



HART SHAW

Incorporating Atkin Macredie & Co

Chartered Accountants & Business Advisers



Welcome to the

Sheffield City Region

Breakfast Club

Tuesday 20th January 2015

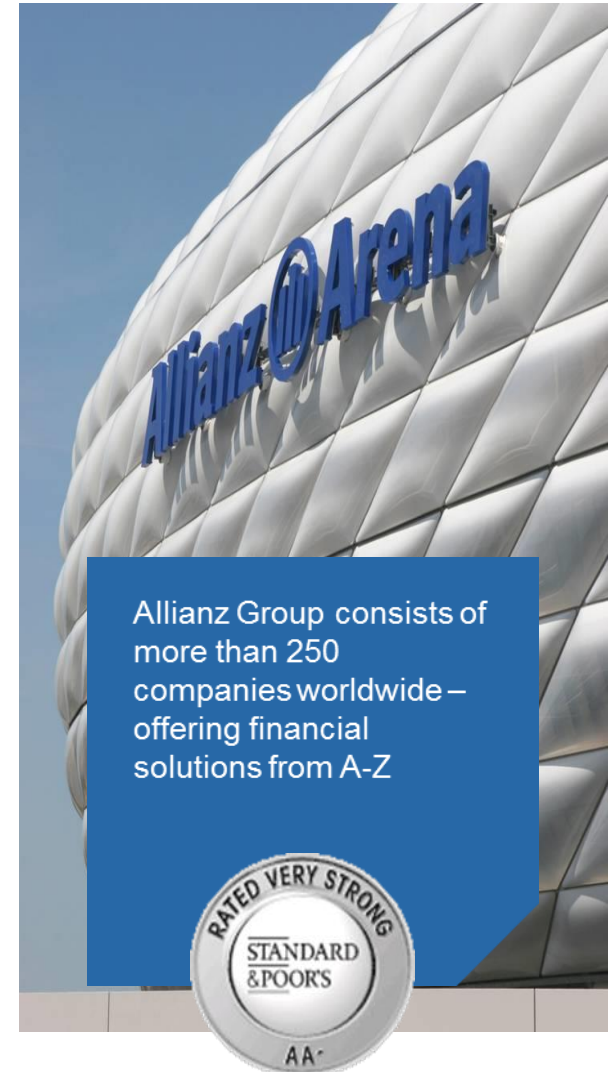
SCR Breakfast Club Euler Hermes

Nick Dando & Paul Trigg
Tuesday 20th January 2015



Why Credit Insure?

- EH Protection
- EH Credit Management
- EH Access to Finance
- EH Information
- EH Sales Growth



