020 has seen \$12.1 billion of loans go into default, compared to the first half of 2019 which saw only \$1.2 billion in default (10x times higher).

GOVERNMENT RESPONSE

- \$2.4 trillion has been put into the economy by Government support programs, including almost \$700 billion that covers payroll for certain eligible businesses.

INDUSTRIES MOST HARD HIT SO FAR INCLUDE:

- Hotels and tourism are the most affected - social unrest has added greatly to this;
- Hospitality and restaurants;
- Some retail stores and shopping centres - thousands of stores are expected to be liquidated and people losing their jobs;

INDUSTRIES DOING WELL:


- Home renovations;
- Residential Real Estate



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CANADA

COVID-19 IMPACT

Canada went into lockdown in March but the financial impact of the crisis has been buffered by 2 main factors:

- Significant sums of Government stimulus that has been put into the systems; and
- Chartered Banks, who are very dominant in Canadian landscape, have been very patient with borrowers and are not enforcing unless absolutely no choice.

Some of Government support programs, include:

- Canadian Employee Wage Subsidy (CEWS) - 75% wage subsidy to Companies to keep people working. More than \$9.5 billion has been advanced under this important program.
- Canada Emergency Business Account (CEBA) loans (\$40,000) and other Business Credit Availability Programs (BCAP) that have been deployed through banks, with Government guarantees and co-lending.
- Canada Emergency Commercial Rent Assistance (CECRA) – to support commercial tenants – This program had mixed success.
- Tax holidays/deferrals on filings and remittances for companies and individuals.

About 38% reduction in GDP in Q2 due to COVID. There was bounce back in Q3 but it is artificial as a result of stimulus and social support programs. The future recovery prospects and timing are uncertain. There have been significant job losses and there are concerns whether many of these jobs will come back, particularly in heavily impacted sectors referenced below. Also, real concerns about what happens when government programs tail off.

Industries most hard hit so far include:

- Airline Industry – largely shut down but no formal insolvency filing to date.
- Retail impact has already started. Winners are grocery chains and retailers that have successfully moved online. Bricks and mortar stores in malls are suffering.
- Oil & Gas is performing poorly
- Tourism, sport and entertainment (eg. Cirque du Soleil)



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MALAYSIA

COVID-19 IMPACT

CURRENT COVID-19 SITUATION AND CORRESPONDING TIMELINE

- Movement Control Order : 18 March 2020 – 3 May 2020
- Conditional MCO : 4 May 2020 – 9 June 2020
- Recovery MCO : 10 June 2020 – 31 December 2020
- During MCO period, it's estimated that Malaysia's economy suffers daily losses of RM2.4 billion (USD\$556 million).

PROTECTION / SUPPORT

- Temporary Winding Up Protection (April 2020) from 23 April 2020 to 31 December 2020
- Six (6) automatic Moratorium (April 2020) on Loan Repayment for SME and Individuals (April 2020 - September 2020), thereafter targeted moratorium extension / post moratorium assistance
- Income Support and Wage Subsidy Programme (April 2020 & June 2020) for retention of employees
- Special Relief Facility Funds, Credit Scheme and Grants (April 2020 & June 2020) for SMEs
- Short Term Economic Recovery Plan (June 2020) focusing to empower people, propel business and stimulate the economy through various initiatives (tax deduction / relief for businesses and individuals, grants etc)
- Cutting of Overnight Policy Rate (January, March, May and July 2020) to encourage spending and lower cost of borrowings with a view to spur the economy
- Covid-19 Bill which was passed in lower house of Parliament (August 2020) covers areas such as non-performance of contractual obligation, housing development law (LPI, late delivery of VP and liquidated damages), increased threshold for bankruptcy (RM50,000 to RM100,000) and setting up of Covid-19
- Mediation Centre (subject to approval by upper house of Parliament). Too little too late or better late than never? Compared to Singapore and Australia which was passed in a very short period of time.

