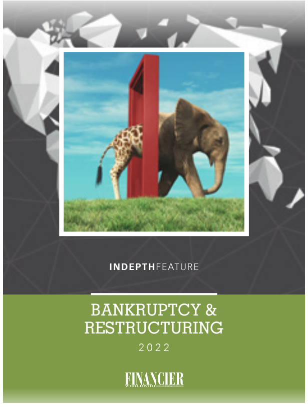

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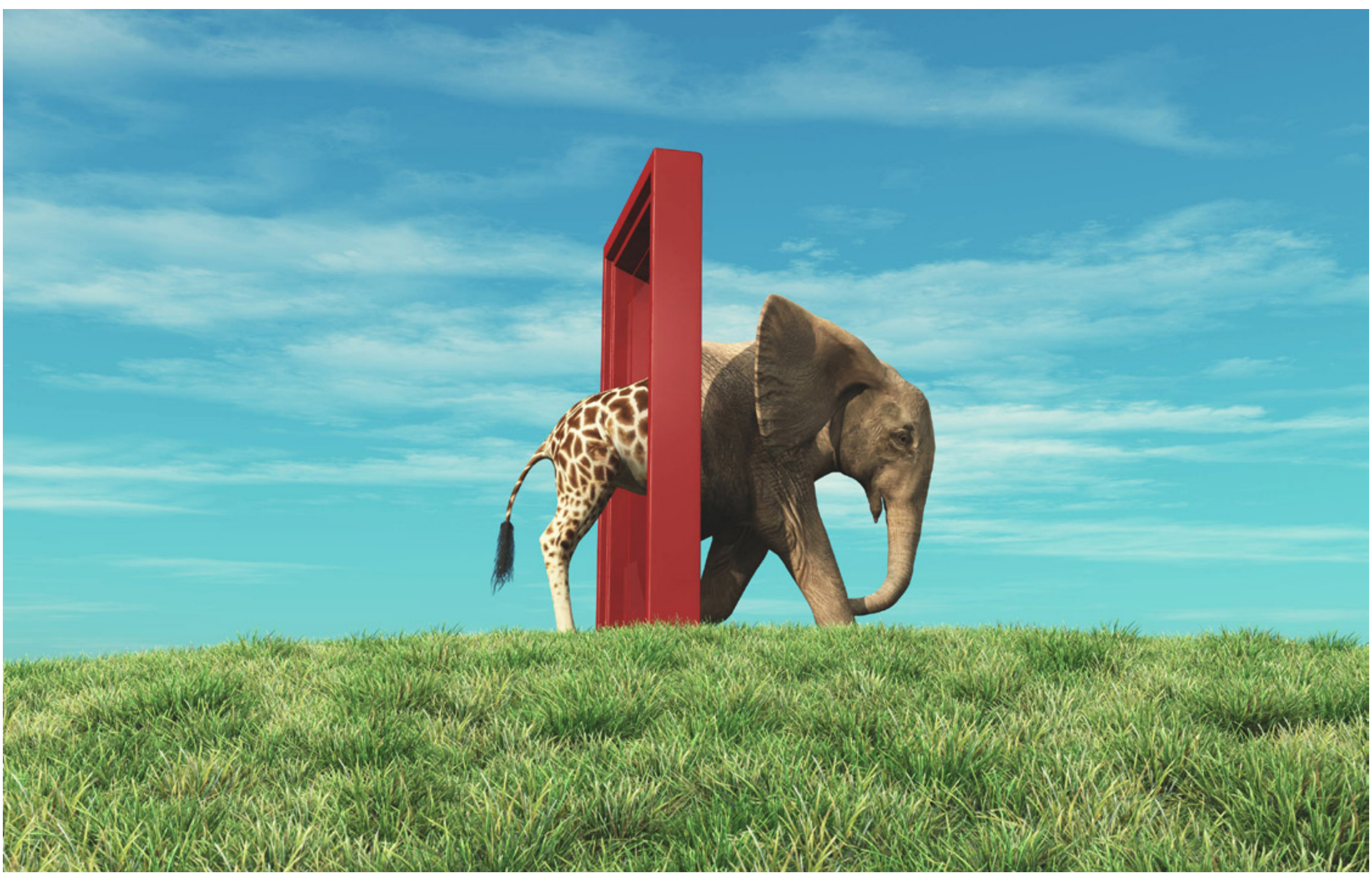
BANKRUPTCY & RESTRUCTURING

Financier Worldwide canvasses the opinions of leading professionals around the world on the latest trends in bankruptcy & restructuring.



GREECE

PwC Greece

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Q. Reflecting on the last 12-18 months, how would you characterise Greece in terms of failing businesses and bankruptcy filings?

A. The extensive government support schemes granted to companies affected by the coronavirus (COVID-19) pandemic, as well as a credit moratoria, contributed to the relatively low level of insolvency and restructuring activity seen over the last 18 months. In addition, the entry into force of the new bankruptcy framework in Greece coincided with the outbreak of the COVID-19 crisis, therefore it is not yet in full use. Data from the last two years suggests that many parties opted to postpone or re-examine potential restructuring transactions offering breathing space to companies affected by the pandemic.

Q. Could you outline the primary macroeconomic trends currently affecting businesses? Are any particular sectors demonstrating structural weaknesses, resulting in distress?