2015 Not such a Grimm tale but no fabled happy ending

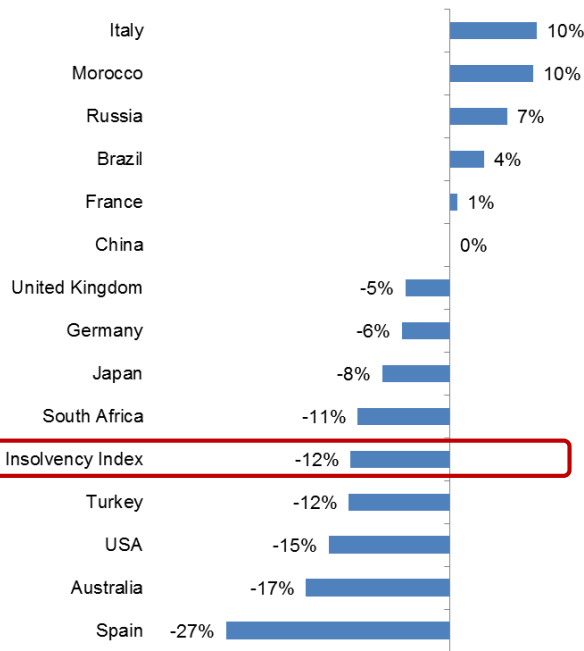
Paul Trigg – Risk Underwriting



Financial pressures remain evident

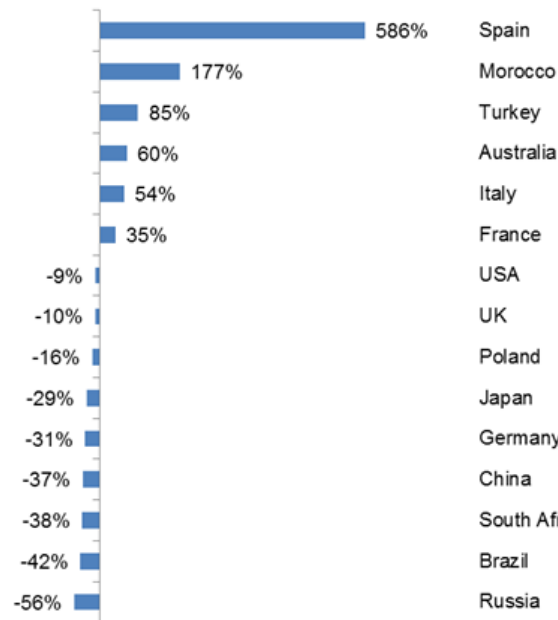
Business insolvencies: -12% but still 21% above pre-crisis levels (2006-07 average).
DSOs increasingly used as a financing tool.

Business insolvencies, 2014 vs 2013



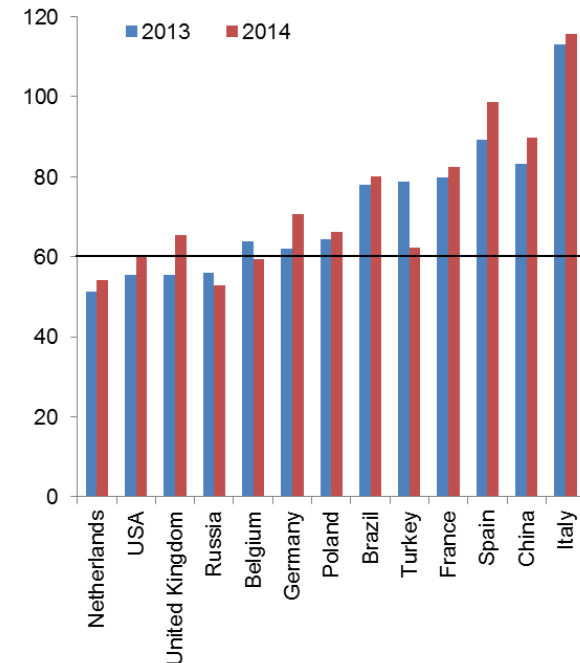
Source: Euler Hermes

Business insolvencies, 2014 vs 2003-2007 average



Source: Euler Hermes

Days Sales Outstanding

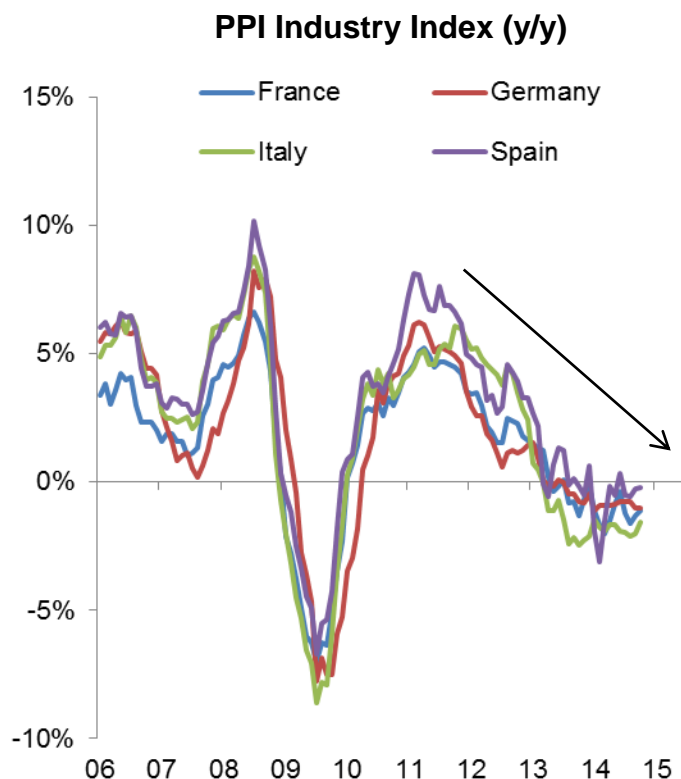


Sources: Bloomberg, Euler Hermes
Data takes into account listed companies only.








