

H1-2018 MAJOR INSOLVENCIES

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MAJOR INSOLVENCIES* H1-2018 KEY FINDINGS

1. On a global level, H1 2018 monitoring points to **a high frequency of major insolvencies** when focusing on companies with a turnover exceeding EUR50m. Based on their cumulative turnover, it also points to a **worsening severity** which could have serious effects on providers along supply-chains.
2. All in all, H1 2018 posted a quasi-stable number of major failures (+3 cases vs H1 2017 to **169 insolvencies**), while **cumulative turnover reached EUR62.3bn** after increasing +24% vs H1 2017. On a rolling 12 months basis, the increasing trend remains on track, despite a softening, with +39 cases to 341 insolvencies and +EUR25.2bn to EUR125.8bn in cumulative turnover.
3. **Asia** (+11 insolvencies compared to H1-2017) and **Western Europe** (+8) are mostly responsible for the global level, while the **US** (-3) remains the main contributor to the top insolvencies, displaying the 2 biggest failures and 6 out of the 10 largest insolvencies.
4. **Retail** (28 insolvencies), **Construction** (24) and **Agrifood** (18) were the most affected sectors in terms of number of insolvencies. Yet, Textile (+7), Household Equipment (+6) and Energy (+6) posted the strongest rise in insolvencies, while Services (-16) saw a noticeable decline.
5. In that context the **hot spots** were Retail, Agrifood and Services in Western Europe, Construction and Energy in Asia and Retail in North America. They reflect a wide range of challenges (indebtedness, input prices, overcapacity, digital disruption, cyclical exposure) and suggest more discrimination by risk managers.

(*) Companies with a turnover exceeding EUR50m

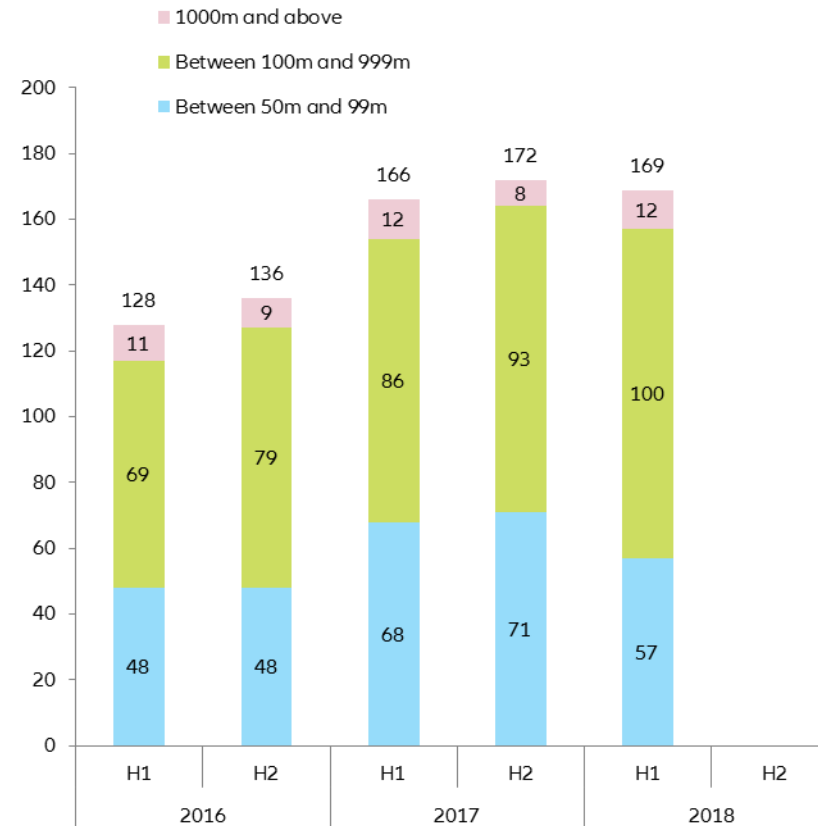
HIGH FREQUENCY AND WORSENING SEVERITY

At a global level, H1-2018 registered a quasi-stable number of major insolvencies compared to H1-2017 with +3 cases to 169 failures (84 in Q1 and 85 in Q2), while the cumulative turnover of insolvent major companies reached EUR62.3bn (43.6 in Q1 and 20.7 in Q2) after increasing +24% vs H1-2017.

