

MAJOR INSOLVENCIES AS OF Q1 2019

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MAJOR INSOLVENCIES* Q1-2019 KEY FINDINGS

1. Focusing on firms with a turnover exceeding EUR50mn, our Q1 2019 monitoring points to **a high frequency of major insolvencies** (83, -1 case from Q1 2018). Based on their financials, we calculate that these insolvent companies represented a higher combined turnover of EUR45.5bn (+4% or +EUR1.9bn vs Q1 2018). This suggests a **worsening severity** of global insolvencies, which could have serious effects on providers along supply chains.
2. Regions posted uneven trends with **Asia** continuing to experience an increase in major insolvencies (+10 cases compared to Q1 2018), while **Central & Eastern Europe** recorded less (-7 cases). At the same time, **Western Europe** remained the main contributor to the global level of major insolvencies (36 cases compared to 12 for North America).
3. **Retail** (17 insolvencies), **Construction** (11) and **Agrifood** (9) were again the most affected sectors in terms of the number of insolvencies this quarter. Metals (+5), as well as Retail (+5), posted the strongest rise in insolvencies, while Machinery & Equipment (-7) saw a noticeable decline compared to Q1 2018.
4. Looking at the last four quarters together, we see a still high number of major insolvencies with 334 cases in total as of Q1 2019, despite a slight decrease (-14 cases compared to Q1 2018). The data also show an increasing severity to EUR160.1bn in cumulative turnover (+EUR1.9bn i.e. +16% y/y. Asia posted a significant increase (+20 cases compared to -14 for Western Europe and -19 for Central & Eastern Europe) but Western Europe registered the highest number of major insolvencies (139). **Construction** (60 insolvencies), **Retail** (56) and **Agrifood** (32) were the most affected sectors in terms of number of insolvencies. Agrifood (-10) and Services (-23) both saw a noticeable decline while Construction posted the strongest increase (+16).
5. We find that the insolvency **hot spots** were Retail, Construction and Services in Western Europe; Construction in Asia and Central & Eastern Europe and Retail in North America. These reflect a wide range of challenges (indebteness, input prices, overcapacity, digital disruption, cyclical exposure) and suggest more discrimination by risk managers.

(*) Companies with a turnover exceeding EUR50m

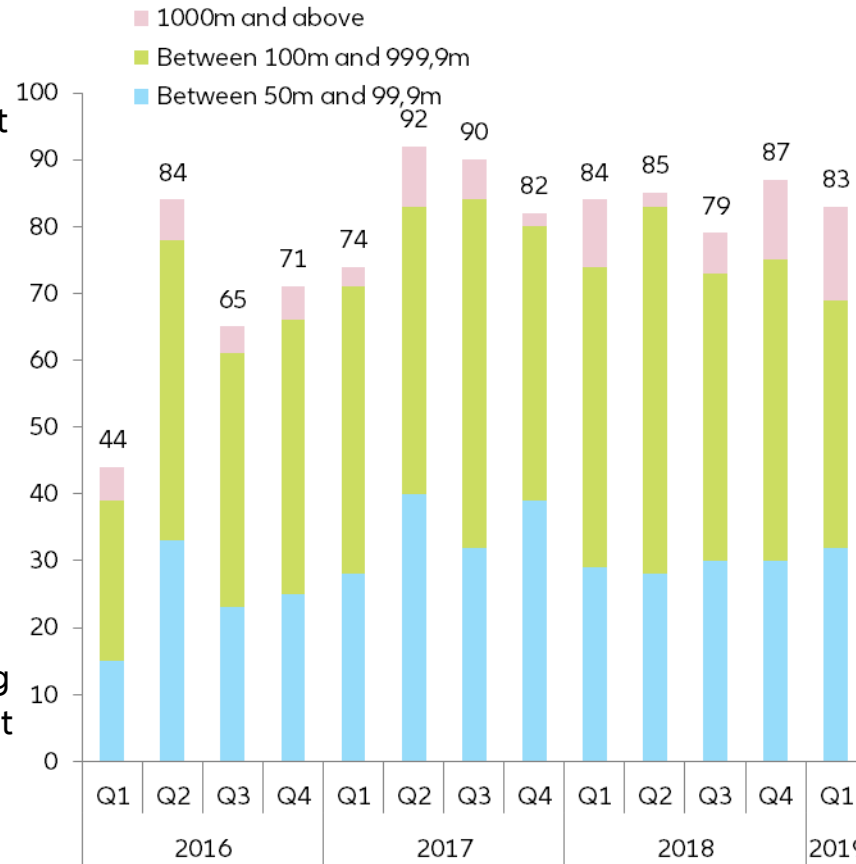
HIGH FREQUENCY AND WORSENING SEVERITY

At a global level, Q1 2019 saw a quasi-stable number of major insolvencies compared to Q1 2018 with 83 failures (decline of -1 case). The cumulative turnover of insolvent major companies totaled EUR45.5bn, an increase of +EUR1.9bn vs Q1-2018 (+4%).