Eurozone: The recovery remains weak and uneven

Deflationary pressures will remain the key concern in 2015

The good, the bad and the ugly in 2015



Sources: IHS, Euler Hermes

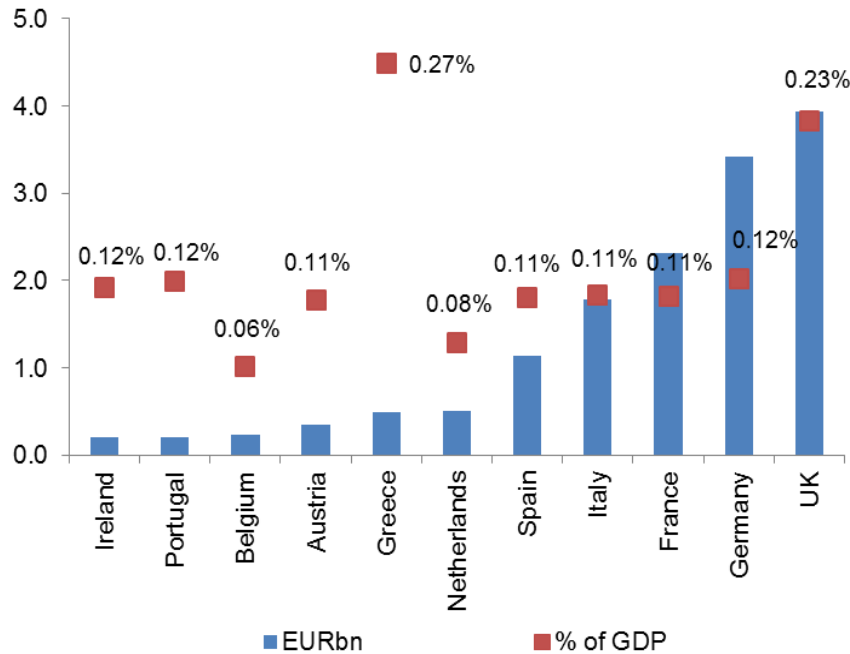
-  Lower euro (1.18 in Q4 2015)
-  Further ECB easing, more credit
-  Moderate boost from lower oil prices
-  New round of elections (Greece, Spain, Finland)
-  Rising insolvencies
-  Stable but high DSOs
-  High unemployment and weak wages growth

Sources: Euler Hermes

Europe: Lower oil prices will boost somewhat private consumption and corporates' profitability

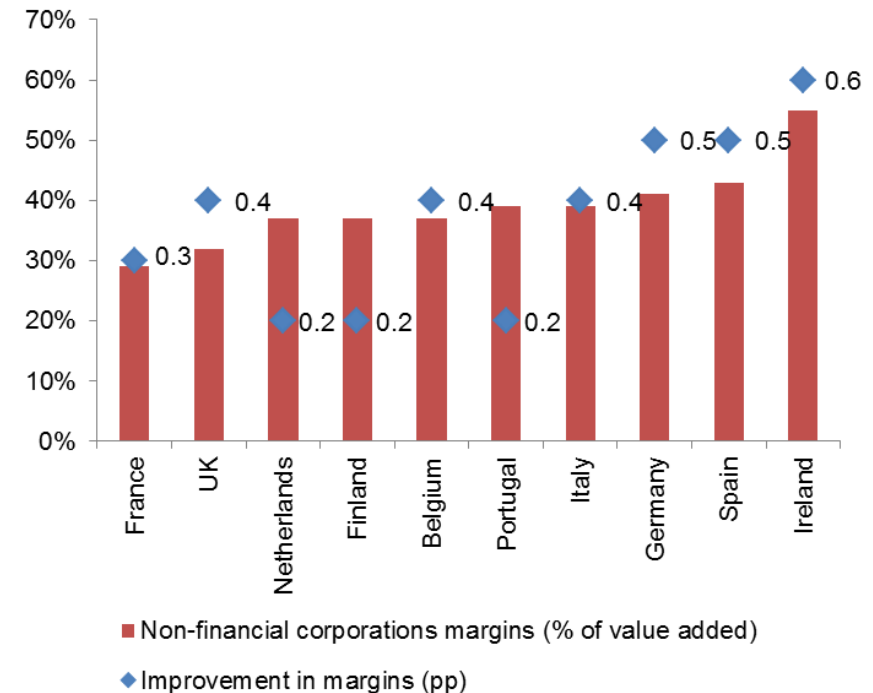
Lower spending on fuel and transport services will give an additional boost to consumer spending