This represents 341 insolvencies for the latest 12 months (+13% ie +39 cases) and a cumulative turnover of EUR125.8bn (+25% ie +EUR25.2bn).

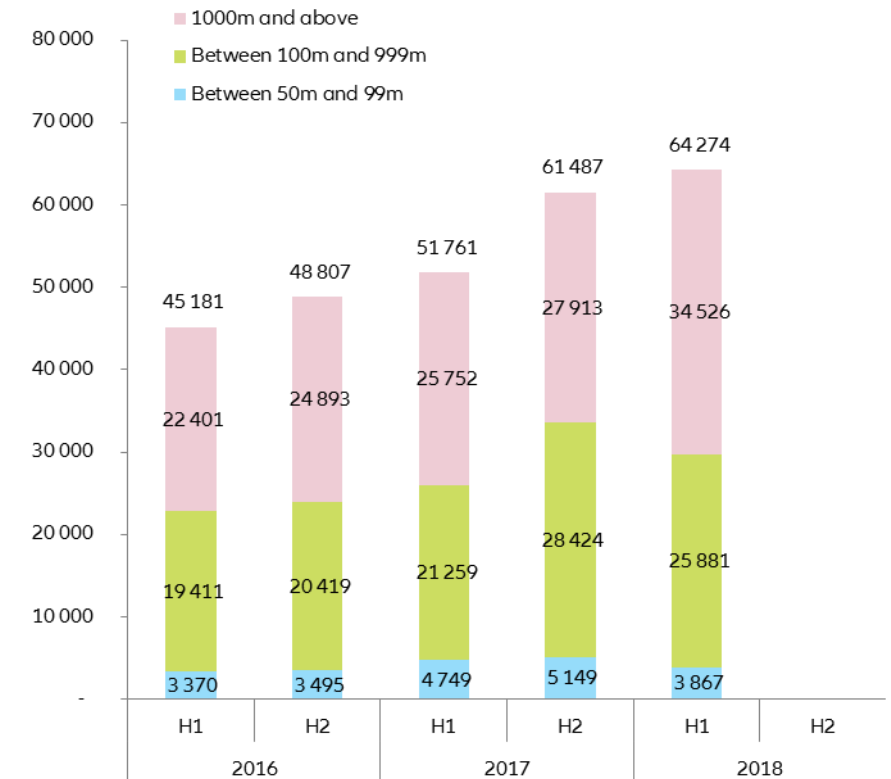
This increase in severity comes from biggest top failures and a growing number of insolvent companies with a turnover exceeding EUR100m (+14 to 100 cases in H1 2018).

Number of major insolvencies* (by size of turnover in million of EUR)



(* Companies with a turnover exceeding EUR50m
Source: Euler Hermes

Cumulative turnover of major insolvencies* (by size of turnover in million of EUR)



