

Bucharest, April 21st, 2015

THE LOCAL SECTOR OF CONSTRUCTION WORKS FOR ROADS AND HIGHWAYS - A MAJOR DECREASE OF INVESTMENTS IN THE CONTEXT OF REVENUE COLLAPSE

- **The sector of construction works for roads and highways registered a revenue decline by -22 % in 2013**
- **The level of investments in fixed assets dropped by up to 33%, confirming the lack of long-term predictability and the decrease of public spending**
- **Deadlines for collection remained at a very high level, which reflected in the significant increase of the average duration of payment to the suppliers**
- **The sector of construction works for roads and highways registered the highest level of insolvencies in the economy**

Financial situation of the sector

According to the financial statements published by the Ministry of Finance, the companies whose main scope of business is "**Construction works for roads and highways**" generated a **total turnover of 11.7 BRON** during 2013, down by 22% compared to the previous year.

It is important to mention that only 282 companies, representing 15% of all active firms, register an annual turnover of more than 1 MEUR and generate about 94 % of the revenue of the entire sector.

Half of the companies operating in this sector reported a **deterioration of the net result** during 2013 compared to the previous year and 34% of the companies registered a net loss at the end of 2013. Despite this fact, **the consolidated net result at the sectorial level registered an increasing dynamics**, which indicates the fact that the large profits were mainly registered among the leading companies in the sector.

During 2013, the companies in the analyzed sector registered a huge **divestment policy**, in the context of the decrease of sales and the humble perspectives for re-launching the construction projects. Thus, the investments in fixed assets dropped by 33%, the main cause being the reduction of revenue by 22% in the context of the reduction of public spending in this sector. Moreover, the decrease in the share of fixed assets of the total assets confirms the lack of long-term predictability.

How were the companies in the analyzed sector financed?

The method of financing these investments made by the local companies is not sustainable. The share of short-term debts in the total borrowed capital increased to over 80% and their degree of coverage by net cash decreased to only 13 %.

The companies in the analyzed sector registered a significant financing from the suppliers whereas the average duration for the collection of receivables remained at a very high level and the average deadline for the payment of suppliers increased by more than 3 months.

What was the money circuit during 2013?

A series of other adjustments should have led to an improvement in the degree of liquidity of the companies which activate in the analyzed sector: extension of the average deadline for the payment to the suppliers, decrease of the average period for the collection of receivables, decrease of investments and improvement of the net profit. Despite this fact, the liquidity situation registered at the sectorial level has deteriorated, which can mean only one thing: **the additional funds were directed to the payment of dividends or the financing of companies in the associated groups or with participating interests.**

In the context where the sector analyzed registered a very modest liquidity, the ratio between the expenditure at maturity and the revenues collected being very close to 1, it can be exposed to shocks due to the decrease of revenues or non-collection of receivables. **This thing also reflects in the conclusions obtained by Coface after the analysis of a representative sample of companies related to the insolvency risk in this sector: only 2 of 10 companies show a low insolvency risk.**

„The situation of the companies in this sector confirms the very high dependence on the collection of receivables from the state and the level of public spending allocated for resuming the investment projects. The public spending in this sector represents the main catalyst for resuming the investments, but their increase in the next period is unlikely, taking into account the draft amendment of the Tax Code. The decrease of revenues has immediately reflected in the significant reduction of investments, decrease of liquidity, extension of the deadlines for the payment to the suppliers and a record number of insolvencies. Thus, the sector of construction works for roads and highways has registered the highest level of insolvencies in the economy to the number of active companies, over 10% of the total value of the instruments refused in the economy, about 15% of the total court actions at the national level and over 10% of the total debts to the state budget”, declared Constantin Coman, Country Manager, Coface Romania.

P R E S S R E L E A S E

MEDIA CONTACT:

Emilia MUSCALU - T. +40/21/231 60 20 - emilia.muscalu@coface.com

About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2014, the Group, supported by its 4,406 staff, posted a consolidated turnover of €1.441 billion. Present directly or indirectly in 98 countries, it secures transactions of 40,000 companies in more than 200 countries. Each quarter, Coface publishes its assessments of country risk for 160 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.

In France, Coface manages export public guarantees on behalf of the French State.

www.coface.com

Coface SA. is listed on Euronext Paris – Compartment A
ISIN: FR0010667147 / Ticker: COFA