Maximum additional consumer spending (EURbn and % of GDP)



Lower costs related to energy will trigger a moderate improvement in non-financial corporations' margins

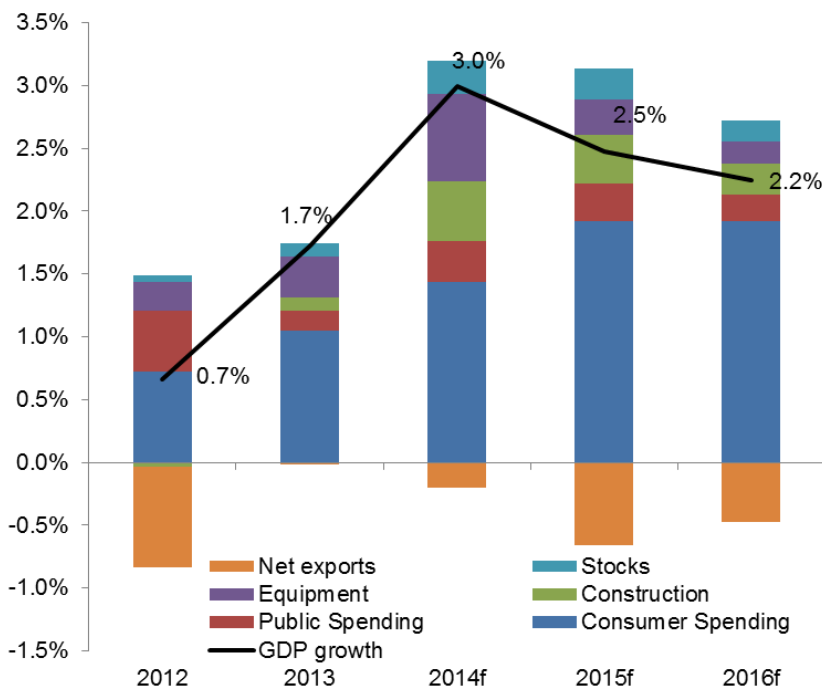
NFC margins (% of value added)



2014 will mark the peak, but growth will remain firm

The UK will remain one of the fastest growing Western European economy in 2015-16, but growth will slow slightly

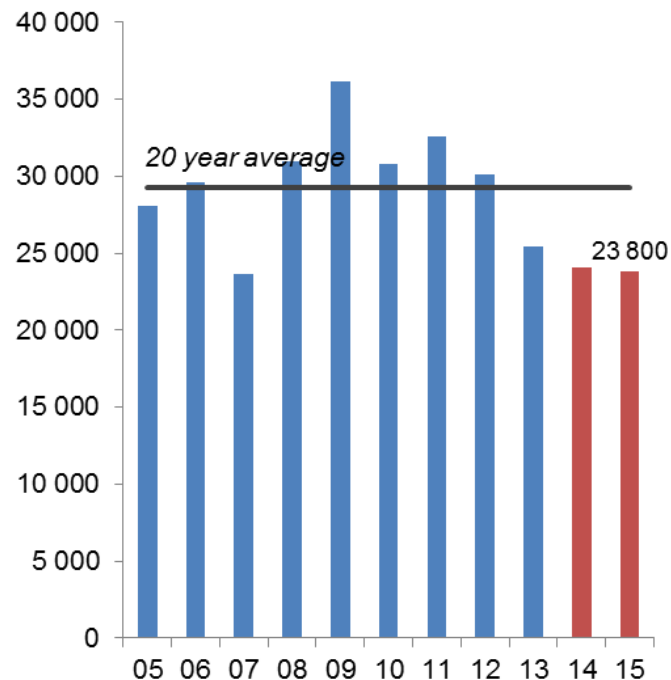
GDP growth and contribution by component