(* Companies with a turnover exceeding EUR50m
Source: Euler Hermes

FREQUENCY IN ASIA AND EUROPE SEVERITY IN THE US

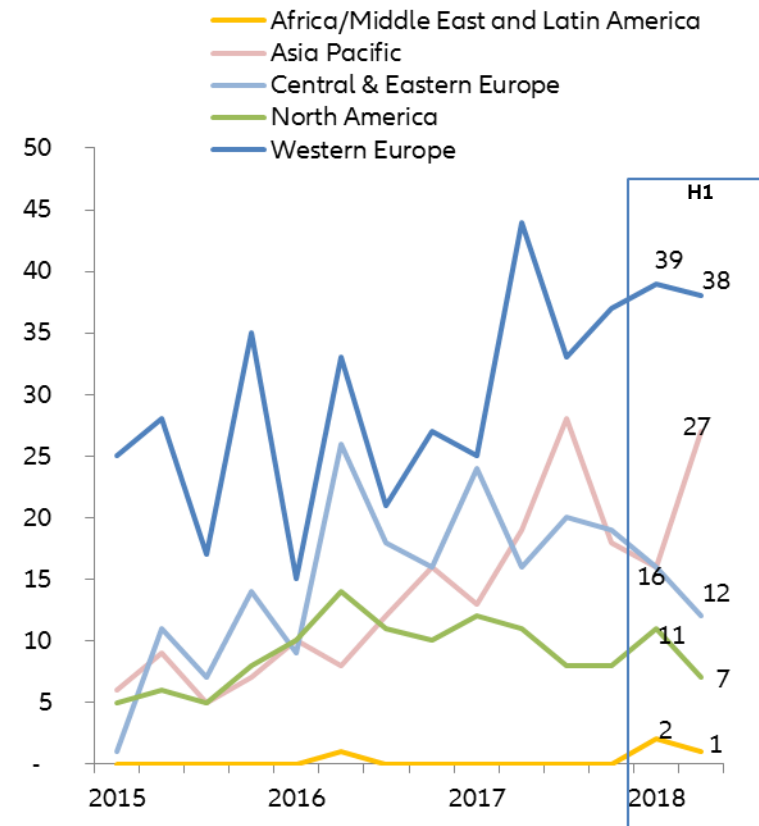
Asia and Western Europe are mostly responsible for the global level:

- Asia posted a +11 more insolvencies in H1 2018 (compared to 2017 H1) with 16 cases in Q1 and 27 cases in Q2, and a rather stable overall severity
- Western Europe registered +8 insolvencies in H1 to 77 cases (39 in Q1 and 38 in Q2) with a significant surge in severity due notably to one large case big ticket in Q1 (Carillion in the UK)

The US (-3) remains the main contributor to the top insolvencies, displaying the 2 biggest failures and 6 out of the 10 largest insolvencies.

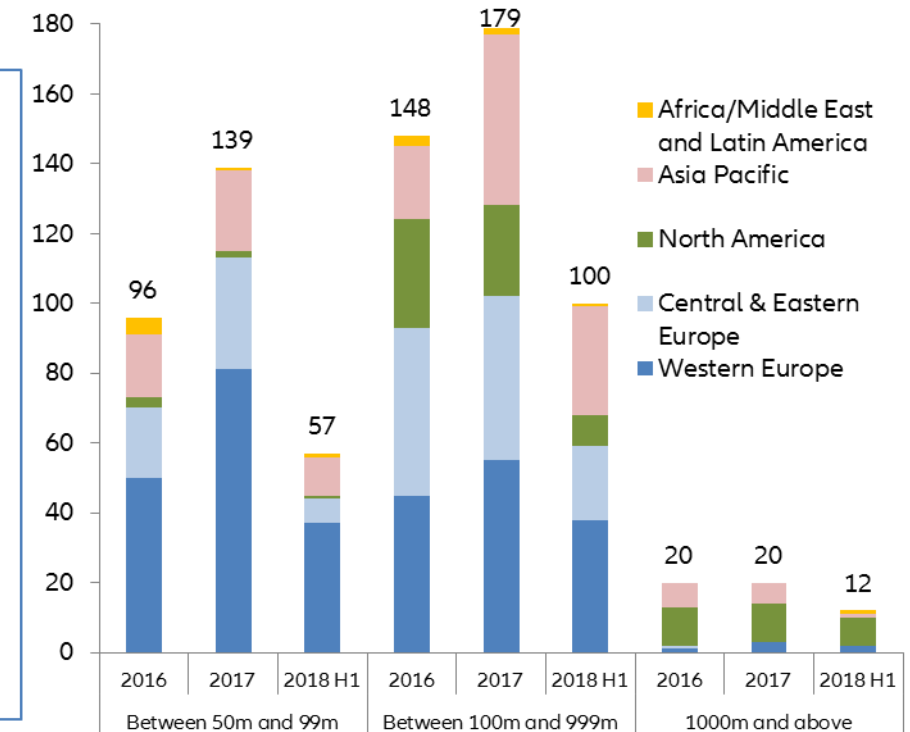
Central and Eastern Europe confirms its trend reversal (-12) to the downside in terms of frequency but the average size of insolvent companies rebounded in Q2.