As of Q1 2019, the total number of insolvencies for the past 12 months stood at 334 (-4% or -14 cases) and the cumulative turnover was EUR160.1bn (+16% or +EUR22.4bn).

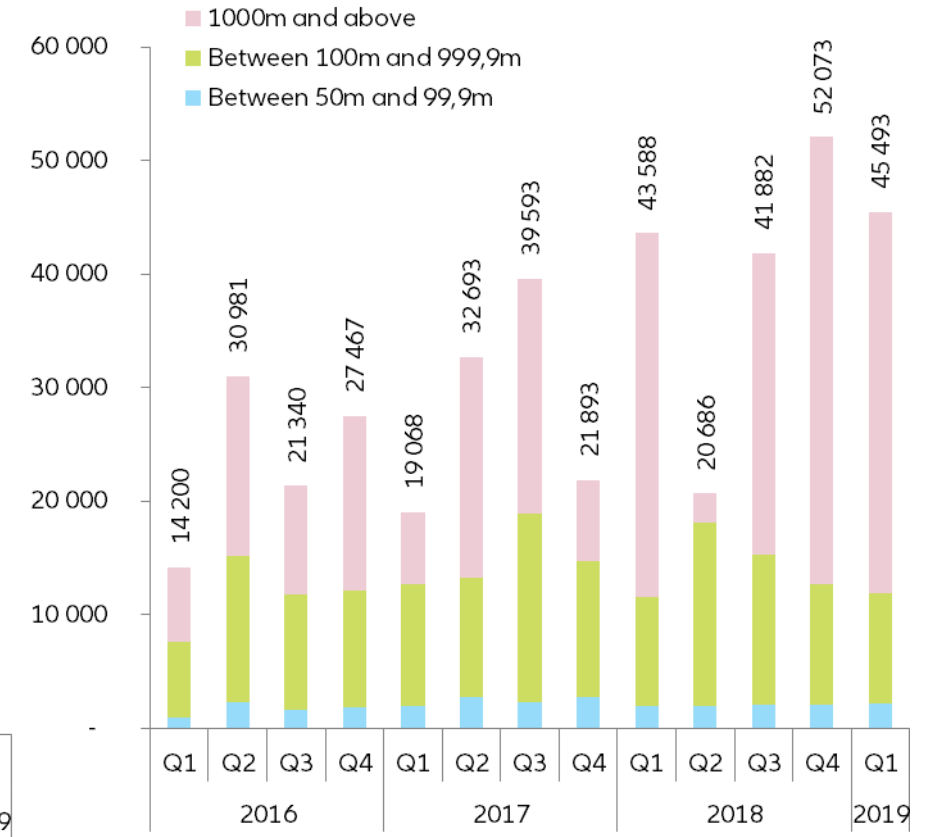
This increase in severity is the result of a growing number of failures of companies with turnovers exceeding EUR1bn (+7 to 34 cases for the latest 12 months).

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



(*) Companies with a turnover exceeding EUR50m
Sources: Euler Hermes, Allianz Research

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



(*) Companies with a turnover exceeding EUR50m
Sources: Euler Hermes, Allianz Research

