



BUSINESS LONGEVITY: NOT A GUARANTEE

Lessons from a business failure

JUNE 19, 2023

Wallace and Carey (W&C) a well-known distribution and logistics company located in western Canada filed for CCAA protection after over 100 years in business.

So what went wrong?

KEY POINTS

Collective liabilities of more than \$184 million (exceeded value of its assets)

\$44.4 million debt default to CIBC

Increased net losses from \$7 million in 2021 to \$12.5 million in 2022.

COVER YOUR ASSETS

Contact a Receivables Insurance Association of Canada (RIAC) member to learn how receivables insurance/trade credit insurance can protect your business from the impact of a customer bankruptcy. Find us at <https://receivablesinsurancecanada.com/our-members/>

WALLACE & CAREY

Started in 1921, W&C grew across Canada to have several locations and **served more than 7,000 customer locations**, of which included many independent businesses and **some of the largest retail and theatre chains**.

Based on available information found in searches and credit reports, **W&C showed a comfortable risk profile** with adequate payment history, no material negative information and 650 employees. Despite the positive information available, our team attempted to source financial statements to confirm our initial assessment with the potential to enhance current capacity on the debtor. Despite our efforts, we were unable to source the additional information and in turn **decided to limit our future exposure due to the lack of transparency** and the group's concentration of sales to movie theatres, which had suffered greatly during COVID.

To the surprise of many, **at the time of filing for CCAA protection, the financials of W&C showed high leverage and losses**. The company's deterioration in recent years was accelerated by the decline in cinema/theatre revenue (18% of sales), increased operating costs, labor shortages and the decline in tobacco sales.

THE FALLOUT

Despite W&C's profile remaining strong from the outside, the lack of transparency to their financial position led many of their customers to be negatively impacted both financially and from an operational perspective.

CREDIT INSURANCE IMPACT

With the **utilization of credit insurance**, Coface's policyholders were able to get a risk opinion **to limit excess exposure**, covered against insolvency and were able to receive an indemnity payment within a short period of time.