



Go Beyond

Navigating through turbulent times

Restructuring Advisory

October 2022



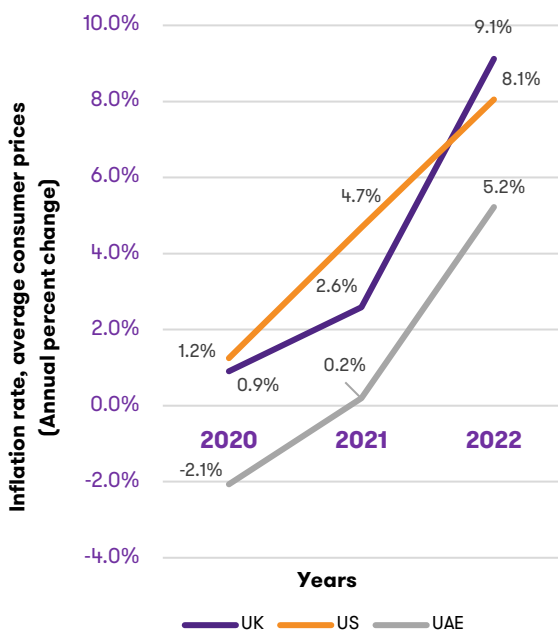
Volatility in global markets remains, presenting new challenges to businesses both locally and internationally

Rising inflation rates

According to the International Monetary Fund (IMF), inflation in the UAE is forecast to be 5.2% in 2022. Whilst this is not high compared to global inflation rates, businesses operating in the UAE are feeling the pressure of rising costs.

A survey conducted as part of the Grant Thornton International Business Report (IBR) H1 2022 illustrated that businesses in the UAE reported cost increases ranging between 14-18% for energy and utilities, raw materials, wages, equipment, bank and interest costs and taxes. As a result, companies are trying to protect their margins where possible through price increases. Where this is not possible, both profitability and liquidity are adversely impacted.

On a global level, over the course of 2022, inflation in the US and UK has consistently topped forecasts. As the world emerged from the COVID-19 lockdowns, we saw significant demand coupled with increased liquidity pushing up the price of goods. Furthermore, lockdowns in certain jurisdictions caused fractures in the global supply chain, placing further upward pressure on prices.



Source: The International Monetary Fund (IMF) World Economic Outlook database: October 2022

The effects of the Russia-Ukraine conflict are impacting global supply chains which are put to the test as the world economy reshapes itself in response to the situation. Energy concerns have become increasingly prevalent with an exponential increase in crude oil prices across the world during the course of 2022.

The crisis in Europe highlights an important issue — the sensitivity of energy markets to geopolitical shocks.

Supply chain disruptions due to the conflict have ramped up the prices of several essential commodities including wheat and maize. These price increases have added to inflationary pressures and caused further distress on markets that are still reeling from effects of the pandemic.

	Avg. price in 2021	March 2022	Price Increase
Crude oil , WTI (\$/bbl)	68.0	95.89	41%
Natural gas, EU (\$/mmbtu)	16.1	102.6	537%
Maize (\$/mt)	259.5	748.0	188%
Wheat, US HRW (\$/mt)	315.2	1,123.4	256%
Aluminum (\$/mt)	2,472.8	3,445.0	39%
Nickel (\$/mt)	18,465	41,979.5	127%
Gold (\$/troy oz)	1,779.6	1,992.0	7%