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MALAYSIA

COVID-19 IMPACT (CONTINUED)

LOSERS

- Hospitality & Tourism Related Industry mainly due to MCO and Travel Ban (Closure of Hotels around Malaysia)
- Aviation (Malaysia Airlines, AirAsia, Malindo)
- Brick and Mortar Retailers and F&B
- Entertainment (Gaming, Cinemas, Nightlife) and Event Related Companies (Large Scale Events such as Exhibition, Concert, Sports, Cultural)
- Industries that rely on cheap, low skilled migrant workers
- (Manufacturing, Construction and Plantations)

WINNERS

- Rubber Glove Makers (Emergence of two new (2) billionaire in Malaysia due to the surge in global glove demand as world largest producer with market share of 65%)
- Manufacturer of medical related products such as Face Mask, PPE, alcohol wipes and sanitisers
- E-Commerce Platforms & Contactless Payments

CURRENT TREND & MOVING FORWARD

- What happens after automatic moratorium ends on 30 September 2020 and end of temporary winding up protection on 31 December 2020? Due to the temporary winding up protection afforded, we noticed an increased take up in Scheme of Arrangement and corporate rescue mechanism options such as Judicial Manager, Corporate Voluntary Arrangement (i.e Turnaround and Restructuring);
- Proposed Companies (Amendment) Bill 2020 with an aim to strengthen restructuring framework through scheme of arrangement and corporate rescue mechanism.



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HONG KONG

COVID-19 IMPACT

SUMMARY

- The Hong Kong economy has been affected by the social event since June 2019 and COVID-19 in 2020.
- Unemployment rate reaches the highest mark of around 6% since the SARS outbreak in 2003.
- Due to social distancing and restrictions of travel, dine-in and social activities from the Government, the F&B industries, airlines, travel agents, cinemas, retail shops have affected at least 70% of their turnover. Many of these have been shut down or wound-up. A lot of employees are being laid off, or with pay cuts/no paid leave.
- Some of the Hong Kong branches or regional headquarters of MNCs are being downsized or closed down. There are some worse off cases where their head offices overseas have been wound-up by force and the offices in Hong Kong are also being put into liquidation.
- Bankruptcy cases have risen significantly during the last few months and many of the companies are in liquidation. In 2020, Rodgers Reidy (HK) have handled cases like chain coffee shops from Korea, garment manufacturing and trading group of companies, travel agent groups of 4 shops, etc.



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NEW ZEALAND

COVID-19 IMPACT

SAFE HARBOUR PROVISIONS

The safe harbour provisions allow directors to trade during the safe harbour period (initially 3 April 2020 to 30 September 2020) without breaching section 135 (reckless trading) and/or section 136 of the Companies Act 1993 if:

- The company “was able to pay its debts as they became due in the normal course of business” as at 31 December 2019 (Pre-COVID-19 Solvent); and
- In good faith, the directors are of the opinion that the company:
 - has or will have short term, COVID-19 related liquidity problems over the next six months; and
 - will (more likely than not) be able to pay its due debts on and after 30 September 2021.

BUSINESS DEBT HIBERNATION

The government implemented a new business debt hibernation scheme to give businesses short term relief from their debts. The main components of the scheme are:

- A business can propose entry into the scheme and its creditors will have one month from when the proposal is notified to vote on the proposal. During this month, there will be a moratorium on the enforcement of debts;
- A majority of creditors (50% in number and in value) must support an applicant’s entry into the scheme;
- If creditors approve the applicant’s entry into the scheme, there will be a moratorium on the enforcement of debts for six months once the proposal is passed. The scheme will be binding on all creditors except employees; and
- While a business is operating in the scheme, further payments or dispositions made by the company to third party creditors (other than related parties) will be exempt from the voidable transactions regime. This exemption will incentivise creditors to continue supplying goods on credit to a company subject to the scheme.



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AUSTRALIA & VIC

COVID-19 IMPACT

BROAD OVERVIEW ECONOMIC EFFECT IN AUSTRALIA

- Australian first case Jan 2020 (Victoria), cases spiked in March;
- As of today, Australia has reported 26,738 cases and 816 deaths, with Victoria reporting approximately 75% of all cases;
- State border and Industry closures differing by state since March;
- Australia officially in its first recession for 29 years - 7% drop in GDP for June quarter. Future results difficult to predict & will depend on lockdown period in Victoria and how other states fare;
- Industries revenues hardest hit – tourism/hospitality (down 39%), arts and recreation (down 23%) and transport & warehousing (down 22%);
- Interestingly retail only down 5% - whilst store closures there has been a large online swing and workers can still fill orders;
- Estimated 1mill people lost their jobs - majority in hospitality, arts and tourism industries
- Unemployment currently at 7.5% with Govt estimating to peak at 9.25% by end of the year (estimated 1.2mill jobs lost).