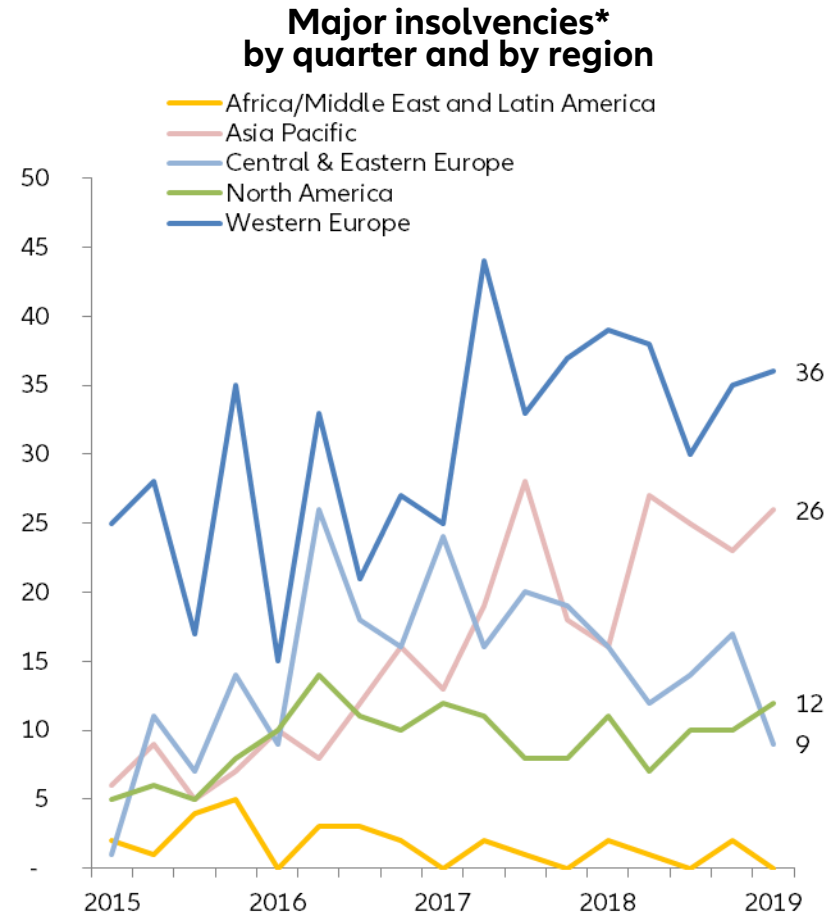
FREQUENCY IN EUROPE SEVERITY IN CHINA AND THE US

Asia and Western Europe were the largest contributors to the global insolvency count:

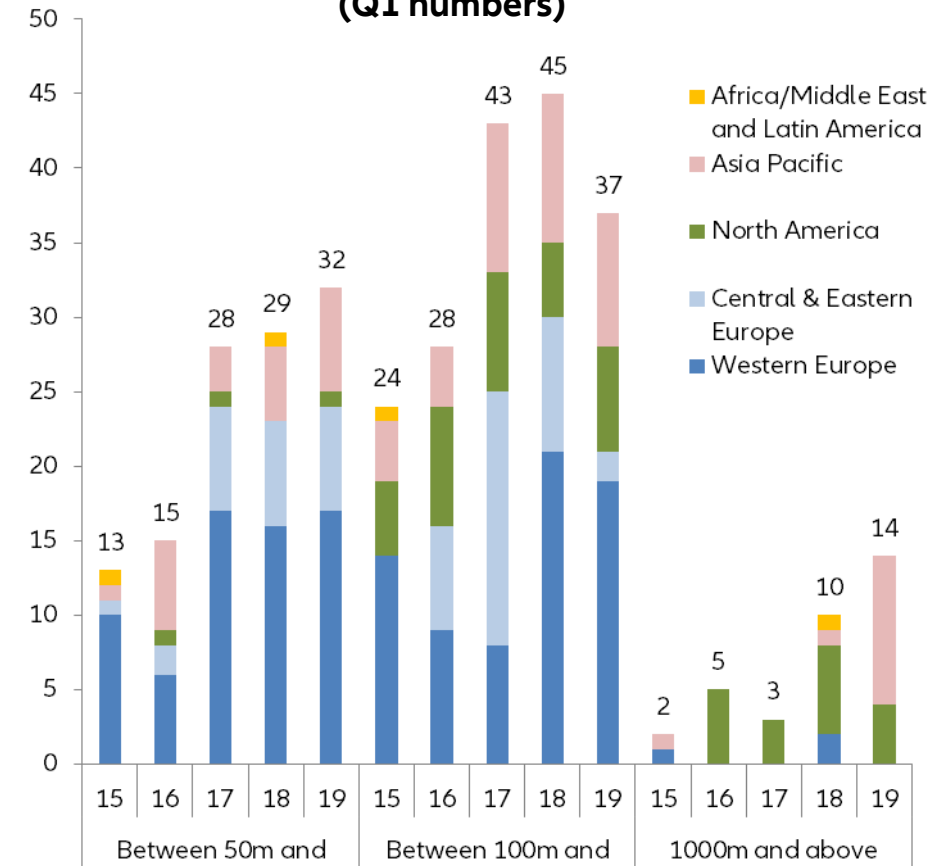
- Asia posted +10 more insolvencies in Q1 2019 (compared to Q1 2018), with a surge in companies with large turnovers.
- Western Europe saw a decline of -3 insolvencies in Q1 to 36 cases, with a noticeable reduction in severity due to a basis effect (the insolvency of Carillion in the UK in Q1 2018).

