

# Analysis of profit warnings

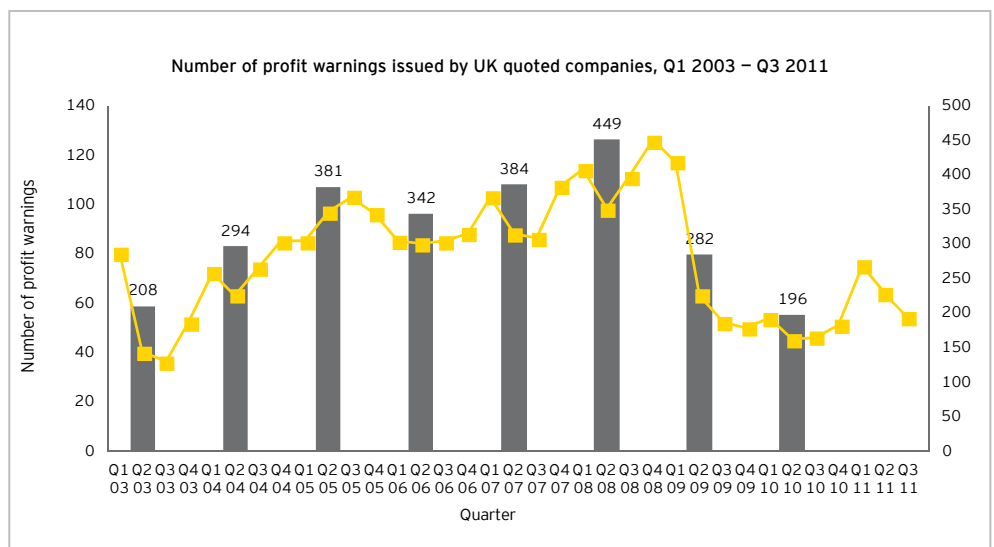
## Issued by UK quoted companies



### Profit warnings fall, but there's a sting in the tail

UK profit warnings fell in the third quarter of 2011, but fewer profit warnings is not always a signal that the economy is in rude health or that calmer waters lie ahead. Undoubtedly, part of the drop is due to the limited growth in the UK economy which, when combined with operational efficiencies, is helping companies to meet profit expectations. However, it is also true that these profit expectations have been scaled back significantly over the summer, hit by escalating fears of a second economic dip.

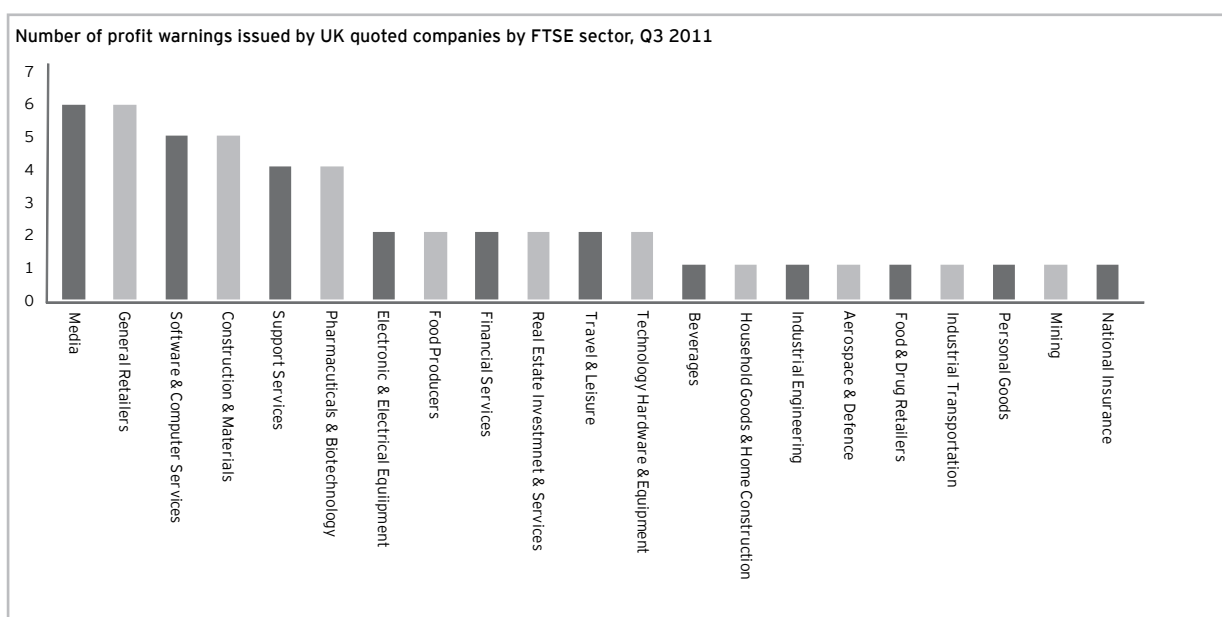
Indeed, there is clear potential for the UK's economic situation to turn ugly again. Domestic growth is weak, whilst a waning US recovery and the escalating Eurozone debt crisis present further threats to both capital and growth. Not least because governments and central banks have far less in their armoury than the last time we stared into the abyss. With other growth catalysts weak, the UK economy needs the private sector to invest cash it has kept on the sidelines since 2007. Faced with such uncertainty, there is a danger that businesses continue to hold back. However, unless confidence returns, the UK economy will remain at stall speed – at best – for some time.