VICTORIA

- Restrictions from 20 March – closed state borders, non-essential services (hospitality, gatherings) ceased, work from home if possible direction;
- Was thought number of cases contained - Hospitality briefly re-opened in June with strict distancing rules and patron numbers;
- Hotel Security bungle resulted in spike in cases, lockdowns in 10 Victorian suburbs commenced in June;
- By July metro Melbourne in Stage 3 lockdown – can only leave home for food, exercise, medical, permitted work;

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AUSTRALIA & VIC

COVID-19 IMPACT (CONTINUED)

- Metro Melbourne now in Stage 4 restrictions since 2 August –
 - > Believe currently harshest restrictions worldwide;
 - > Workplaces must close unless deemed permitted activity or all employees can work from home - RR Vic been working from home since March;
 - > Schools are closed – most parents in state are working from home whilst home schooling kids;
 - > Restrictions eased slightly on weekend – can go outside for 2 hours of exercise/outdoor gatherings 2 ppl per day – 5km radius
 - > Leave home grocery shop, medical reasons or if a permitted worker;
 - > Otherwise under curfew 9pm – 5am, cannot leave our house;
 - > Plans for restrictions to be eased as average daily cases between 30-50 per day;
 - > Based on the Victorian road map to recovery – can take dog to be groomed but we aren't allowed to get a haircut;
- This morning's daily case # 42 so hopefully on our way out soon.

Government relief - Numerous relief packages announced by both Federal and State governments:

- Job Keeper – \$86bn wage subsidy to keep people employed based on comparison to revenue from previous year (30% reduction). Phasing down to end March 21;
- Moratorium on company director's personal liability for insolvent trading – recently extended to 31 December (due to expire end of this month);
- Increase in expiration date of Statutory Demands and Bankruptcy Notices – from 21 days to 6 months extended to 31 December along with increased dollar thresholds before the notices can be issued to \$20k;
- Several industry specific financial support packages.



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NSW & QLD

COVID-19 IMPACT

- Queensland and to a lesser extent, NSW haven't been as badly affected by the 2nd wave of COVID-19;
- Border closures in place between NSW/Vic and Qld/NSW political tension;
- Current daily cases are between 5 to 20 in each state;
- Sydney commercial buildings are at 40% occupancy;
- Many viable businesses are struggling to obtain insurance renewals;

Winners and Losers in two (2) paced economy:

WINNERS

- Infrastructure spending (eg earthmoving, roadworks etc)
- Suburban Local cafes/shops (due to working from home);
- Outdoor/at home fitness (eg bike shops, sport stores, active wear);
- State Based domestic tourism – Regional Areas;
- Deep Cleaning businesses;
- Agriculture (improved season) – however, issues with contracting labour shortage/border closures.

LOSERS

- Education (eg Universities/International Training Colleges);
- International tourism based businesses (eg travel agents, hotels/hostels, transport including buses and taxis);
- Traditional bricks and mortar Retailer in large/CBD centres;
- City based hospitality, Gyms and Cinemas;
- City based office space and associated services;
- Events/Arts based industries incl. Sport/Music/Cultural – most major events have been cancelled for 2020 and start of 2021 (incl City to Surf, Country Music Festival).



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NT & SA

COVID-19 IMPACT

NORTHERN TERRITORY

- Health – only 34 cases, no deaths and long period without an active case;
- Borders within borders – bio security zones to reduce risk to indigenous communities;
- Restrictions in March though soon eased – now only social distancing;
- Borders now open to all but Victoria.

GOVERNMENT SUPPORT MEASURES

- Range of stimulus measures - \$400M;
- Large Government presence – employs one in four of the Territory’s working population – cushions the impact on the NT economy.

WINNERS

- Hospitality bouncing back with Tourism voucher scheme bringing income and Jobkeeper meeting largest expense; a big winner has been Matt Wright “Outback Wrangler”;
- NT population - decline to be arrested? Now 245,000 (1% Australian population);
- Home owners / SME construction businesses - Home Improvement Scheme (\$103 million) – “screwdriver-ready projects” but alone not enough to arrest an economy already 5 years in decline;
- Labor Government - return of current Government for a second term - re-focussing from budget repair to stimulus spending, and a focus on border controls helped the current Government retain power in the August election.