Sources: Dubai Chamber based on World Bank, Investing.com, Bloomberg, Economist

Interest rate hikes

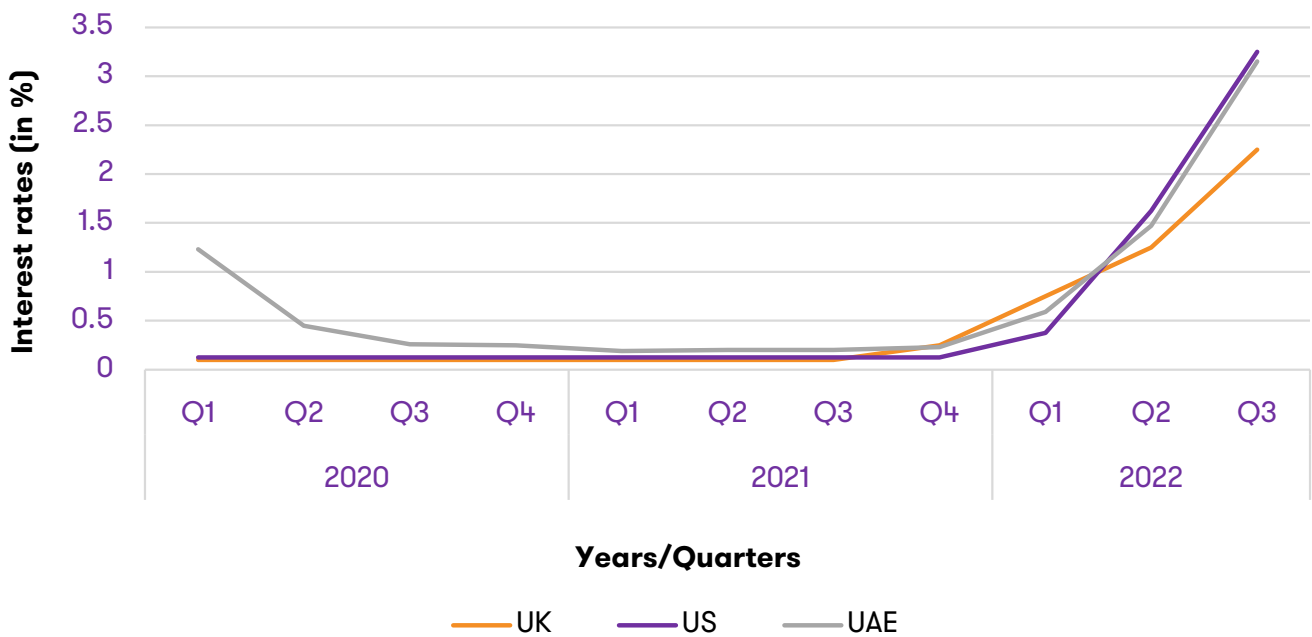
In an effort to manage inflation, interest rates globally have increased several times this year and are likely to increase further in the following months. Interest rate hikes announced by the US Federal Reserve are mirrored by the Central Bank of the UAE as its currency is pegged to the US dollar.

The Fed's recent interest rate increases are recorded to be the biggest since 1994.

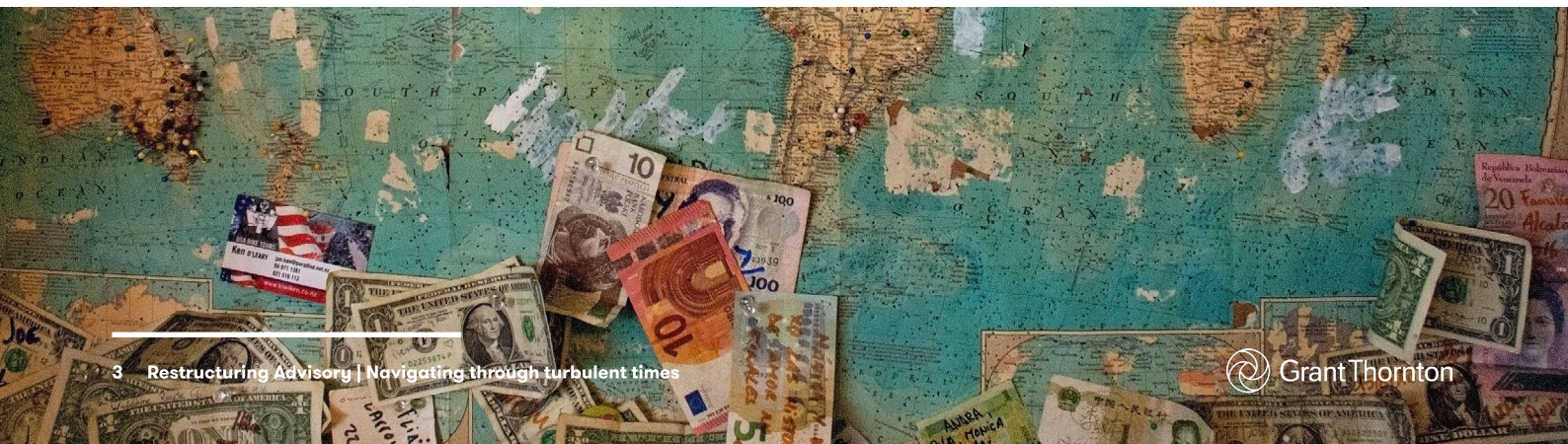
This is likely to have a significant impact on the global economy with the cost of capital increasing, forcing companies to look at their capital structure in order to achieve efficiencies where possible. Although increased oil prices have provided well-needed relief for GCC nations from the economic storm brewing in the West, the UAE is expected to experience slower growth in its non-oil sectors resulting from the joint effects of inflation and rising interest rates.