# Profit warning highlights

- ▶ UK quoted companies<sup>1</sup> issued 51 profit warnings in Q3 2011, 11% more than the same quarter of 2010 and 20% fewer than they issued in Q2 2011.
- ▶ The FTSE sectors with the highest number of profit warnings this quarter were General Retailers, and Media with six, and Software & Computer Services and Construction & Materials with five.
- ▶ Profit warnings from industrial FTSE sectors rose in Q3 2011 as domestic and export demand weakened. However, profit warnings from FTSE Support Services fell to their lowest level since 2004, with much of the impact of fiscal austerity now factored into forecasts and business models.
- ▶ UK retailers face their biggest test since 2008. Quoted retailers have already issued more profit warnings in the first nine months of 2011 than in the whole of 2010 and 2009 combined. They will be approaching Christmas with more than the usual mixture of hope and trepidation. Keeping a tight rein on stock and cash levels will be vital in the lead up to Christmas and the next quarterly rent day.
- ▶ The FTSE sector with the highest proportion of companies warning this quarter was Construction & Materials, with 15% of the sector warning in Q3 2011 and 24% in the year-to-date. The long construction pipeline has delayed the impact of the economic slowdown, but the strain is now starting to show.
- ▶ Price pressures appear to be easing off, or at least companies and their customers are adapting to new cost realities. In the third quarter of 2011, 16% of profit warnings cited rising prices, compared with 34% in the second quarter.
- ▶ The average fall in share price on the day of profit warning was the highest since 2008, at 18.3%. The share price tends to move more on the day of a profit warning when heightened uncertainty encourages investors to de-risk their portfolios and profit warnings certainly met with a heavy punishment this quarter.
- ▶ This quarter, 4.9% of Main Market companies issued profit warnings compared with 2.1% of AIM companies. However, there were also a far higher proportion of 'smaller' companies warning than usual. Almost three quarters of profit warnings came from companies with a turnover under £200m – the highest proportion for four years.

<sup>1</sup> Main Market and AIM listed companies



# Diminished expectations

## The times they are a-changin'

Autumn has become the traditional season of market turbulence and 2011 is proving no exception. The build up of risks feel horribly reminiscent of 2008 but, in many ways, they raise more concerns. Not least because this time, monetary firepower is all but exhausted and the fiscal cupboard is also bare, leaving very little to cushion businesses and households through the long and painful period of deleveraging and restructuring that still lies ahead. Whatever the endgame in the eurozone, getting there won't be quick or painless and the UK's fragile recovery and recuperating banks will be in the firing line. The UK economy should avoid a double dip, but it is unlikely to move above stall speed for the rest of 2011.