LOSERS

- Tourism operators reliant on international visitors, remote tourism operators, event management, arts and recreation

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NT & SA

COVID-19 IMPACT (CONTINUED)

SOUTH AUSTRALIA

- Health – only 439 cases, 4 deaths, no active cases for weeks;
- Borders now open to all but Victoria.
- A number of businesses have not re-opened post initial lockdown.

GOVERNMENT SUPPORT MEASURES

- Range of stimulus measures - \$2 Bill
- Extension of lease assistance and restrictions on actions available to Landlords.

WINNERS

- Property prices continue to rise with no lull;
- Employment growing from worst position nationally
- Apprenticeship growth of 9.9% on pre Covid figures;
- Business growth across child care, security services, cafes, gyms, doctors, clothing stores and manufacturing
- Interstate tourism as people seek to travel within state borders.

LOSERS

- Universities with international students locked out;
- Tourism, event management, arts and recreation, catering and transport.



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TAS

COVID-19 IMPACT

- Tasmanian Population - 540,000 Approx;
- Covid Statistics: 230 Cases;
- 216 Recovered – 13 Deaths;
- 95% business classed as small business;
- Highest median age in the Country;
- Borders remain closed to at least 1 December 2020;
- State debt 2020/21 financial year could be as high as \$2;
- Anticipated up to 27,000 job losses & up to 12% unemployment rate (June 2020 Stats);
- Estimated to rise after Jobkeeper ends ;
- The Employment Vulnerability Index mapped data found the state with the most “high risk” areas was Tasmania at 34.92%;
- Hobart has recorded the sharpest drop in rents in the country, with units down nearly 4.5% and houses 2%;
- Since March, rent for houses in capital cities only dropped by 0.3%, with unit rents down by 2.6%.;
- The transition of short-stay accommodation into long-term, border closures and job losses contributed to the drop;
- Approx 8,000 households currently living in housing stress and 120,000 Tasmanians living below the poverty line;
- The Tasmanian Government initial series of stimulus and support initiatives exceeding \$1 billion;
- Significantly above average State spend per GDP;
- Focus on vulnerable industries such as Tourism, Construction, Hospitality;
- Recent Initiatives – Holiday at Home providing vouchers to residents to spend on local accommodation and attractions.

Tourism represents about 10% of our States economy & employs approximately 17% of people. This is much bigger than any other State in Australia.

In the year up until Sept 2019 Tasmania had seen over 1.32m visitors to the State, inc 293,000 overseas tourists. These visitors injected approx \$2.93b whilst here. This is all now at a standstill.



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WA

COVID-19 IMPACT

WA ECONOMY

- Mining industry is largest contributor to WA economy – accounted for 36% of gross state product in FY19;
- March 2020 – value of WA merchandise exports reached a monthly record of \$17.6 billion (including \$9 billion of iron ore exports), then declined in April and May 2020, but grew in June 2020 to \$15.7 billion;
- With initial COVID restrictions there were significant job losses – employment fell over 100,000 between Feb and May 2020;
- However, with the containing of the COVID spread and easing of restrictions, employment grew 40,000 in June and July 2020;
- BHP announced this week that they will relocate much of its interstate FIFO workforce to Western Australia in the face of the state's border restrictions, requiring new operational employees to live in the state or be willing to move to WA;
- WA Govt introduced \$444 million housing stimulus package;
- With the hard border in place, overseas visitor numbers - eg June 2020 – 510 visitors, down 99% on June 2019 (63,000 visitors);
- Retail trade rose in May and June 2020 as restrictions eased and households received income support etc;
- WA Govt has just announced extension of moratorium on residential tenancy evictions and rent increases to March 2021;
- The State Government is advertising state travel in order to stimulate the hospitality, tourism and agricultural sectors;
- WA Government is offering \$3m in incentives for WA residents to move to regional areas to help with 50% staff shortages in agriculture (especially in the Kimberley region) & fisheries for the forthcoming harvest season which relied heavily on backpackers for manpower.

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WA

COVID-19 IMPACT (CONTINUED)

INDUSTRIES – NO IMPACT/UPSIDE

- Mining – on back of strong resource prices;
- Tourism close to Perth (eg Margaret River etc) are experiencing significant demand as people are unable to leave WA;
- Construction is strong following an initial and short-lived decline.

INDUSTRIES – NEGATIVE IMPACT

- Regional tourism operators - especially North WA where international tourism was a major contributor;
- Agriculture;
- Civil Aviation (including tourism) - Australia wide;
- Transport;
- International education;
- Real estate;
- Automotive.