Major insolvencies* by quarter and by region



(*) Companies with a turnover exceeding EUR50m
Source: Euler Hermes

Number of major insolvencies* by region and by size of turnover in million of EUR



(*) Companies with a turnover exceeding EUR50m
Source: Euler Hermes

RETAIL, CONSTRUCTION AND AGRIFOOD MOST AFFECTED

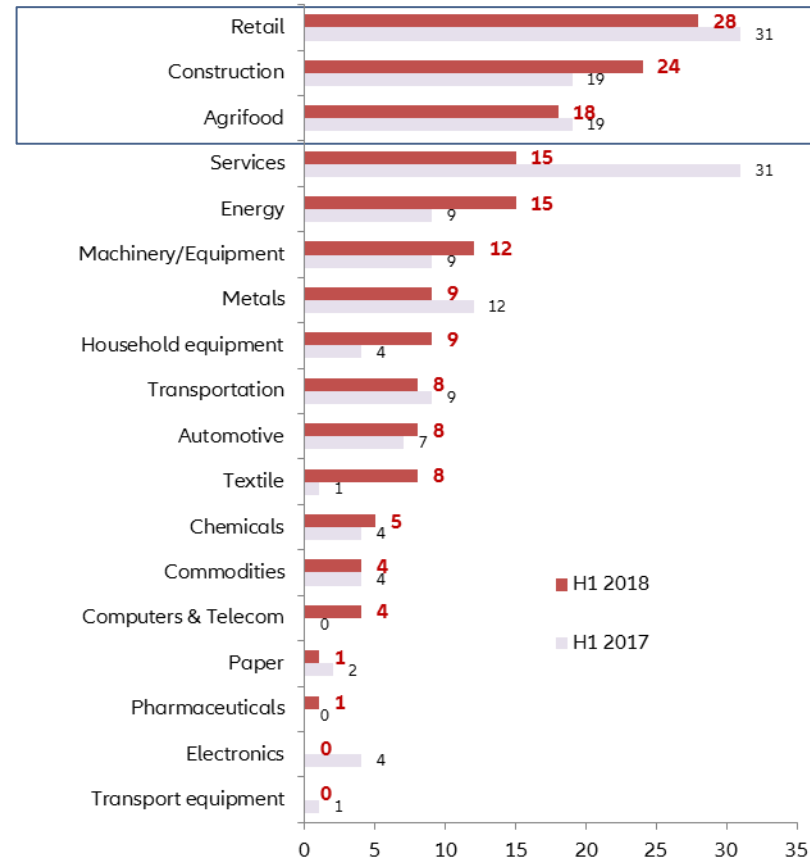
In H1 2018, Retail (28 insolvencies), Construction (24) and Agrifood (18) were the most affected sectors compared to H1 2017.

However Textile (+7), Household Equipment (+6) and Energy (+6) posted the strongest rise in major insolvencies.

Conversely, Services (-16) saw a noticeable decline - but continues to be a key contributor to the total number of insolvencies.

