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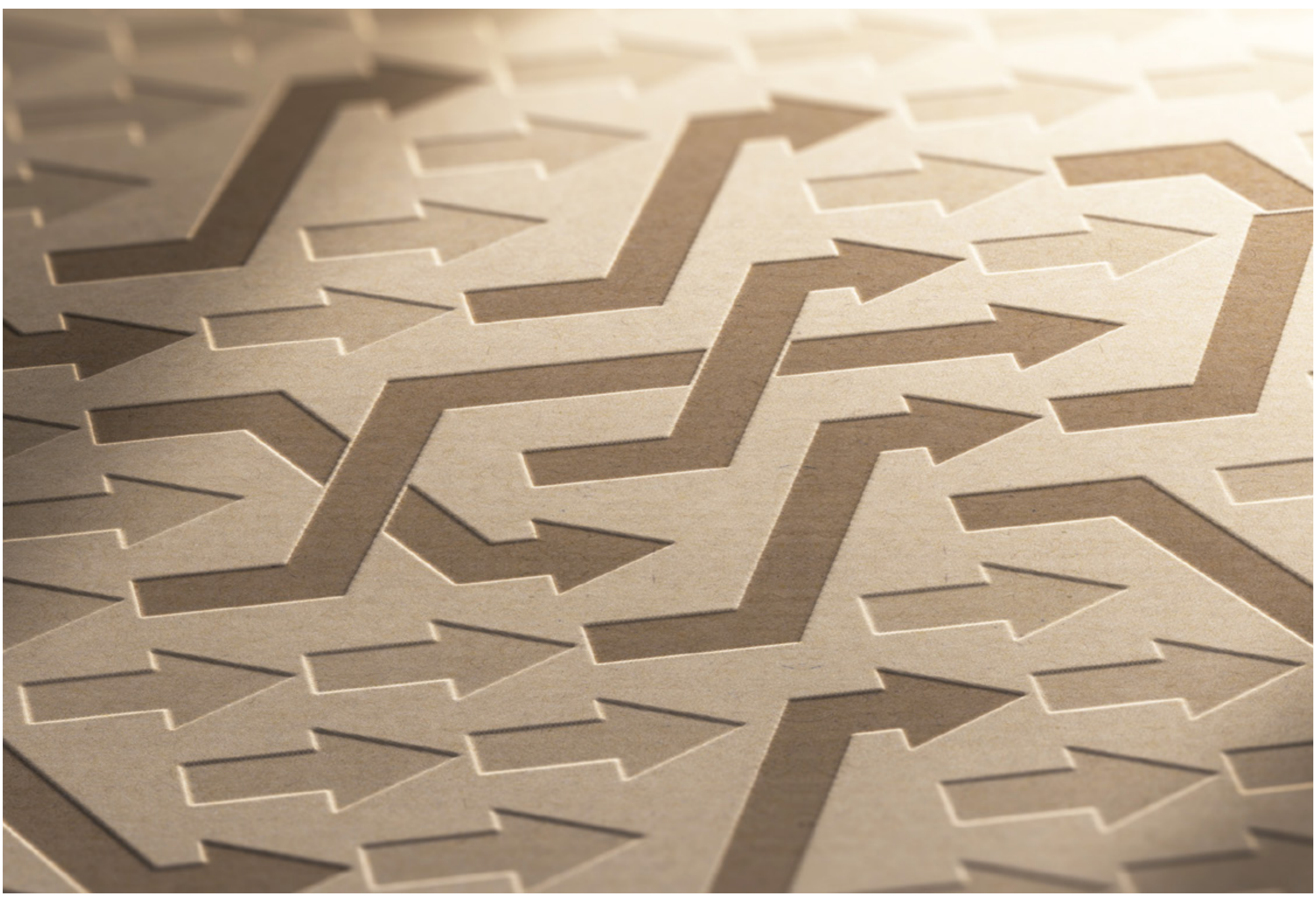
Tackling post-pandemic corporate zombies

FW discusses how to tackle post-pandemic corporate zombies with George Dale, Nick Hood, Nicholas Parton, Steve Parker and John Thompson at Opus.



Q&A:
Tackling post-pandemic corporate zombies

FW discusses how to tackle post-pandemic corporate zombies with George Dale, Nick Hood, Nicholas Parton, Steve Parker and John Thompson at Opus.