Sources: IHS Global Insight, Euler Hermes forecasts

Insolvency expected to fall further, but at a slower pace (-1% in 2015 after -5% in 2014)

Business insolvencies

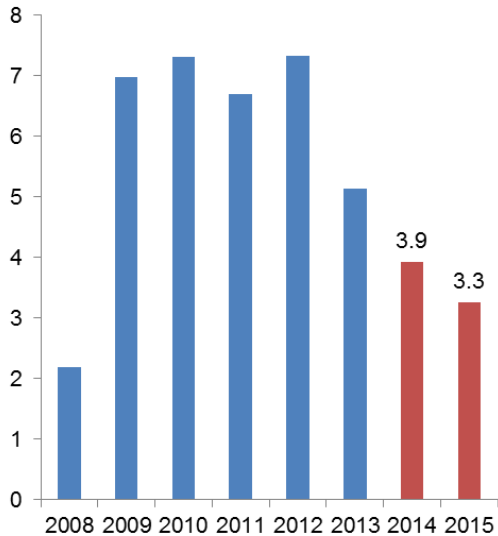


Sources: Euler Hermes forecasts

UK: Domestic demand will continue to support growth provided accommodative monetary policy

Private consumption to be supported by lower savings and labour market recovery

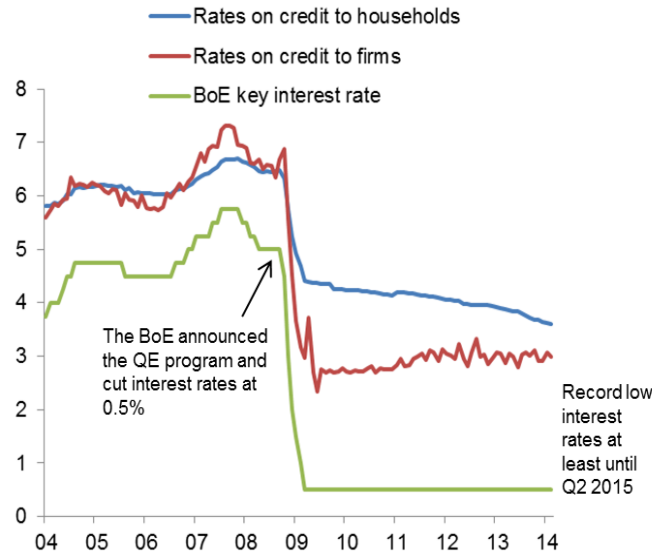
Gross savings, % of disposable household income



Sources: OECD forecasts, Euler Hermes

The QE program lowered the cost of financing and boosted asset prices and confidence

Interest rates, %



Sources: National sources, Euler Hermes forecasts

The automotive sector helps the re-industrialization strategy

Positive developments in the automotive sector

Increase in employment
(750K people employed o.w. +44K in 2013 and +50K expected in 2015-16)