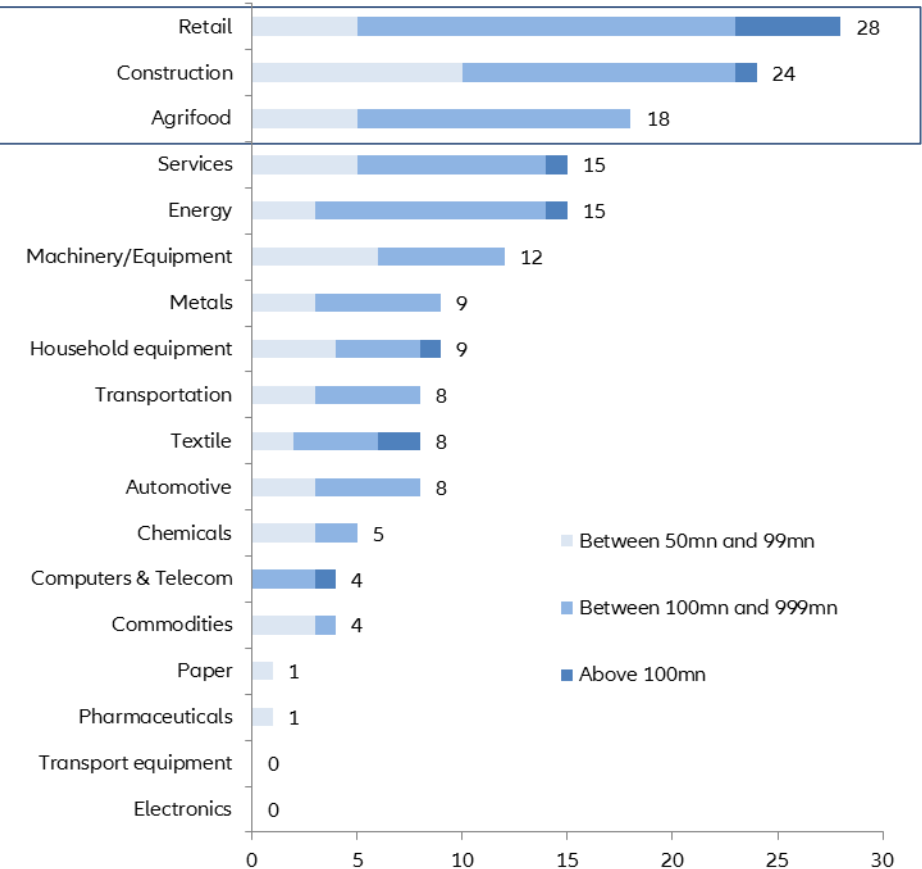
Retail stands out with the highest number of largest insolvencies and the highest average size of insolvent companies in terms of turnover (EUR805m), followed by Computer/Telecom (EUR645m), Textile (EUR641m) and Services (EUR507m) – compare to EUR 380m on average.

Major insolvencies* by sector



(* Companies with a turnover exceeding EUR50m
Source: Euler Hermes

Major insolvencies* by sector and size of turnover in million of EUR



(* Companies with a turnover exceeding EUR50m
Source: Euler Hermes

HOT SPOTS IN RETAIL AND WESTERN EUROPE

H1-2018 pointed to

4 hot spots in Western Europe

- Retail (16 cases) after another significant increase compared to H1 2017 (+7) and big tickets notably in the UK and Italy
- Services (+1), Agrifood (-2) and Construction (-4), all posting 8 cases

2 hot spots in Asia

- Construction, with +7 more insolvencies compared to H1 2017 to 11 cases notably in Japan and India
- Energy, with +6 new cases compared to only 2 units over the 2015-2017 period

1 persistent hot spot in North America

- Retail, with 8 insolvencies to be added to the already impressive list of major failures (34 cases over 2015-2017)

The H1-2018 Heat Map on major insolvencies* by sector and by region (number of insolvencies)

	Africa/Middle East and Latin America	North America	Central & Eastern Europe	Asia Pacific	Western Europe	TOTAL
Electronics	-	-	-	-	-	-
Transport equipment	-	-	-	-	-	-
Pharmaceuticals	-	-	-	-	1	1
Paper	-	-	-	-	1	1
Commodities	-	-	1	-	3	4
Computers & Telecom	1	-	-	3	-	4
Chemicals	-	-	1	3	1	5
Automotive	-	-	3	-	5	8
Textile	1	-	1	3	3	8
Transportation	-	2	2	-	4	8
Household equipment	-	1	1	1	6	9
Metals	-	1	-	3	5	9
Machinery/Equipment	-	-	3	3	6	12
Energy	-	5	3	6	1	15
Services	-	1	3	3	8	15
Agrifood	-	-	3	6	9	18
Construction	-	-	5	11	8	24
Retail	1	8	2	1	16	28
Total	3	18	28	43	77	169

(*) Companies with a turnover exceeding EUR50m
Source: Euler Hermes

THANK YOU!

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