

## **Ascent Partners Quarterly Survey – Oct 20.**

### **Overview:**

We conducted our Industry Quarterly survey on 20.10.20. The Survey asked about business's:

- Market sector.
- Actual sales results trend for six months Apr – Sep 20
- Forecast sales Oct 20 to Mar 21
- Forecast sales for the year Apr 21 to Mar 22.
- JobKeeper and major Budget stimulus measure uptake.
- Intended businesses actions for the next six months.

### **Major findings:**

#### **A. JobKeeper**

65% of respondents are on JobKeeper – i.e. they have experience sales falls of over 30%.

This confirms our last survey's results.

#### **B. Next Six months Sales Forecast.**

18% said their sales would be over 30% down compared to pre COVID levels – i.e. these respondents are still eligible for JobKeeper. This means roughly half (47%) of the industry will come off / or not be eligible for Job Keeper in the next six months.

Around 28% of respondents thought their sales over this period would be down between 10-30% compared to pre COVID levels. This group may still be able to right-size working hours of employees to 40% of their normal hours.

#### **C. Sales forecast for 12 months after Mar 21.**

Compared to pre COVID sales levels:

- Only 6% thought their sales would be down by over 30%.
- 22% thought their sales would be 10-30%
- 22% thought sales would be down 0-10%
- So, half of the respondents forecast a sales decline, the other half thought sales would be steady or growing.

#### **D. Uptake of Major Budget stimulus packages.**

When asked what about their uptake of the Instant asset write off and / or The Jobmaker hiring credit for the hiring of under 35 year-old employees, over the next six months:

42% said YES

58% said No.

This roughly equates to people's confidence levels – i.e. 38% of respondents thought their sales over this period would be either steady or increasing. That cohort is likely to take advantage of these stimulus packages.

### **Future Business Intentions. – next six months.**

62% of the respondents said they would “trade on” predominantly “as is” right sizing their operation to match incoming sales.

The remaining 38% said they would look to acquire other businesses (11%), downsize manufacturing (8%), look to merge, amalgamate, collaborate with others (9%), sell or close the business (1%), go through the new “Chapter 11” style insolvency route (2%) and other (7%).

### **Summary.**

JobKeeper has been able to save many businesses during COVID - 64% are on JobKeeper now and no doubt had that income not been there many would have been unable to trade.

Printers are optimistic in the main that sales will slowly return to the new COVID norm post Mar 21 – there will be winners and losers – half think sales will be steady or growing compared to pre COVID levels. The majority of the remainder think sales falls will be less than 30%.

I think it will be difficult for many to wean themselves off JobKeeper and returning to normal credit terms with creditors such as landlords. That loss of cash flow will be sorely missed. Hence “right-sizing” the business to match the new COVID norm will be commonplace (as indicated in the survey). That logically means businesses will need to reduce the workforce, either by reducing employees hours or via redundancy. Some may not have the cash to afford the redundancies.

With regard to the survey results, my view is that the industry may be overly optimistic with the size and speed of the recovery in their sales. The market was reducing pre COVID 5-10% per annum, so with half of the survey's respondents saying they expect sales to return or increase compared to pre COVID levels sounds unrealistic.

The culmination of these factors will mean many more will go down the path of the new “Chapter 11” insolvency process – note, the existing COVID 19 insolvency laws cease on 31.12.20. Also, more will go down the sale / close their businesses route.

Hence, the first six months of 2021 will be critical for many printers because of two major factors:

1. how much their sales actually come back and how quickly.

2. how they handle their reduced cash flow with the removal of JobKeeper and friendly creditor terms and return to normal insolvency laws / new Chapter 11 process.

Ascent Partners are here to help in providing objective business appraisals, business advice and business sales / acquisition / merger services. Call Richard Rasmussen – 04021 021 101 or email [richard@ascentpartners.com.au](mailto:richard@ascentpartners.com.au).