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The national sector of road transport of goods - in the absence of sufficient profits, the investments continue to be financed by the late payment of suppliers

According to the financial data available for 2015 for all the companies which activate in the sector of road transport of goods, these register increasing revenues which can be found in insufficient profits. The investments for revamping represent 39% of the total assets, significantly over their wear and tear dynamics for the fourth consecutive year, the impact being slightly visible in the light of a sensitive increase of the consolidated profitability. The companies in the analyzed sector have maintained the high level of the supplier credit, their average payment duration being of 112 days while the receivables are collected at 88 days.

The Coface study included 31,363 transport companies that submitted financial statements in 2015. According to the financial statements published by the Ministry of Finance, the companies which have as main field of activity „Road transport of goods” generated during 2015 a total turnover of 34,28 B RON, up by 13% compared to the previous year. It should be noted that a major part of the advance of revenues is generated by the companies already existing on the market. Thus, in this context, 38% of the companies which activate in this sector reported decreasing revenues during 2015.

Analyzing the distribution of these companies depending on the turnover, it may be stated that:

- Approximately 24% of the companies which submitted the returns for 2015 did not actually carry out any activity;
- More than half of the active companies register a turnover smaller than 100 K EUR/year (2015), but the value share in the total turnover of this segment is of only 6%;
- 1,249 companies in this sector registered an annual turnover more than 1 M EUR during 2015. This segment of companies represents only 4% of the total companies, but it generates approximately 64% of the revenues registered at the level of the entire sector.

How did the profits of the companies evolve in the sector analyzed?

- The consolidated net result at the sector level for 2015 was of 4.5%, registering an increasing dynamics compared to the level registered in the past, namely 1.5% for 2014 and 0.5% for 2013;
- Thus, the operational margin increased from the level registered in 2012, namely 0.5%, to 6.2% for 2015;

- 41% of the companies which activate in this sector have reported a deterioration of the net result during 2015 compared to the previous year, approximately 12% of them going from profit to loss;
- This dynamics is registered in the context of very high debts contracted by the local companies which register a total indebtedness degree of 76%.

The companies in Romania which activate in the sector analyzed have registered a high level of investment in the fixed assets and lands, their share in the total fixed assets being of 39%, much higher than the amortization. This situation is confirmed by the INSSE data concerning the new registrations of commercial vehicles (annual data 2013 - 2015).

How did the companies in the sector analyzed finance themselves?

- The method of financing these investments made by the local companies is not sustainable. The share of debts on short term in the total capitals borrowed was maintained at more than 65%;
- The average duration of collection of receivables decreased to 88 days, the liquidity situation improving only marginally while the debt coverage rate on short term increased up to 20%. In any case, the source of liquidity preservation is not sustainable on long term whereas the suppliers are paid later. The excess liquidity is used in a classic destination, long term investments in the fixed assets (cars for transport, both in 2014 and in 2015), but against the creditors: suppliers (high value of the payment days of debts, combined with a negative conversion cycle of money), banks (indebtedness in slight decrease to 76%).
- The average duration of payment of debts on short term decreased in 2015 compared to 2012 up to 112 days (from 132 days) whereas the cumulated duration of turnover of receivables and stocks (operational cycle) decreased by 9 days compared to 2012. Basically, the reduction of the payment duration of debts on short term (decrease of 20 days) by 11 days over the decrease of stocks and receivables (decrease of 9 days) has encouraged the companies in the sector analyzed to finance important investments on long term (over the level of amortization);
- The companies in the sector analyzed which activate at the local level register a level of debt collection sensibly below that of the national average, namely 88 days.

The infrastructure has not seen any improvement from 2013 to 2015

- The length of the public roads in 2013 - 2015 remained almost the same (84,709 km - 2013, 85,184 km - 2014, 85,920 km - 2015), the deviation 2015/2014 being of 0.86% whereas the GDP growth in the same period was above the potential level.
- The length of highways in Romania (747 km) represents below 1% of the total kilometers of road in 2015.

“The transport sector reconsiders what Coface has repeatedly highlighted: a relatively good development, which is not enough to significantly improve the structure of companies and ensure their sustainability. We see perpetuated imbalances through the use of short-term resources for investment and asset acquisitions, which make these companies subject to shocks in liquidity provision. The speed with which economic cycles succeeded compels companies to

be more realistic in approaching the financial strategy, risking being trapped if they do not manage their resources coherently”, Eugen Anicescu, Country Manager, Coface Romania, mentioned.

”The year 2015 brought for the local sector of goods transport an improvement of the payment deadlines to the suppliers and a decrease of the money conversion cycle, a fact which reveals a discipline of the companies and an improvement of the balance sheet indicators. Despite this fact, the average payment duration of suppliers’ remains slower by 16 days than the duration of the operational cycle. On the other hand, one third of the companies which activate in the sector do not obtain profit from the basic activity which, in the long run, can mean their exit from the market as they are not capable to sustain themselves. Besides, the companies in this sector have renewed their fleets by investments in fixed assets reflected in the registrations of new vehicles. Apparently, this can make them more competitive and more flexible in relation to other competitors, although it should not be neglected the fact that the high indebtedness degree having an orientation of debts on short term indicates a financing of the assets on long term through short term sources, a non-sustainable situation”, Alexandru Fotia, Economic Analyst, Coface Romania, stated.

”A positive trend of the indicators at consolidated level for the goods transports in Romania can be noticed for 2015. However, the balance is fragile and the improvements are not likely to sustain the companies in front of the shocks came from inside (insufficient liquidity, dependency on the recovery of debts), and from outside (new tax burdens, increases of prices in fuels, unstable prices for car insurance). The infrastructure in our country characterized by insufficient investments and the poor state of roads continues to make the carriers’ activity even more difficult instead of contributing to its development. Regarding the risk, only 2 out of 10 companies analyzed by Coface during 2016 (sample representativeness 64%) are classified in a reduced risk of becoming insolvent”, Nicoleta Maruntelu, Economic Analyst, Coface Romania, said.

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