## The eurozone ... 'The wheel's still in spin'

The events of a tumultuous summer have finally injected urgency into the search for an enduring solution for Greece and a sustainable footing for the eurozone. However, converting debate into a politically acceptable and long-lasting solution has proved exceptionally troublesome. The kind of 'blockbuster' plans Greece and the eurozone need inevitably involve unpalatable financial and political decisions that are hard for policymakers and bondholders to stomach. A lasting solution will not come cheap: governments, banks and ultimately taxpayers will need to carry a heavy burden. Once agreed, it will also take some considerable time to implement, with a constant danger that markets will lose patience before the final signature; or, that the courage of policymakers fails and they plump for another stop gap.

However, the greatest risk now is policy paralysis. Indeed, the eurozone could easily worry itself into a self-fulfilling credit crunch while it waits for a credible plan. Bank credit default swaps (CDS) have long surpassed 2008 spreads and liquidity is tightening. European banks managed to sell covered bonds this summer, but sold less debt overall than in any comparable period since 1996.<sup>1</sup> Evidence of US money pulling back from Europe isn't helping the anxious mood. Bloomberg reports that the eight largest US money-market funds halved their lending to German, French and UK banks over the past 12 months and stopped providing finance to Italy and Spain altogether.<sup>2</sup> Central banks have stepped in to plug the dollar shortage and the repo market is filling some of the gap, but at far greater expense than usual lending streams.

Most European banks have the majority of their funding in place for 2011; however, they still need to refinance around \$1 trillion in 2012 and the issue of bank capitalisation is back on the agenda. French banks are a particular concern, due to their high exposure to periphery debt and higher than average short-term funding needs. The big three French banks also dominate the European loan market and there is a real risk that the availability and price of lending in Europe – especially dollar lending – will rise and choke the European recovery. These concerns and the massive uncertainty around where the sovereign debt firebreak will fall, who will pay and how much, are contributing to a serious rethink on growth. Consensus forecasts now show the eurozone struggling to break even in 2012, even if it avoids a disorderly default in Greece and any consequent contagion.

## UK economy ... 'Later to win'?

Even the relatively benign scenario of a eurozone slowdown – combined with a stalling US economy – could have a serious impact on the fragile UK recovery. Exports are a key plank of the UK's growth plan; however, UK exporters will need truly exceptional sales to new markets to compensate for a serious decline in what is 60% of the UK's export market. Whilst, not forgetting that emerging markets are also vulnerable to events in the western economies. Almost half of India's top twenty export markets are in the eurozone. The fortunes of emerging and developed markets are by no means decoupled. Looking across the rest of the UK economy, it is well established that the UK consumer won't provide much forward momentum in 2012. Rising unemployment, average wage rises falling well behind inflation and diminishing confidence will leave the consumer hamstrung for some time. This leaves the UK policymakers with a problem. There are two other credible ways to boost growth – increase government spending and or encourage business investment – but both avenues are fraught with difficulties and uncertainties.

Fiscal intervention has a tempting logic. It lies directly within government's control and a lack of credible options elsewhere has increased demand for gilts and brought yields down to record lows. Indeed, allowing for inflation, capital markets are technically offering the UK 'free' money. However, nothing is ever free and the UK has based its market rhetoric so firmly on unwavering austerity, that to err might be to fail in investors' eyes. The UK's structural budget deficit for financial year 2012 is already likely to be around £12 billion wider than previously thought, due to slower than expected growth.<sup>3</sup> There is probably still some leeway to borrow more, but how much more without

1 *Europe's banks face unsecured bond test*, The Financial Times, 4 September 2011, © The Financial Times Limited

2 *Deposit Flight at European Banks Means Risk Piling Up at ECB*, www.Bloomberg.com, 14 September 2011, ©2011 Bloomberg L.P.

3 *£12bn hole in UK public finances*, The Financial Times, 19 September 2011, © The Financial Times Limited

# Diminished expectations

becoming part of the sovereign debt story? It's a potentially risky move and government sponsored growth may only offer a temporary fillip to the UK economy. The more sustainable solution is to persuade the private sector to invest some of the £680 billion it has in bank accounts. Quantitative easing (QE) can be used not only to cheapen borrowing, but also to make spending more attractive for UK companies by offering a lower rate of return on cash.