THE PANELLISTS

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FW: To what extent have you seen a rise in the number of 'corporate zombies' over recent months? What factors have led companies to take on more debt with strained balance sheets?

Hood: There is little hard evidence, mainly because of delayed filing deadlines for financial statements. Standard & Poor's reports that global default rates in 2020 were lower than in past recent crises. The Institute of International Finance says non-financial corporate debt in the US rose from under 75 percent in autumn 2019 to over 90 percent in spring 2020. Corporates faced with the immediate and devastating impact of the pandemic were driven to take on additional debt by its easy availability and soft terms under government support schemes. Unfortunately, the mistaken assumption was that the crisis would be relatively short-lived, without full recognition of the fundamental long-term disruption to global supply chains and the major changes in consumer behaviour. Now, as a return to anything like commercial normality remains elusive even after 18 months, these overborrowing chickens are starting to come home to roost.

Dale: Like other governments around the world, getting financial aid and other stimulus packages into the UK economy quickly became an imperative as the coronavirus (COVID-19) tightened its grip. The light touch credit assessment by the banks and speed of processing for such loans gave businesses easy access to cheap money. The size and scale of the support was colossal, with a total of £79bn being lent since May 2020. Around a third of all UK companies have taken advantage of these loan schemes. The unintended consequences of this have further exacerbated the issue and fuelled the creation of another layer of zombie companies, where the government encouraged banks to lend to otherwise uncreditworthy businesses with the backing of a state guarantee.

Parker: The inevitable downside of the UK government's unparalleled support for business throughout the pandemic has been carnage on the liability side of balance sheets in all sectors of the economy, as no questions asked loans were given to over 1.5 million businesses, many of which had never borrowed before. Our research into just one sector, the travel industry, has revealed the impact. Comparing the published balance sheets of travel companies available in April 2021 and July 2021 showed that the percentage that were zombies had risen from 12 to 18 percent in just three months. Similarly, our study analysing smaller independent high street businesses suggests that their borrowings are now around four and a half times higher than before the pandemic. Heavy trading losses and deferring liabilities for rent and taxes have also damaged financial viability, as have falling asset values.

Parton: The UK business sector has been in a state of suspended animation since the start of the pandemic. Now, as the various government support measures are unwound and companies have to face up to the reality of repaying the huge new debt burden they have taken on, enquiries to business rescue experts are increasing. At the same time, stakeholders are quite rightly asking some serious questions about the way businesses have been run during the crisis and how funds from government schemes have been used. Zombie companies are not just about strained balance sheets, but about the conduct of directors and shareholders and the implications for recovering value for creditors if, or more likely when, they finally fail or undergo a restructuring.

Thompson: There has been a sharp increase in the number of corporate zombies over recent months with more and more organisations becoming 'marooned' because their business models have not been able to adjust quickly enough to the effects of the pandemic. Combined with an increased debt burden, this has left many struggling to manage. This will have been a slow and painful journey for these organisations, as they have gradually absorbed the disruptive effects of the last 18 months. Of course, many of them were already finding growth elusive before the crisis as they battled to adjust to ever-changing markets and buyer behaviours. While a small number of technology, online and pharmaceutical businesses have benefitted from the crisis, most have not and have been left in a very difficult position, even given the unprecedented levels of government support available. It was very much a case of take on more debt or fail.

FW: What are the characteristics that define a corporate zombie in the current market? Can they be separated into different sub-categories, with different dynamics?

Hood: Normal definitions of zombies look at issues like sustained losses and the inability to do more than just service debt without reducing it, aspects neutralised by the pandemic. When everyone is losing money in a sector and no-one can forecast future profitability, which ones are the zombies? If emergency measures mean nobody needs to pay down debt or arrears of other liabilities, a zombie no longer stands out from the commercial crowd. Trade insurers are struggling to judge risk as a result, especially when governments like the UK extend filing deadlines for accounts, depriving the market of vital financial data. Whether an entity is truly a zombie now depends on the willingness or ability of its owners to support it, whether private equity players, more traditional shareholders or owners of smaller family businesses. What happens to the famed German Mittelstand as we exit the pandemic will be very instructive.