The US remained a key contributor to the top insolvencies, but China became the main one this quarter, posting six out of the 10 largest insolvencies registered in Q1.

Central and Eastern Europe confirmed its trend reversal.



Number of major insolvencies* by region and by size of turnover in million of EUR (Q1 numbers)



(* Companies with a turnover exceeding EUR50m Sources: Euler Hermes, Allianz Research

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CONSTRUCTION, RETAIL AND AGRIFOOD MOST AFFECTED

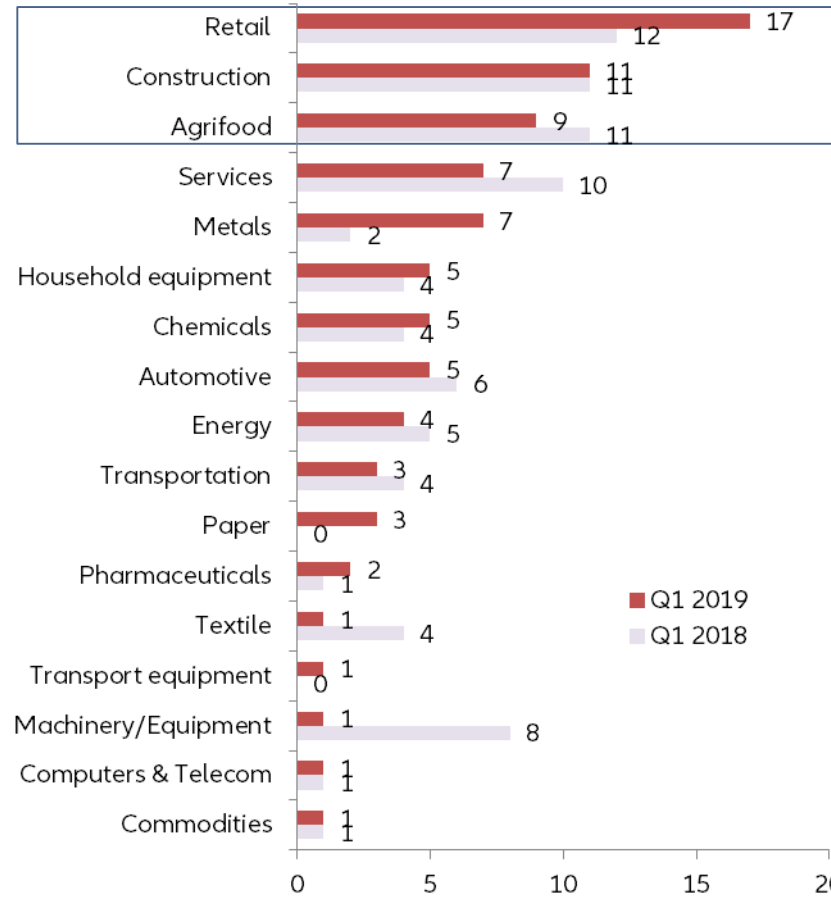
In Q1 2019, Retail (17 insolvencies), Construction (11) and Agrifood (9) were the most affected sectors compared to Q1 2018.

Metals (+5) and Retail (+5) posted the strongest rise in major insolvencies.

Conversely, Machinery & Equipment (-7), Textile (-3) and Services (-3) saw a noticeable decline - but the latter continues to be a key contributor to the total number of insolvencies.

