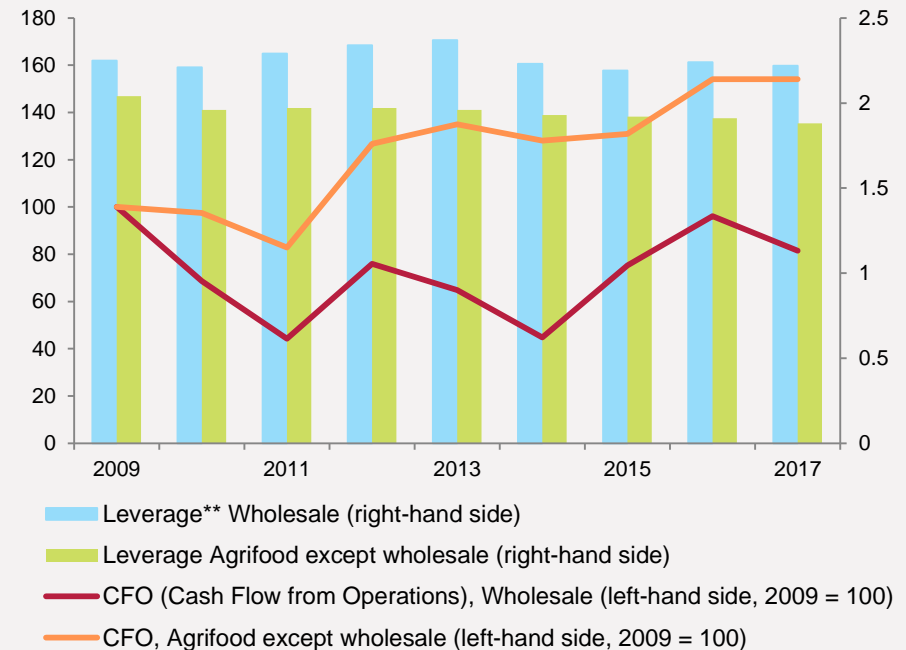


Agrifood: Skeleton in the Closet

Healthy average sector risk in Agrifood is hiding deteriorating credit risk in the wholesale subsector

- Agrifood remains the **second least risky sector** in Q2 2018 according to the [Euler Hermes sector risk ratings](#)
- However, one Agrifood company with a revenue > USD50mn **goes out of business every 10 days!**
- **The wholesale** segment is the largest driver of major insolvencies (1 out of 3 insolvent Agrifood companies)
- Wholesale companies have on average **higher leverage and worse cash flow** (2.2x and USD6mn in 2017, respectively) than the rest of the Agrifood sector (1.8x and USD8mn in 2017)

Median leverage and profitability by sector*



Sources: Euler Hermes, Bloomberg

*Extracted from Bloomberg on 07/31/2018. 'Agrifood except wholesale' panel consists of 3104 companies and 'Wholesale' panel consists of 312 companies. The following BICS sectors were used: Agricultural producers, Beverages Manufacturing, Packaged Food Manufacturing, Tobacco, Food products wholesalers, Agricultural products wholesalers

**Leverage = Total Assets / Equity