Dale: Zombie companies are simply businesses which barely manage to survive; only generating enough cash to meet their ongoing costs and interest payments and unable to reduce their debts. Typically, they are overleveraged, constantly juggling their cashflow. They have no cash reserves, leaving them vulnerable to business challenges and unexpected financial shocks. The zombie issue has intensified since the late 1980s and is now inextricably linked to a 'soft' fiscal environment where business finance is readily available at unprecedented low levels. Zombies can survive through creditor forbearance, rescheduling and deferment. Banks have contributed to the problem by allowing reputational issues to delay decisive action to recover debts. Sub-categories of zombies include those impacted by pension deficits, onerous property leases or market disruption by technology and other dynamic change. The popularity of private equity funding models is another factor with larger zombies.

Parker: There has been a big rise over the past decade in the use of private equity-style funding models for larger businesses, where fixed equity capital is being replaced by high interest loans, sometimes from the owners or through third-party lenders. Strong profit and cash generation are essential. Commercial disruption during the pandemic has undermined the credibility of such distorted balance sheets, leaving the underlying businesses at risk. Equally worrying are many smaller entities, where the owners provide finance by taking out personal loans, sometimes secured on personal assets. Heavy losses and cash flow pressure can reduce the remuneration the owners can draw to service these debts and limit their capacity to keep providing finance to a struggling business. Acquisition goodwill has become another issue, as the pandemic has savaged the performance and business models of the underlying businesses, causing major impairment provisions and destabilising balance sheets.

Parton: As anyone who has dealt with the walking dead will attest, zombies come in many shapes and sizes. Many smaller ones are the result of owners opting to fund them with personal loans, rather than locking up their investment as equity. Larger ones can be the result of the current trend for using private equity finance models, where returns are magnified by maximising loans and minimising equity. This relies on earning sufficient profits and generating enough cash to service the debt, which in some cases has been exposed as a flawed strategy by the pandemic disruption. The last category is traditionally-financed businesses laid low by persistent losses, pension deficits, onerous leases or dynamic change in their markets caused by disruptive technology or other market-specific developments. Increasing liabilities and decaying asset values push them into negative equity. All three types of zombies are at serious risk in the current commercial environment.

Thompson: Corporate zombies in the current market are likely to have the following characteristics: highly leveraged, only marginally profitable or else loss-making, make little or no investment in their strategic development, all leading to low shareholder value. The zombification of those already in this position will have been made significantly worse by the pandemic. However, there is also a new category of those businesses that were previously performing reasonably well but have been hit so hard by recent events that they now find themselves in zombie territory. Many of

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the organisations in the latter category have made little or no change to their business plans and, given that the commercial and financial backdrop against which every enterprise is now operating has changed significantly, their inaction was always going to have serious consequences as world economies slowly reopen.

> LENDING AND INVESTMENT RESOURCES ARE FINITE, SO ZOMBIES LOCK UP CAPITAL WHICH WOULD BE FAR BETTER DEPLOYED IN PRODUCTIVE AVENUES CREATING EMPLOYMENT AND WEALTH.
>
> NICHOLAS PARTON
> Opus Pear Tree

FW: In your opinion, what threat or otherwise do corporate zombies pose to the global economic recovery following the coronavirus (COVID-19) pandemic? What impact does their continued existence have on markets and competition in general?

Hood: Research by the Bank for International Settlements (BIS) published in late 2018 covering the impact of zombies across 14 advanced economies revealed some startling realities. For every 1 percent increase in the percentage of zombies in an economy, there was a 1 percent fall in capital expenditure by non-zombie enterprises. Equally, a 1 percent increase in the zombie share of an economy cuts productivity growth by 0.3 percent. To put this in context, between 1990 and 2016, the percentage of zombies rose from 2 to 12 percent. Based on our research, the impact of the pandemic on corporate profits and debt levels is significantly increasing the number of zombies in the UK, a phenomenon mirrored in most other economies. In one sector, the percentage of zombies has risen from 12 to 18 percent between April 2021 and July 2021, as companies have started to file accounts covering periods affected by the crisis.

Dale: Zombie companies contribute little. They cannot invest, develop or innovate. Allowing firms that are no longer economically viable to continue operating obstructs the recycling and reallocation of capital, investment and labour from less productive firms to businesses which have more chance of success. Zombie companies often force down prices in their desperation to compete, impacting on the market in general and adversely affecting the profitability of more stable businesses. The various government support measures were essential to stop the pandemic overwhelming the UK economy. They have been successful in promoting financial resilience to address the most severe potential impacts of the crisis, notably employment. Unfortunately, they have created longer-term structural challenges and an almighty debt hangover. Since Q2 2020, insolvency statistics have declined significantly across the UK and globally, so the support is having a positive impact but only by suspending the normal commercial environment where businesses succeed and fail.

