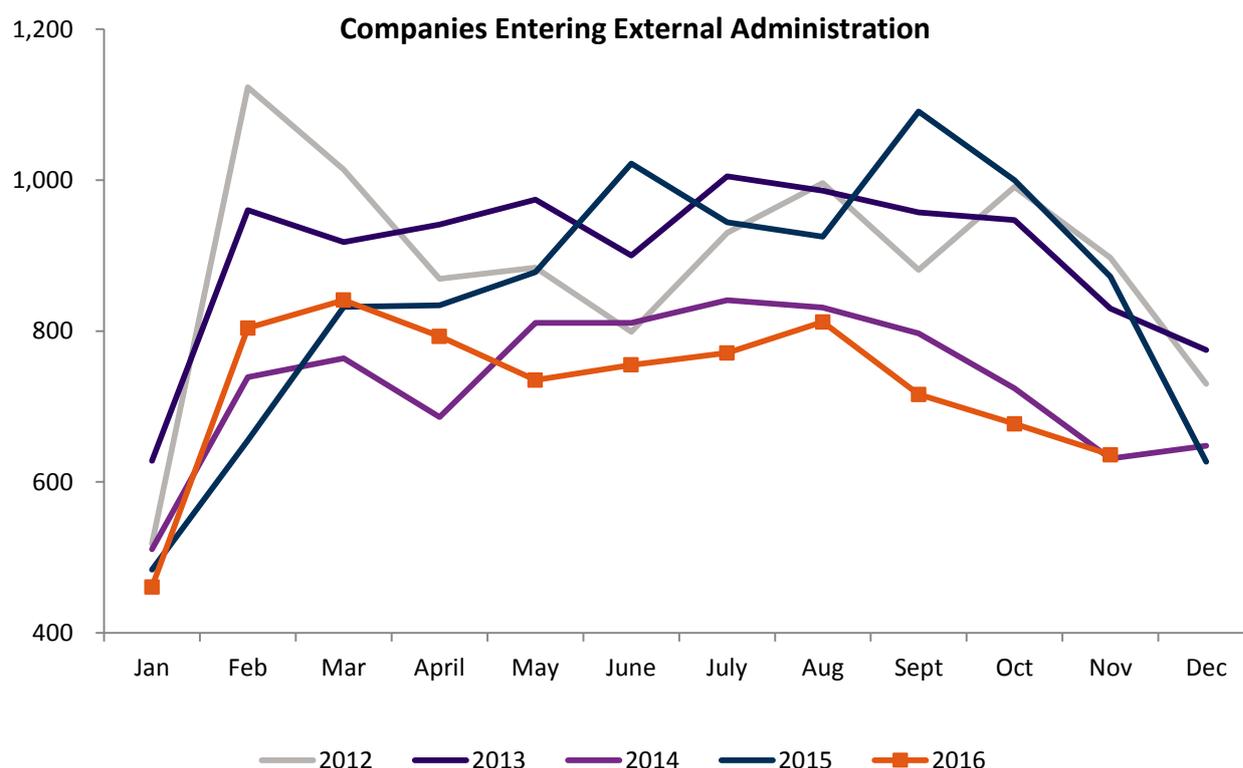


2016 Holiday Sales “Lukewarm” ... Leading into a Tough 2017 for Retailers

FTI Consulting's latest analysis of the latest ASIC insolvency statistics notes a fall in corporate insolvencies in Australia for the third consecutive month.

In November 2016 there were 636 companies entering external administration down from 677 the previous month, and 872 a year earlier. A decrease in insolvencies was seen across all states, with the exception of South Australia, Tasmania and the ACT. Western Australia and New South Wales recorded the lowest level of insolvencies since January 2016, with 73 and 179 companies entering external administration respectively.

By the end of November 8,001 companies had entered external administration, 1,536 fewer than the first 11 months of 2015 and the lowest for the period since 2007.



