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The wholesale of cars and equipment: 41% of the companies have an insolvency risk above average and the number of companies with banking incidents doubled in 2017 compared to 2016

- **A decrease by 2% in the consolidated income at the sector level, almost half of the companies, 48%, registering a deterioration**
- **Half of the businesses have had a decrease of the net result, reflected also in the negative evolution at consolidated level**
- **The debt payment deadlines are up from 126 days in 2015 to 153 in 2016**
- **Increase of debt collection deadline, from 88 days in 2015 to 108 days in 2016 whereas the income is decreasing**
- **43% of the companies pay their debts later than the operating cycle would allow them**
- **33% of the companies have a degree of indebtedness over 80%**
- **41% have an insolvency risk above average**
- **Increased polarization in terms of the turnover made by Top 10% players**
- **The number of companies with banking incidents doubled in 2017 compared to the previous year**

The companies in the sector of the wholesale of other cars and equipment registered in 2016 a negative evolution of revenues which decreased by 2% compared to 2015, the profitability being also in a slight decrease. The data of 1,728 companies which submitted the financial data for 2016 and generated a consolidated turnover of RON 5.7 B have been aggregated for the current analysis.

"The sector of wholesale of other cars and equipment registered a decrease in revenues by 2% in 2016 compared to the previous year whereas almost half of the companies reported deterioration. This was also reflected in the consolidated profitability of the sector which was in a slight decrease, 1 of 2 companies passing through a deterioration of the net result. A financing horizon focused mainly on short term can be noticed in this sector as well, 88% of the total debts being current whereas 63% of the companies in the market have only debts on short term. However, together with an increasing degree of indebtedness, with values of debt collection and payment days higher than in the previous year, it indicates a deterioration of the financial structure of the companies", Nicoleta Mărunțelu, Senior Financial Analyst, Coface Romania declared.

The debt collection in the sector was fluctuating in the past five years, above the threshold reported at national level, less in 2014 and 2015, when the value of the indicator was below this threshold. The average duration of debt collection in the sector analyzed decreased from 121



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days, the level in 2012, to 88 in 2015 and increased to 108 in 2016, while the mean at the national level in the same period analyzed decreased from 100 days to 93 days.

The level of concentration at the sector level is quite low, which is also confirmed by the percentage of the cumulated market share held by ten most important players, namely 25%. However, the share of the total turnover of the top 10% companies in the sector slightly fluctuated in the past 5 years, but it has maintained at a very high level (79.8% in 2013 to 75.6 in 2016).

From the perspective of banking incidents, we analyzed the evolution for the companies with a turnover higher than EUR 1 M in the sector at the level of May 2018. Although in 2017 the total number of incidents was below the maximum value in 2014, the number of companies increased more than two times. Also, if we analyze the years 2016 and 2017 from a quarterly point of view, it results that the majority of incidents occurred in quarters 3 of 2016 and 2017, respectively (when the maximum of the last three years was recorded).

"In terms of payment behavior, there are real signs of concern at the sector level. Although in 2017 the total number of incidents among the companies with turnover higher than EUR 1 M was below the maximum value in 2014, the companies with reported incidents doubled. Moreover, although the number of companies registered with debts to the state budget decreased more than 3 times in 2017, very likely due to the thresholds introduced by the National Authority for Tax Administration, the value of debts increased by almost 10% compared to 2016", Alexandru Fotia, Senior Financial Analyst, Coface Romania stated.

Of the total 1,728 active companies in 2016, Coface has analyzed 329 companies representing 19%, but which have a share of 77% of the consolidated turnover at the sector level. In this context, most companies (45%) are classified by Coface with low risk. They are followed with a close percentage by the companies with an insolvency risk above average (41%). 10% of the companies analyzed show a very high insolvency risk and approximately 13% have already been in insolvency.

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