Parker: Zombies distort competition and can drive down pricing. A prime example is the construction sector, where large parts of the supply chain are undercapitalised, overborrowed and overtrading. The outcome is suicide bidding just to win contracts, wafer thin profit margins and all too often, dubious accounting policies designed to obscure or defer losses. Unsurprisingly, the industry generates 19 percent of UK insolvencies despite only contributing 6 percent of GDP. Zombies also clog up the banking system with non-performing loans, restricting the availability of investment capital for more progressive firms. They absorb working capital and management time at suppliers with their constant payment problems. Their survival beyond their time disrupts the vital trade insurance market, which can struggle to differentiate between viable companies and those with no future because of the delays permitted by the government in putting comprehensive financial data in the public domain.

Parton: The distortion to competition from struggling businesses is well-known, as they bid at reduced prices or unrealistic margins to win work and generate revenue to contribute to costs, even at a loss. Lending and investment resources are finite, so zombies lock up capital which would be far better deployed in productive avenues creating employment and wealth. What is often overlooked is the negative impact they have on the wider creditor community. The assumption is, when a zombie finally fails, that the only losers are the lenders, shareholders and perhaps landlords, but other stakeholders lose money too. Their viability and ability to generate value for the wider economy is also negatively impacted.

Thompson: The big threat to the world economy is the inability of zombies to do more than simply exist, which will hold back the desperately needed global economic growth. If the much-heralded post-pandemic rebound in GDP does not happen, the effects will be felt in many ways. At a macro level, governments need more tax revenues from businesses and their employees to facilitate the long task of paying down eye-watering levels of debt incurred to keep their economies afloat. Without this increased income, they will have to raise taxes and cut spending, in turn reducing consumers' spending power and therefore demand for products and services, further depressing GDP and leading us back toward recessionary territory. In the corporate world, such negative government action combined with lower demand and significantly higher levels of debt will have the effect of slowing markets, lowering valuations and increasing the likelihood of a further recession.

FW: What strategies are available to reduce the number of zombie companies still trading?

Hood: The 2018 BIS research found that the primary causes of the rise in the numbers of zombies across 14 advanced economies were the low cost and easy availability of commercial debt, banks with weak balance sheets unwilling to enforce against non-performing loans, and poorly designed restructuring systems. There had been little if any improvement on any of these issues by the time the pandemic struck in early 2020, since when governments have contrived to make the recycling of non-productive assets and culling of zombies even more unattractive, as well as loading still more debt onto corporate balance sheets through emergency support schemes. It is essential that banks and other stakeholders are now encouraged to bite the bullet and stop 'evergreening' zombie debt. A controlled rise in interest rates would also help to push unviable businesses toward the exit.

Dale: Government involvement and extensive consultation is required to introduce stricter policies and guidance which dictate that banks and other lenders properly identify and deal at a much earlier stage with their non-performing risks. They should be actively encouraged to take corrective action by working more closely with the restructuring and insolvency community to address the issue. If this was regarded as a priority, much in the same way the response to COVID-19 was, solutions would be found, and more restructuring options could be made available. The major concern is whether there is the political, social or economic will to make this happen. The problem is made worse by endemic levels of denial among senior management and shareholders. This is a very real barrier to early consultation with the professional community, in particular insolvency practitioners, who are usually best placed to give the appropriate advice in such circumstances.

Parker: Zombies are an issue for the UK government and the whole business stakeholder community, and all need to play a role in culling the dead commercial wood. In the past, lenders and Her Majesty's Revenue and Customs (HMRC) have been the gatekeepers, using their powers to ensure unviable businesses are closed down. Banks have played a low-key role since the global financial crisis for reputational reasons, but they now have a compelling reason to become proactive. They need to be more assertive in enforcing repayment of the vast numbers of the pandemic support loans they have made, or else they will be unable to call on the government guarantees to mitigate write offs. HMRC is starting to prioritise recovery of current liabilities and arrears. They are now better protected from lost tax revenues when businesses fail, after their preferential status was restored in December 2020, putting them at the front of the creditor queue.