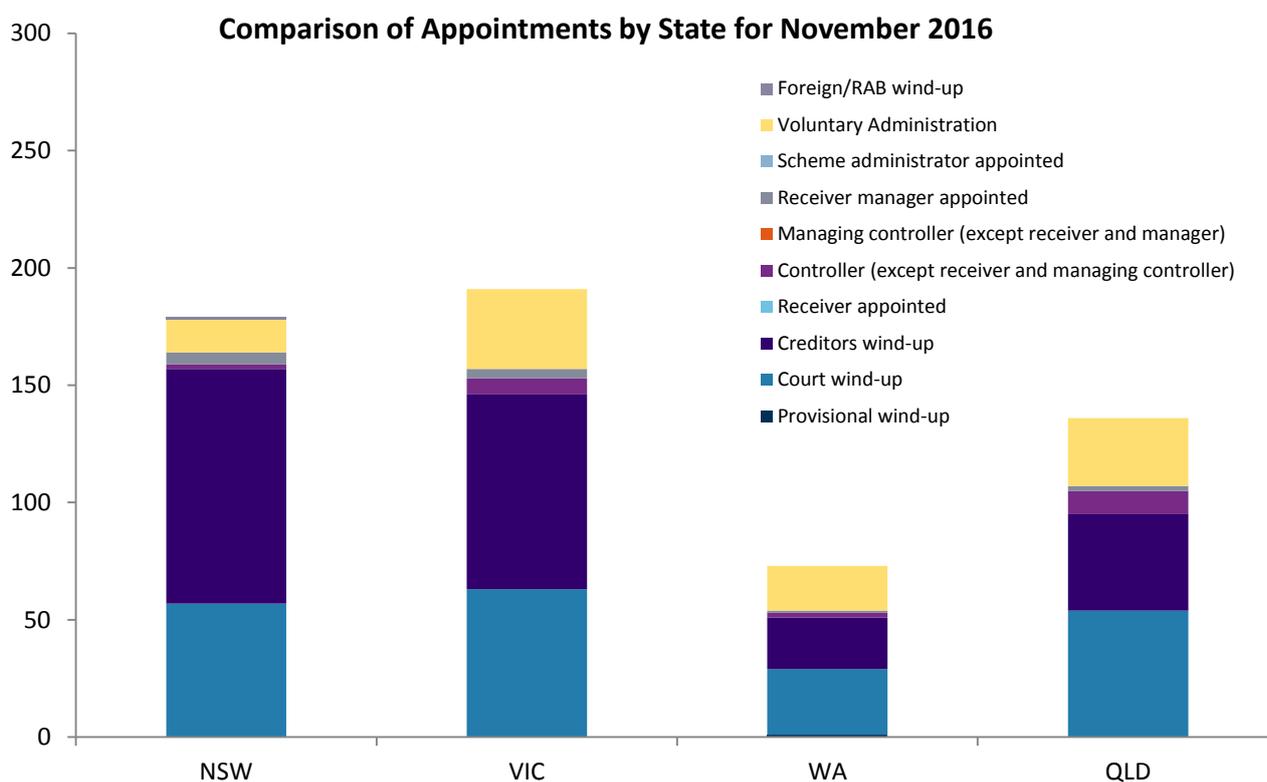
On appointment types, the biggest falls were seen in creditor wind-ups, at 261 from 300 in October 2016. Voluntary administrations fell to 107 in November 2016 after a sharp rise (48%) the previous month to 135. Court wind-ups rose to 218 in the month, having fallen by 28% in October 2016 from September 2016's figure of 274.

Tom Lemke, Senior Managing Director and Head of Retail, Asia Pacific, at FTI Consulting said that our restructuring experts are expecting the overall downward trend in appointments to continue in the December quarter and into 2017. However, following several high profile retailers encountering distress in 2016 including Laura Ashley, Dick Smith, and Masters, the retail sector may be once again at heightened risk in 2017. With the 2016/17 holiday sales being described by Citi analysts as “lukewarm” and a recent St George survey indicating that 39% of surveyed consumer respondents are planning to cut back on discretionary spending in 2017, this year may be more challenging for retailers than other sectors.

The expected entry of Amazon into Australia in 2017 will add a new layer of challenges to the Australian retail landscape. Amazon now accounts for 40% of all online sales in the USA and is also forecast to become the largest US apparel retailer in 2017. On top of its traditional strength in books and music, the arrival of Amazon will likely impact many more retail categories in Australia including tech, toys, sporting goods, home, and apparel.

“Amazon’s business model is built around gaining and evolving its understanding of each individual customer with every interaction and using its data, analytics and insights about that customer to provide a truly personalised experience,” Mr Lemke said.

“Australian retailers generally have been slow to use their data to drive improved customer experience and we believe this makes their businesses more vulnerable to well organised competitors.”



The analysis and comments follow a review of the ASIC Insolvency Statistics for November 2016.

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