Thus far, the Government and Bank of England have shown a distinct preference for targeting the supply side of the economy. They believe that fiscal austerity, although undoubtedly painful now, will deliver greater rewards in the end. Therefore, whilst there are new commitments to bring forward infrastructure spending, the linchpin of efforts to improve UK growth is likely to be the extension of QE. The UK government has also announced a 'hybrid' scheme that will use Treasury money to cheapen the price of lending, especially for smaller companies – a kind of 'credit easing'. It is clearly vital for the UK recovery that companies are able to borrow at a reasonable rate and feel confident enough to invest. However, the experience of the last three years shows that companies need more than monetary incentive to borrow and invest. Above all, they need confidence in the future, something that may be well beyond the ability of any monetary or fiscal tool to deliver – at least until the eurozone crisis

is resolved. A predicament reflected in falling growth forecasts for the UK economy, which the IMF now expects to grow by 1.1% in 2011, sharply down from the 1.7% expected in April.

## 'Better start swimmin' '

Contending with such an uncertain and rapidly changing world isn't easy. However, companies can improve their operational fitness and capital structures to meet these challenges and make the most of new opportunities. Driving efficiency, exploiting core competencies, exiting failing products and creating dominant market positions will be the key to operational success. Addressing capital needs is also a high priority. Many companies used the loosening of credit markets in 2010 and in early 2011 to extend their arrangements; but significant amounts of refinancing remain in the pipeline and businesses may need to think about alternatives if lending markets remain tight and expensive.

This further and prolonged period of slow or reversing growth and tighter credit will prove too much for some. Particularly those companies left with onerous capital structures after undergoing mild restructurings early in the credit crisis. Their fate – like many others – is reliant on improvements in credit markets and the broader economy. Neither outcome is now assured.

## Number and percentage of companies warning by FTSE Sector, Q3 2011

	No of companies warning	No. of companies in FTSE sector	% of quoted companies in the sector warning
Aerospace & Defence	1	14	7%
Beverages	1	7	14%
Construction & Materials	5	34	15%
Electronic & Electrical Equipment	2	41	5%
Food & Drug Retailers	1	10	10%
Food Producers	2	31	6%
Financial Services	2	145	1%
General Retailers	5	56	9%
Household Goods & Home Construction	1	27	4%
Industrial Engineering	1	46	2%
Industrial Transportation	1	19	5%
Media	6	94	6%
Mining	1	115	1%
Nonlife Insurance	1	19	5%
Personal Goods	1	18	6%
Pharmaceuticals & Biotechnology	3	53	6%
Real Estate Investment & Services	2	93	2%
Software & Computer Services	4	111	4%
Support Services	4	167	2%
Technology Hardware & Equipment	2	31	6%
Travel & Leisure	2	69	3%
<b>Total</b>	<b>48</b>		

# Sector overview and outlook

## Sectors

Seasonality of sales, along with low profit expectations, helps to explain why profit warnings from FTSE Consumer Services and FTSE Consumer Goods sectors fell in the third quarter, despite obviously difficult trading conditions. Many consumer-facing sectors make the bulk of their sales in the final quarter, which can make it harder for these companies to judge the full year outturn in the summer. Nevertheless, the outlook is clearly darker than last year and the year-on-year trebling of General Retailers' profit warnings bodes ill for the final quarter.

Meanwhile, profit warnings from Industrial FTSE sectors rose year-on-year and quarter-on-quarter, with a significant rise in profit warnings from the FTSE Construction & Materials sector compensating for fewer warnings from FTSE Support Services companies. The construction industry is still adjusting to new economic realities. Long contract pipelines provided a buffer against recession and fiscal austerity, keeping the number of sector profit warnings low until the end of 2010. However, with order books now emptying, the construction industry is now facing the spectre of over capacity in 2012. Meanwhile, companies in the FTSE Support Services sector issued just four profit warnings in Q3 2011, the lowest number for seven years. Recession and the first rounds of fiscal austerity hit business-to-business (B2B) services companies hard and fast and business models and profit expectations have had time to adjust to new realities – only time will tell if they have adjusted enough.