A. The Greek gross domestic product (GDP) achieved growth of 8.3 percent in 2021, compared to 2020. Strong growth, paired with falling unemployment, were expected over the next two years, however recent geopolitical developments have impacted growth expectations globally. Soaring energy prices and expensive transportation costs are driving inflation and the cost of living up, which, in turn, is eroding household purchasing power. Furthermore, the increase in input prices and the reduced availability of raw materials is negatively affecting the profitability of Greek companies, their ability to manage their working capital, and ultimately their cash generation capacity. But, as global travel restrictions are gradually lifted, the Greek market is likely to benefit from the recovery of tourism, an industry which contributes significantly to GDP and employment levels. However, factors such as different vaccination progress per country, people refraining from travel to limit health risks, the possibility of a new COVID-19 variant, increased energy costs and recent geopolitical developments, could prolong the recovery period from the pandemic.

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M&A activity will be driven by Greek banks continuing to offload their NPLs, loan sales in the secondary market and the sale of assets of distressed companies.

Q. Have any recent restructuring trends or cases in Greece captured your attention in particular?

A. The most significant development which will set the restructuring trend going forward is the new uniform insolvency framework, which entered into full force during the third quarter of 2021, repealing all previous laws. The Greek government introduced a radical refresh of the Greek insolvency and debt restructuring framework with the harmonising of its legislation with Directive (EU) 2019/1023 on preventive restructuring and second chance. The new framework introduces a toolkit of restructuring and insolvency solutions for corporate debtors and is divided into two broad categories, one aiming to prevent insolvency and the second managing bankruptcy, benefitting from dedicated tax and procedural incentives. The first category is designed to prevent insolvency. It includes the automated 'Out of Court Work Out' (OCW) mechanism, which is applicable to certain creditors, namely financial institutions (FIs) and the Greek state, and uses algorithms and data sets to produce debt restructuring proposals. It

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further includes the prepack-court ratified-business recovery, which has been retained from the previous framework, but infused with further features introduced either for harmonisation with the EU Directive or for introducing process improvements derived from the previous practice. The second category, capturing corporate insolvency cases, is streamlined through bankruptcy liquidation tools, including a going concern sale process.

Q. How easy is it to renegotiate existing debt in the current market? Is there funding available to support distressed companies and finance restructurings?

A. As Greek FIs continue with the implementation of plans to reduce their non-performing loan (NPL) exposure ratios through securitisation and portfolio sales, there is a growing level of distressed debt being managed by servicers who, in general, are willing to proceed with more radical restructuring solutions. However, securitisation and portfolio sales resulted in a significant number of distressed companies having no access to the banking sector. The latter makes it tougher for distressed companies to obtain financing from Greek banks. However, recently a few alternative funding providers have emerged which are willing to finance restructuring and distressed companies with asset-backed loans. Nevertheless, Greek banks are becoming more active in the provision of funding to investors in the context of distressed assets or acquisitions.

Q. What trends are you seeing in the market's appetite to purchase troubled assets? How would you describe recent distressed M&A activity?

A. There is currently significant M&A activity in Greece, with several large transactions announced over the last 12 months, a trend which we expect to continue. M&A activity will be driven by Greek banks continuing to offload their NPLs, loan sales in the secondary market and the sale of assets of distressed companies. Furthermore, the full implementation of the New Bankruptcy Law, along with the upcoming investment opportunities through the recovery fund programme (RRF), are expected to shape distressed M&A activity.

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Q. Could you outline some of the personal risks facing D&Os of a company that nears insolvency or enters bankruptcy in Greece?

A. During the ordinary course of business, directors owe a duty of care to their company and its shareholders for the timely identification and assessment of financial difficulties and solvency issues, as well as taking actions toward their resolution. It is also accepted in Greek practice that when the company is nearing insolvency, directors should take into consideration the interests of creditors, given their impaired position during insolvency. At the point where the company is in cessation of payments, the special provisions of the insolvency framework on directors' civil and criminal liability are applicable, including shadow directors. With respect to civil liability, directors are liable to provide restitution to creditors for damages caused by their failure or delay in filing for bankruptcy, unless such delays are attributed to their efforts to conclude a debt restructuring agreement or a rehabilitation agreement. Civil liability claims may also arise if bankruptcy has resulted from director gross negligence or wilful misconduct. Directors may face criminal liability if they cause a fraudulent bankruptcy or file under grounds which are attributable to their management of company affairs and may indicatively capture issues such as preferential payments, onerous or risky transactions, hiding of assets, financial statements, and maintenance of company books. Finally, Greek tax and social security legislation includes special provisions on joint and criminal liability for directors.

Q. How do you expect restructuring and bankruptcy activity in Greece to unfold for the remainder of this year, and beyond?

A. The expiration of credit moratoria and government support schemes, along with the uncertainty created by recent geopolitical developments, will challenge the sustainability of existing restructuring arrangements and reveal the need for more radical and permanent solutions. The onset of the pandemic shifted the corporate focus from investment to crisis management, including liquidity and working capital funding. For companies

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already in financial distress, there was a shift from complex restructuring solutions to 'survival' mode, with an emphasis on liquidity. The impact of the COVID-19 pandemic is receding, but considering recent geopolitical developments, the coming period presents a fresh set of challenges. There is an increasingly apparent need for transformation in the business model and in-depth operational restructuring of businesses to survive and prosper in rapidly changing markets. Investment in new technologies, new digital tools, the reconfiguration of operating models, redesigning of the supply chain, and promotion of environmental, social and governance (ESG) issues will be at the forefront of the new restructuring agenda. ❑

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PWC business restructuring services comprehensively advises corporates, lenders, investors and other stakeholders on restructuring and turnaround situations. Globally, professionals within the PwC network of member firms provide seamless advice from financial advisory to operational improvements, from reorganisation advice and working capital management to distressed M&A. M. Psylla - V. Vizas - G. Katrinakis Law Firm is the Greek member firm of the PwC Global Legal Network. The firm's dedicated insolvency and corporate restructuring practice supports and advises from a legal perspective on the design, structuring and implementation of efficient and viable solutions for financially distressed companies.

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