83% of UAE residents sense that their cost-of-living has increased compared to last year. As consumers resort to cut-backs on their spending, businesses are likely to be impacted.

Source: YouGov survey of 1,006 urban respondents in the UAE, July 2022



Sources: BIS and Central Bank of the UAE, September 2022



What can businesses do?



Get a grip on **liquidity**

The 2008 financial crisis and the COVID-19 pandemic have highlighted the importance of cash as the lifeline of any business as companies continue to operate under stressful conditions due to poor liquidity management. It is therefore essential that businesses manage liquidity through a series of cash management and cost reduction exercises. As the cost of capital increases, cash optimisation should be at the heart of a company's culture.



Enhance your **visibility**

Given the economic and geopolitical uncertainty, businesses need to continuously monitor internal and external factors that may impact their operations. This provides a comprehensive understanding of current business performance and helps identify areas of the business that require additional controls. While most companies have some form of a monitoring process in place, it is essential to maximise visibility to help improve the decision-making process. A thirteen-week cash flow forecast should be the cornerstone to any finance function as it provides enhanced visibility on the company cash position.



Undertake a **dynamic assessment** of your business

The purpose of a business review is to establish whether a company is performing satisfactorily or if additional value preserving or generating measures are necessary. Carrying out a holistic assessment of a business from both a financial and operational perspective is essential to understand potential future opportunities and goals, in addition to those currently being pursued. It is important for businesses to first understand which aspects of its operations require remedial action. Identifying this will involve undertaking a clear and thorough appraisal of its targets and goals for the future.

How can we help?

Grant Thornton can provide tailored solutions to businesses to help them steer through the challenges caused by the economic and geopolitical environment.



Debt Advisory & Accelerated M&A

- Raising new financing under stressed scenarios
- Refinancing existing facilities
- Accessing alternative debt markets to raise financing
- Appraising options available
- Identifying interested parties, marketing the opportunity, appraising offer(s) and completing an accelerated M&A exercise



Crisis Stabilisation & Turnaround

- Providing visibility and control over cash flows
- Optimising working capital for the business
- Unlocking additional liquidity for use elsewhere in the business
- Mediating company led strategy workshops
- Reviewing existing strategy in context of the business' ultimate objectives
- Driving changes within the business



Operational & Financial Restructuring

- Performing Independent Business Reviews (IBRs) and bank-led focused reviews
- Shareholder diagnostics
- Realise significant business improvement
- Implement new business strategies
- Preparing and reviewing short, medium and long-term cash flow forecasts
- Carrying out sensitivity analysis for businesses
- Preparing and implementing cost reduction initiatives
- Identifying of short-term cash savings
- Advising on implementation plans



Crisis Cash Management & Contingency Planning

- Formulating short-term cash flow forecast
- Assessing and preparing a payment prioritisation schedule
- Developing cash mitigation and rapid cash generation strategies
- Undertaking pre-insolvency planning
- Assisting with group restructuring or re-organisation



Corporate Insolvency

- Provide advice on insolvency options to companies, creditors, and other stakeholders
- Perform the role of officeholder in insolvency scenarios
- Protect assets and maximise value for stakeholders



Asset Recovery and Tracing

- As part of an insolvency proceeding, leverage on innovative methods for identifying and recovering misappropriated assets
- Utilising Grant Thornton's global reach to assist in recovery of offshore assets, while providing cost effective value recovery to clients

Speak to one of our experts on how we can support your business



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