Profit warnings from cyclical sectors normally dominate at this point in the cycle. However, a traditionally more defensive sector provided the biggest jump in profit warnings this quarter. FTSE Pharmaceuticals and Biotechnology companies issued four warnings in Q3 2011, up from zero last quarter. This the highest number of profit warnings from the FTSE sector since 2004. There isn't an obvious common theme to link the profit warnings together. However, all but one of the companies warning had turnover of under £15m and smaller companies by nature have a thinner buffer against internal or external hits to profits.

For that reason, it is often these smaller companies who warn first when the economy slips or an industry comes under pressure. The fact that 73% of all profit warnings this quarter came from companies with turnover under £200m – well above the four-year average – is just one sign of more difficult times to come.

## Profit warning outlook

Like many forecasters, Global Insight took a red pen to its 2011 growth forecasts this summer, cutting its expectations for global growth from 3.5% to 3% and for UK growth from 1.4% to just 1%. A universal reassessment of growth prospects and the highly uncertain outlook also led a reduction in analyst expectations. Consensus estimates for the FTSE All-Share fell by 3.4% for financial year 2011 and by 3.5% for 2012 during the third quarter alone.<sup>1</sup> Meanwhile, many UK quoted companies have also been exceptionally cautious in their recent outlook statements. As a result, a tough end to 2011 and an austerity Christmas is already priced in for many UK companies. Even a flat final quarter could result in only a modest year-on-year rise in profit warnings.

However, there still is some debate over whether earnings estimates are still too high – given the darkening economic outlook – and events could easily overtake forecasts. Clearly, the biggest risk to earnings comes from the events in the eurozone, where the endgame is still impossible to predict. However, there are considerable risks to earnings elsewhere. Consumer confidence still rests on a knife-edge and, whatever happens in Europe, UK companies may have to contend with a second dip into the red for the UK economy. Businesses will also face greater pricing and currency fluctuations, which again will make forecasting difficult. Falling global demand is softening commodity prices, which suggests that we will not have a repeat of 2008 in this sense. However, prices could easily spike again if the money from further monetary loosening finds its way into commodity markets again. The Bank of England extended quantitative easing (QE) by £75bn at its October meeting and even the prospect of this has weakened sterling in the build up to the announcement. However, it's difficult to forecast and quantify the longer term currency impact, when further central bank intervention seems inevitable elsewhere. The Swiss move to reduce its currency strength illustrates perfectly the increasing willingness of central banks to act and the difficulties of forecasting in this uncertain environment.

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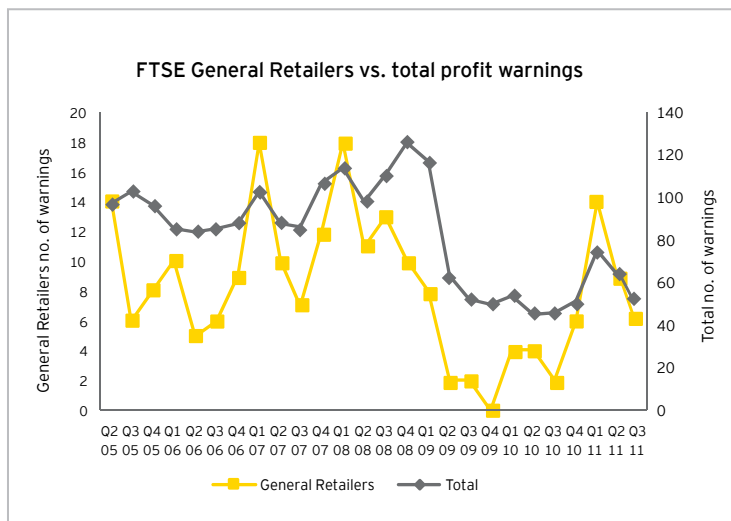
<sup>1</sup> Source: IBES

# Focus on sectors

## FTSE General Retailers

Retail faces its biggest test since 2008. A toxic mix of economic, structural and competitive pressures have contributed to the FTSE General Retailers sector issuing 29 profit warnings in the first nine months of 2011, more than the whole of 2010 and 2009 combined. This is fewer than 2008, but the sector is smaller now and years of lean trading have diminished market expectations.