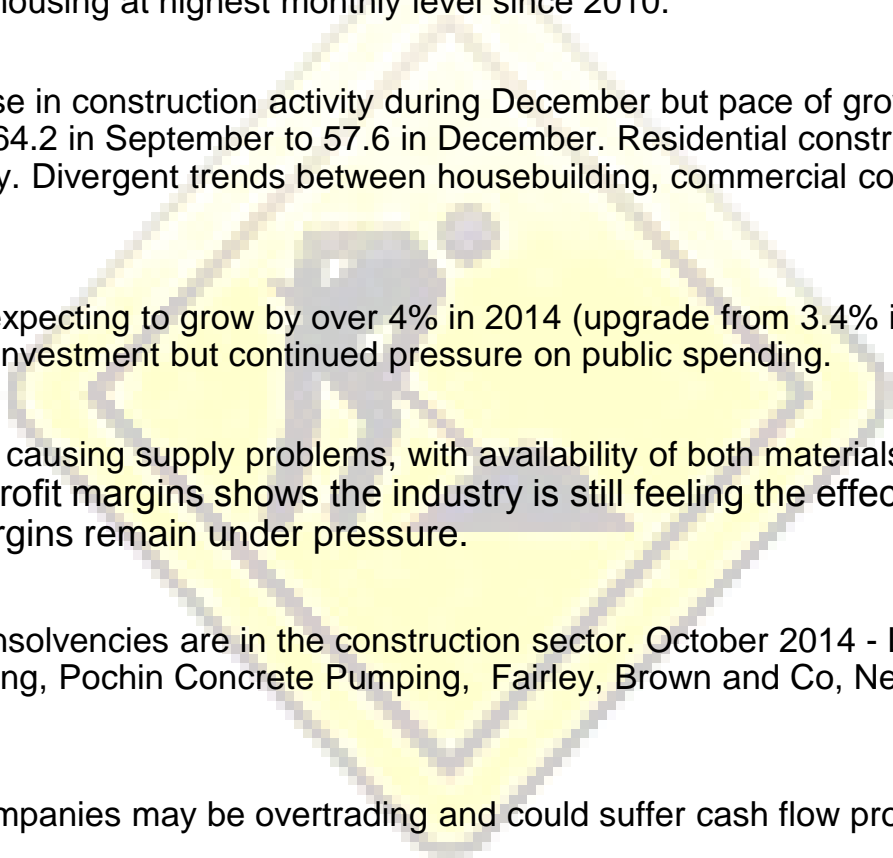
Labour market
Zero hours contract
Manufacturing labour cost compared to peers

Higher R&D spending
(10.1% of total in 2012 from 5.3% in 2006)

4.2 GBPbn of new investments since 2012

Business friendly fiscal regime
Corporate tax of 20%, the lowest rate within the G20

Low cost of capital
Lower oil prices



- ❑ ONS - Construction industry output grew 0.8% in Q3 2014 compared with Q2 2014. Output up 3.5% on an annual basis. 16th consecutive period of year-on-year monthly growth. New housing remains a key driver of growth but public sector housing at highest monthly level since 2010.
- ❑ Markit – Strong overall rise in construction activity during December but pace of growth eased for 3rd month running. PMI down from 64.2 in September to 57.6 in December. Residential construction remains best performing area of activity. Divergent trends between housebuilding, commercial construction and civil engineering.
- ❑ Construction output still expecting to grow by over 4% in 2014 (upgrade from 3.4% in Winter 2013). Positive signals for infrastructure investment but continued pressure on public spending.
- ❑ Pace of growth has been causing supply problems, with availability of both materials and sub-contractors dropping. Contractors' profit margins shows the industry is still feeling the effects of five years of downturn and profit margins remain under pressure.
- ❑ Highest number of total insolvencies are in the construction sector. October 2014 - L.G.A., H&J Martin, ERH Construction, Miller Roofing, Pochin Concrete Pumping, Fairley, Brown and Co, New Store Europe UK, Nationwide Solar.
- ❑ Concerns remain that companies may be overtrading and could suffer cash flow problems.
- ❑ Over £7.5bn of insurance cover and 25% increase since the start of 2014.

Euler Hermes

World Leading Credit Insurer

2014 Key figures:

Global leader in credit insurance with 34.9% market share

€2.50 billion consolidated turnover

52,000 customers worldwide

Presence in over 50 countries

6,000+ staff worldwide

€789 billion business transactions protected worldwide

1,700 claims indemnified per week

40+ million companies monitored in EH risk database

20,000+ credit limit requests handled per day

81% of credit limit requests processed in less than 48hrs

200,000 debt collections handled in 130 countries

AA- financial rating by Standard & Poor's (January 2014)