Parton: Governments generally leave this issue to markets, rarely intervening to force the closure of zombies. Collection and enforcement tactics by the tax authorities are the exception to this rule. The recent suspension of sanctions against UK directors for wrongful trading and the ban against creditor enforcement action during the pandemic are examples of reverse policy, which has undoubtedly extended the lifespan of these zombies. A rise in interest rates would accelerate closures but may be less likely given the consequential negative impact on government finances. Ultimately, it will only be the actions of creditors as they are allowed to follow normal credit and collection processes that will start to reduce numbers, especially as banks reimpose normal lending criteria. Trade insurers will also have a role to play, as more information on the financial impact of the crisis on individual businesses gradually becomes available to them.

Thompson: In free market economies, weaker businesses should be expected and even encouraged to fail once they have served their useful life, to make space within their respective sectors for new organisations unbound by historic debts and outmoded business models and with growth potential. There are insolvency structures around the world designed to help facilitate the closure of underperforming companies and the birth

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> Opus

of fresh new organisations to take their place. Until the pandemic struck, this restructuring approach continued to work efficiently in many developed economies to recycle the assets of zombie enterprises. During the 2008 financial crisis and the COVID-19 crisis, high levels of external stimulus were pumped into financial and commercial organisations, creating a false market and widespread overstretched balance sheets. Underperforming businesses have been turned into zombies by excessive debt. Governments must act decisively now withdrawing support, removing legislative barriers to culling of zombies, but preserving viable enterprises.

> THE MOST SIGNIFICANT ISSUE FOR MOST ZOMBIES IS THEIR DEBT, SO REDUCING BORROWINGS AND SERVICING COSTS OR CONVERTING DEBT INTO EQUITY ARE KEY TURNAROUND STRATEGIES.
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> STEVE PARKER
> Opus

FW: To what extent can the problem be dealt with by rescuing underperforming companies through turnaround, rather than waiting for them to fail? What kinds of financial and operational restructuring solutions might be applied to convert zombie companies into healthy, viable businesses?

Thompson: Experience of running and advising underperforming companies shows turnaround is invariably a more beneficial way forward that ultimately benefits all stakeholders than closure. This is certainly the case with zombie companies. However, there is no magic formula for turning around a struggling organisation. It is not prescriptive, nor a tick-box solution. Every zombie is different, with a unique way of working developed and too often left to stagnate over many years. The positive news is that they can often be turned around and nursed back to health with careful strategic, organisational and financial planning, followed by an effective period of implementation. The ultimate aim is to transform the corporate zombie from a near-defunct organisation with no capacity for growth into a vibrant business with revitalised purpose and a workable plan to create a sustainably profitable organisation and real value for all stakeholders.

Hood: History teaches us that unviable businesses take a very long time to die, especially in a low interest rate environment. Zombies are surviving longer, 85 percent of them making it into a second year in 2016 compared to only 60 percent back in the 1980s. Pandemic support measures have suppressed insolvency rates around the world, extending the lives of zombies by at least another two years. Turnaround absorbs a disproportionate amount of constrained professional capacity compared to formal insolvency processes and can only help a limited number of zombies. Nevertheless, debt for equity swaps, debt forgiveness programmes, cutting debt servicing costs, consensual negotiations with creditors over arrears, sale of surplus assets, elimination of less profitable activities, reduction of fixed costs and M&A solutions may prove beneficial strategies to restore zombies to full financial health.

Dale: Restructuring and insolvency professionals always encourage management and business owners to come forward as soon as they identify financial difficulties in their business, or when structural changes are adversely affecting their industry. These problems are often capable of being resolved with early engagement to explore additional investment, debt restructuring, undertaking cost reduction and realignment exercises, or through a business merger or sale. This sort of intervention can get a business back on track to growth, prosperity and providing secure employment. Directors and creditors alike are best served by a quick resolution. Creditors have a duty to engage constructively with restructuring proposals. The ending of government support measures, rising inflation and potential interest rate rises are certain to adversely impact profitability and viability, particularly of smaller businesses. The knock-on effect on banks' loan books means responsible lenders should stay ahead of the curve by taking corrective measures sooner rather than later.