These lean years have also severely weakened companies unable to adapt to a tougher retail environment. As we move into the vital final quarter, profit will come second to cash flow concerns for those retailers who have already dug deep into their reserves to put stock on the shelves and pay the rent. Some are clearly running on empty and desperately need tills to start ringing quickly. However, competition and pricing is fierce and the consumer is still cautious. Retail insolvency usually peaks in January, but there is a danger that we see further retailers fail in the final months of 2011 as they simply run out of cash.



## It's beginning to feel a bit like 2008

The rise in retail profit warnings in 2011 invites obvious comparisons with 2008, when the FTSE General Retailer sector issued a record 52 profit warnings and many established names disappeared from our high street. It seems unlikely that the retail sector will go through such a tumultuous Christmas again in 2011. Years of tough trading have forced the restructuring, sale or closure of many of the weakest retailers, shrinking the sector and providing those left with a measure of survivor advantage. Most analysts have also priced an austerity Christmas into their profit forecasts and unless the weather misbehaves again, profit warnings should not spike to 2008 levels.

This could make it a less dramatic Christmas for the high street, but by no means an easier one. Intense competition from supermarkets in non-food segments and major structural change driven by technology and changing consumer needs continues to place further stress on a sector weakened by years of rising costs and falling real disposable income. Because the economy is growing, rather than shrinking as it was three years ago, the UK consumer is arguably in a much tougher spot.

Unemployment is 0.7 million higher than it was at the end of 2008 and inflation is still chipping away at consumer spending power. The latest Asda income tracker reported that the average family's weekly

disposable income (after taxes and essentials) fell to just £162, down by 7.9% in August alone. This is the biggest decline since their records began in January 2007 and leaves the average UK household with exactly the same amount of disposable income as they had in October 2008. The impact of this fall is visible in a wealth of survey data released at the end of the third quarter. The British Retail Consortium's August survey reported like-for-like retail sales down 0.6% in August, with the highly discretionary items of home furnishings, shoes and textiles performing particularly badly. Unsurprisingly, given the economic and employment outlook, consumer confidence also fell significantly in August, slipping to a 4-month low according to the GfK NOP survey.

Well positioned, well-capitalised and well run retailers continue to do well, even in tough environments and some discretionary retailers continue to outperform rivals by a considerable margin. Some are also benefiting from consumers trading down and others from incomes holding up at the top-end. However, the end of a perpetual year-on-year increase in high-street sales means that any outperformance by one retailer creates casualties elsewhere. The profit warning data amply illustrates the growing divide in the FTSE General Retailers sector between the under and outperformers, with 20% of companies being responsible for over 70% of profit warnings.

# Focus on sectors

## The three Cs this Christmas – creativity, communication and above all cash

Christmas is never the Armageddon often feared. However given the increasing pressure on consumers, it does look like being a more austere Christmas – or at least a much more sober New Year, if the UK consumer puts the presents on the never-never. A recent flurry of administration appointments amongst retailers highlights their continuing vulnerability. The normal peak for retail insolvencies is after Christmas; the best time to judge a retailer's viability, given that the vast majority of sales come through the tills in the final quarter. However, having dug deep into their reserves just to make it past the last quarter day, there is a clear danger that some retailers will simply run out of cash long before the tinsel comes down. They desperately need a good start to the festive season, however, the CBI expected sales balance for October is 14, the lowest reading since June 2010 and there is no guarantee that November will be much better.