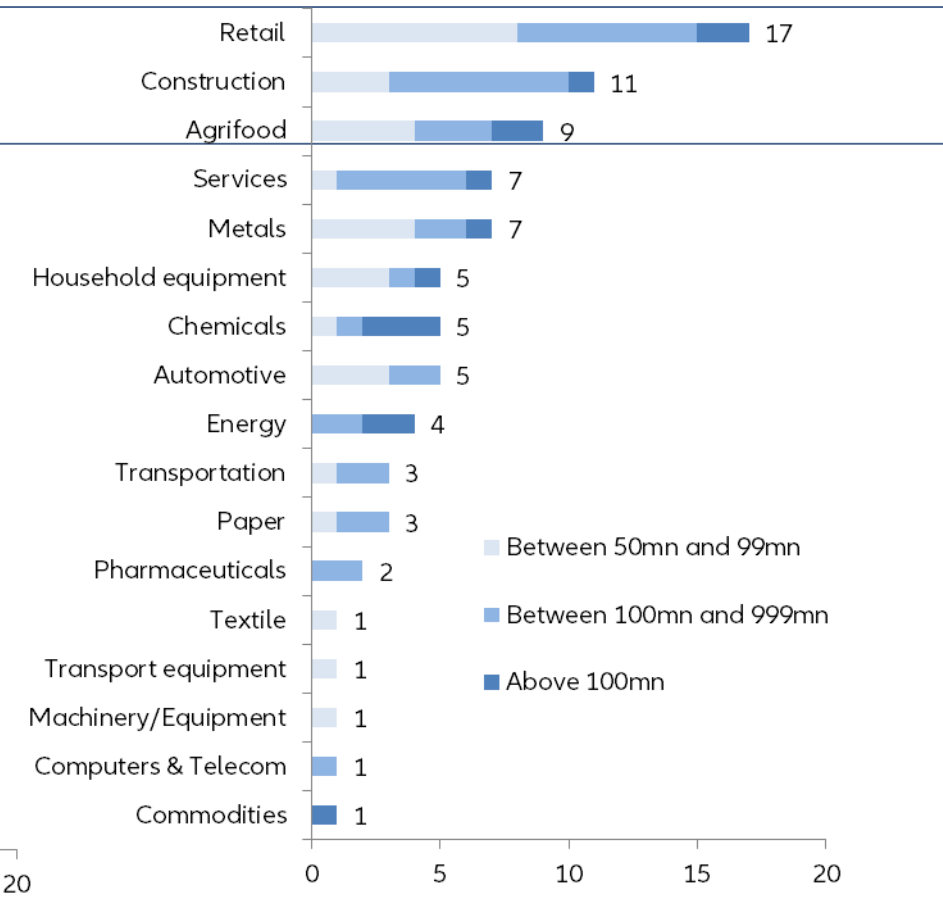
Retail stood out with the highest number of largest insolvencies and the highest average size of insolvent companies in terms of turnover.

Major insolvencies* by sector



(*) Companies with a turnover exceeding EUR50m
Sources: Euler Hermes, Allianz Research

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



(*) Companies with a turnover exceeding EUR50m
Sources: Euler Hermes, Allianz Research

HOT SPOTS IN RETAIL AND WESTERN EUROPE

Heat Map of major insolvencies* by sector and by region (number of insolvencies)

Hot spots in Western Europe: Retail and Metals in Q1, plus Construction and Services for the last 4Q.

Hot spots in Asia: Construction and Agrifood for both Q1 and last 4Q.

One persistent hot spot in North America: Retail, and to a lesser extent Energy.

Q1-2019	Africa Middle East and Latin America	Central & Eastern Europe	North America	Asia Pacific	Western Europe	TOTAL	Cumulative last 4Q	Africa Middle East and Latin America	North America	Central & Eastern Europe	Asia Pacific	Western Europe	TOTAL
	Electronics	-	-	-	-	-		-	Pharmaceuticals	-	1	1	-
Commodities	-	-	-	1	-	1	Transport equipment	-	-	1	-	3	4
Computers & Telecom	-	-	1	-	-	1	Electronics	-	-	-	2	3	5
Machinery/Equipment	-	1	-	-	-	1	Textile	-	2	-	3	1	6
Transport equipment	-	1	-	-	-	1	Commodities	-	-	1	4	2	7
Textile	-	-	1	-	-	1	Computers & Telecom	1	1	-	5	1	8
Pharmaceuticals	-	1	1	-	-	2	Paper	-	-	-	1	7	8
Paper	-	-	-	-	3	3	Chemicals	-	1	-	6	2	9
Transportation	-	1	1	-	1	3	Automotive	-	-	4	1	6	11
Energy	-	-	2	1	1	4	Machinery/Equipment	-	-	5	3	6	14
Automotive	-	1	-	-	4	5	Transportation	-	2	4	1	9	16
Chemicals	-	-	-	4	1	5	Household equipment	-	3	1	6	8	18
Household equipment	-	-	-	3	2	5	Energy	-	8	5	7	3	23
Metals	-	-	-	1	6	7	Metals	-	-	-	11	15	26
Services	-	1	-	3	3	7	Services	-	2	3	8	16	29
Agrifood	-	1	1	5	2	9	Agrifood	-	1	7	12	12	32
Construction	-	1	-	7	3	11	Retail	2	15	4	6	29	56
Retail	-	1	5	1	10	17	Construction	-	3	16	25	16	60
Total	-	9	12	26	36	83	Total	3	39	52	101	139	334

(*) Companies with a turnover exceeding EUR50m
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