Parker: Formal insolvency processes, even those focused on business rescue, almost always destroy value, while turnaround preserves existing value and can enhance it. The most significant issue for most zombies is their debt, so reducing borrowings and servicing costs or converting debt into equity are key turnaround strategies. Other important options are raising new equity capital, selling surplus assets, rationalising product ranges and service lines, eliminating low or marginal profit activities, optimising production facilities, reducing property commitments and downsizing staffing. Boosting sales and marketing is often overlooked but can pay handsome dividends. Sharing facilities or operations with competitors may be possible, as illustrated by the current banking hub experiment of banks sharing high street branches. An M&A outcome may be best, merging with a competitor or selling the business to a financially stronger investor.

Parton: Turnaround is a complex and time-consuming strategy, only rarely offering quick fixes for overindebted businesses. A constructive approach by the government to debt forgiveness, properly targeted only at viable businesses to reduce the mountain of extra borrowing taken on during the crisis, would help enormously. Negotiations with landlords over rent arrears and future property costs will also be important. The pandemic has spurred extraordinary levels of innovation, with business models being revolutionised in many sectors. There will be lessons to be learnt and applied by businesses struggling because they are behind this transformational curve. Much work needs to be done on improving controls within businesses to prevent fraud, after a long period when internal disciplines have been eroded by reduced staffing and the corner-cutting forced on management teams in the battle to survive COVID-19.

FW: Is there sufficient professional capacity available to handle the workload required to advise on and implement solutions for zombie companies and recycle their assets into more productive hands?

Hood: Insolvency rates have fallen during the pandemic as emergency support measures took effect, dropping globally by 14 percent according to Atradius. It predicts they will rise by 26 percent in 2021, as emergency support measures are withdrawn and insolvency systems are normalised. Rapidly rising inflation may lead to higher interest rates, which will provoke yet more insolvency filings. The major issue is over-indebtedness among smaller entities, which are inefficient to handle within most insolvency systems. In common law jurisdictions, professional capacity has shrunk during recent lean years for insolvency work and will be severely tested. Elsewhere, in countries where there is heavy court involvement, judicial systems may be unable to cope with a significant surge in filings. There are lessons from the Asia financial crisis of the late 1990s, when the International Monetary Fund (IMF) drove insolvency reform and fast-track processes had to be introduced to deal with huge volumes of failures.

Dale: The UK has more than sufficient professional capacity to advise on and resolve the issues brought about by the inevitable demise of the zombie businesses, provided that the flow of cases is steady and can be tackled over time rather than being a flood of demand brought on by immediate changes to legislation, government guidelines or lending criteria. Higher interest rates could trigger an escalation in defaults, but the expectation is that the monetary authorities will only permit rates to increase in small incremental steps. A major concern is that companies which have experienced distress over an extended period may no longer have adequate assets to make it worthwhile for private sector insolvency professionals to provide the services required, shifting the problem onto the Insolvency Service to put businesses out of their financial misery. There must be real doubt about the adequacy of public resources to cope with the task.

Parker: The outcome on professional capacity depends on the rate at which zombies are forced to seek help to restructure or are put through a formal insolvency process. Some forecasts during the pandemic predicted hundreds of thousands of business failures as the various government support measures are withdrawn and creditors regain their rights to enforce debts. Putting this in context, the highest number of UK business failures in a single year was after the global financial crisis, when there were just over 24,000 corporate insolvencies in 2009. A significant issue now is the degree to which zombie companies have depleted their assets, so that a high percentage of potential workouts may be unattractive to private sector professionals. If these are dealt with instead through the government's Insolvency Service at a time of severe budget constraints, it is difficult to see how they could be processed at all, never mind effectively.

Parton: The pandemic has driven some honest entrepreneurs into taking desperate measures and has created a breeding ground for less scrupulous operators. The issue for many zombies will not just be realising their assets, minimising their liabilities and closing down the corporate entity, but how did they get into this state, are all the assets still there that should be and what action can be taken to maximise creditor recoveries? Investigating the affairs of zombies and carrying out track and trace actions looking for missing assets and people requires special forensic skills and experience, which are not in abundance in the UK or elsewhere around the world. The use of technology, in particular artificial intelligence, can facilitate some of this activity, but it is otherwise a very time and

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skill-intensive activity. There are likely to be capacity constraints on this aspect of zombie solutions.