Therefore, the key focus in the next quarter should be the management of cash flow. Retailers should be doing all they can to establish reliable visibility and control over cash to assist with stock and discount strategies and to spot trouble early. A clear strategy around stock control and discounting and effective financial reporting will also assist communication with potentially nervous stakeholders. Previous years have shown how rumours can easily spiral into a collapse

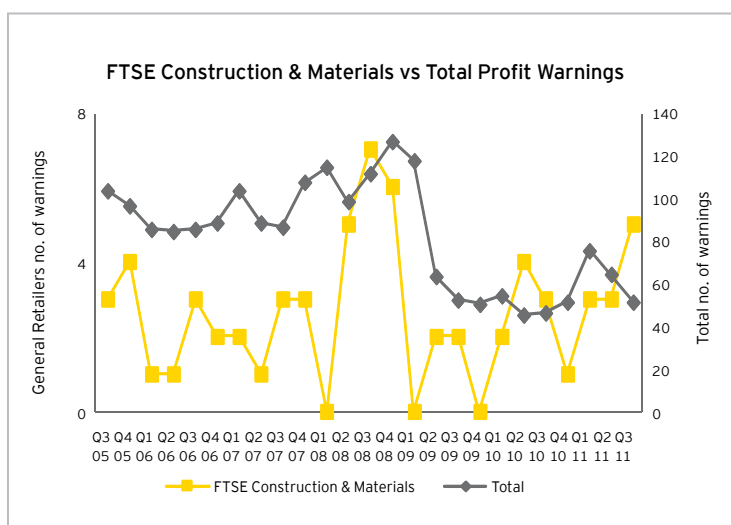
of confidence amongst banks, credit insurers and suppliers. Early and clear communication is essential to avoid misinformation or to help all parties to take quick and decisive action in the worst-case scenario.

Success for most retailers this year will also mean finding ways to compete beyond price. This year, rather than engage in the normal game of consumer Christmas 'discount chicken', larger retailers in particular are moving early and aggressively to capture the more price-conscious consumer. To avoid being a casualty of this price war, smaller retailers may need other ways to compete, such as on value, service and customer experience. Successful retailers are those who have quickly adapted to both the economic and structural changes on the high street. Consumers are now looking for ultimate flexibility in the way they appraise, purchase and collect their products, whilst still wanting to feel the value of product and service. Retailers need to offer options from 'Browse, click and deliver' to 'Surf, click and collect', which for many will ultimately mean thinking differently about their high-street presence. Bricks and mortar is not a dead retail option – some online operators are actually looking for physical locations – but retailers may need to reassess how many physical locations they need for optimum coverage.

## FTSE Construction & Materials

Companies in the FTSE Construction & Materials sector issued five profit warnings in Q3 2011, compared with three in the same quarter of 2010. In total, 15% of the FTSE Construction & Materials sector warned in the third quarter of 2011, whilst 25% have warned in the last 12 months.

Construction's budding recovery is starting to stall. The impact of the slowdown is patchy. Some companies and sub-sectors continue to outperform, but construction insolvencies are rising and a revenue and pricing squeeze continues to claim casualties. More mixed fortunes also lie ahead for the sector. Balanced against hopes of additional infrastructure investment are fears that the eurozone crisis could spark a second credit crunch, with construction once again in the firing line. In uncertain times, building and sustaining good relationships are vital to ride out any storm.



# Focus on sectors

## Recovery interrupted

The construction sector provided much of the impetus for UK economic recovery during 2010, with activity picking up strongly after the initial shock of the credit crunch and recession in 2008. However, this positive momentum is fading. Recent surveys all show a sharp contraction in construction activity and, most worrying of all, record falls in UK order books. Official figures reported at the start of September reported a 16.3% quarter-on-quarter and 23.2% year-on-year drop in new orders in Q2 2011. This represents the sharpest fall in new orders since 1980, mostly led by a fall in public sector contracts, although the private sector also stalled.

This rapid decline in new orders leaves the construction industry facing significant overcapacity in 2012. A recent survey of the UK's largest contractors shows that they have secured just 55% of projected turnover for 2011 and 31% for 2012.<sup>1</sup> Meanwhile, the margin vice continues to tighten with EC Harris forecasting that tender prices will fall nationally by 1.1% in the year to the second quarter of 2012.