Thompson: Not every business can be turned around, due to unmanageable debt levels or lack of adaptability in the incumbent management team, sometimes both. Assets can be recycled effectively to a new resurgent management team, possibly the existing team guided by specialists. The overriding objective is completing a financial restructuring, freeing management from financial burdens previously holding them back. Creating the initial restructuring plan is only half the battle. Cultural change is also essential, or old habits will resurface, pulling the organisation back into difficulties. There are excellent advisers available in the marketplace, but companies contemplating this route should take time and care in making their choice. They should consider a wide range of advisers and decide based on experience of turnaround, business management and finance, preferably those who have acted both as an adviser and as a principal. Turnaround capacity depends crucially on demand volume as we exit the pandemic.

FW: In the coming months and years, do you expect to see more pressure on lenders and governments to take a proactive approach to resolving the corporate zombie problem? If there is a failure to react, do you believe it could prolong recovery and result in economic stagnation?

Hood: The world is cursed with populist governments and there are few votes in being seen to force the closure of hundreds of thousands of predominantly family-owned businesses with the consequential job losses. Hiking interest rates would certainly increase zombie failures, but it would also devastate the public finances of many countries. Except through the enforcement actions of their tax authorities, governments have few other effective policy levers. Central banks face constant confusion, no longer able to apply the lessons of the past to making monetary policy decisions in the unique current circumstances. Commercial lenders look like the only route to concerted action to reduce zombie numbers, driven by capital adequacy ratio requirements. Historically, zombie numbers fall after each financial crisis, but never return to pre-crisis levels and then rise again to higher figures. The outcome can only be a drag on recovery and a very real risk of long-term stagnation.

Dale: Over 50 percent of productivity growth is caused by what economist Joseph Schumpeter called “creative destruction” within economies, when incessant innovation forces old products and processes to change. This effect slows during recessions and accelerates in better times. Zombies upset the natural order of commercial life, lacking resources necessary to invest and transform themselves and suffering from poor productivity. Raising interest rates would trigger the clearing out of many zombies, but the implications for government finances are likely to limit the scope for this policy change. The downside of inaction by governments is exemplified by what happened in Japan in the 1980s and 1990s when there was a correction to overinflated property and stock market values. Banks with weak capitalisation rolled over loans on an evergreen basis to support struggling firms, rather than pushing them into insolvency, which led to a period of economic stagnation and decline which lasted for decades.

Parker: The pandemic has made an already damaging zombie issue far worse, burdening balance sheets with unsustainable soft loans and widespread arrears of rent, taxes and other liabilities. The role of government now is to facilitate the workout of this problem, by creating mechanisms designed to encourage creditors to agree pragmatic compromises with debtors. The proposed mandatory and binding arbitration scheme in the UK for settling commercial rent arrears is a good example. A debt forgiveness scheme for government-guaranteed COVID-19 loans would be an even better solution, but it must be made available only to viable businesses. Without speedy government action, the zombie army of the walking corporate dead will slow the fragile recovery and continue to stand in the way of growth, particularly in the vital area of improving productivity.

Parton: Concern over the misuse of government support and poor business ethics during the pandemic has already prompted the UK to legislate on an urgent basis to create new sanctions against delinquent directors. Banks are equally concerned about a worrying level of misuse of government-backed loans. The tax authorities have started to take a more proactive approach to collecting arrears and enforcing unpaid debt. The big question around all of these strategies is suitable resourcing, not just at professional and governmental level, but the capacity of the commercial justice system to act in supporting initiatives to reduce the zombie problem. If these nettles are not weeded out, zombies will continue to depress productivity, limit future growth and constrain the amount of investment capital available to successful businesses.

Thompson: There will surely be calls in the short and medium term for governments and lenders to get involved in reducing zombie numbers, as the negative impact of their increased numbers on GDP and productivity growth becomes apparent. Theoretical calls to let the weakest businesses fail to create space for new blood to enter markets with the vigour that leads to economic growth would otherwise fall on deaf ears. Those zombies currently being protected by their respective national courts to avoid a corporate bloodbath after being forced by lockdown restrictions, will certainly face debt enforcement action by various stakeholders, especially lenders, government tax authorities and other creditors as existing prohibitions are lifted. If decisive action is not taken, it will empower zombies to struggle on and will significantly slow the global recovery. ■