## Slowdown highlights construction's weak spots

These surveys might signal tougher times for the construction industry overall, but there is a wide disparity of experience across the sector. Not everyone is struggling. 'Construction majors' continue to perform well, insulated by a highly diversified customer base, longer than average pipelines and, in many cases, long-term PFI revenues. All but one of the UK construction companies issuing a profit warning in the last year had a turnover under £200m.

The long tail of smaller companies is especially vulnerable in a slowdown. Smaller construction companies tend to be more reliant on a small number of shorter duration contracts and lack the breadth of business to utilise assets elsewhere in the event of market decline or contract cancellation. One cancelled or delayed contract can also have a progressively harder knock-on effect as it moves through the supply chain. Moreover, making things even harder for the smaller player is the increasing trend for larger rivals to trade down in order to utilise capacity. This too has a knock-on effect throughout the industry with the companies at the bottom squeezed out. Many of the construction companies slipping into insolvency are tier three or tier four sub-contractors.

## Some bright spots, but European worries persist

Some sectors appear to have adapted quickly to new economic realities and are performing relatively well. The credit crunch had a deep and swift impact on house builders, with ten profit warnings from the Home construction FTSE sub-sector in 2008 and a number of high profile insolvencies.<sup>2</sup> However, even though private sector house building remains well below its peak, the last profit warning from a house builder came in 2009 and recent updates from the sector have been increasingly positive. Major firms are even looking to buy more land. Although, it should also be noted that activity isn't evenly spread and is largely focused at the 'top end' and the ever property hungry southeast.

There is also more positive news for the infrastructure sector. The recent slowdown in UK GDP growth has focused political attention on the ability of the construction industry and in particular infrastructure investment to boost the UK economy. Recent weeks have brought commitments to fund new infrastructure projects and to bring some infrastructure spending forward.

However, clouding against some brighter spots on the horizon is the looming risk of a further credit tightening. The commercial construction market in particular has recently attracted more non-bank funding, but not enough to compensate for a significant withdrawal of traditional lenders, should the eurozone crisis escalate and spark a second credit crunch. A major lending contraction would easily swamp any fiscal boost provided to the industry. Like so much of the UK economy, construction's ultimate fate in 2012 rests largely on events in Europe.

## Construction's three Rs – relationships, revenues, resources

In such an uncertain environment, construction companies need to ensure that they are focusing on getting the basics right. First, and most importantly, building solid relationships based on quality service, especially with partners that can provide annuity revenues. Contracts linked to the most active players in the construction industry, such as utilities, waste management and fast-expanding retailers, can provide a regular income stream that will help to smooth the bumps in the road ahead. Companies should also be looking to protect margins on these revenues by focusing on streamlining and efficiency to help guard against further pricing squeezes. Construction businesses should also be working all along their supply chain to minimise costs and to spot potential problems or breaks.

Finally, protecting a company's key resources, especially cash is always vital in uncertain times. Managing and forecasting cash flow tends to be a particularly vulnerable spot for construction companies, but it is such an important element for companies to get right, especially given the sector's high overheads and the numerous opportunities for contract and payment delays.

<sup>1</sup> Empty pipeline sparks revenue fears, 8 September 2011, Construction News, © 2011, Emap Limited.

<sup>2</sup> A sub-sector of the FTSE Household Goods & Home Construction Index

# Q3 2011 – by sector, size and region

Count of industry sector		Region							Grand total
FTSE Sector	Turnover band, £mn	London	Midlands/ East Anglia	North West	South East	South West/ Wales	Yorkshire/ North East	Scotland & NI	
Aerospace & Defence	under £200m		1						1
Beverages	under £200m	1							1
Construction & Materials	under £200m	3	1	1					5
Electronic & Electrical Equipment	under £200m				1		1		2
Financial services	£201m – £1bn	1							1
	over £1bn	1							1
Food & Drug Retailers	£201m – £1bn				1				1
Food Producers	under £200m			1					1
	£201m – £1bn						1		1
General Retailers	under £200m		1		2	2			5
	£201m – £1bn				1				1
Household Goods & Home Construction	under £200m					1			1
Industrial Engineering	under £200m	1							1
Industrial transportation	under £200m	1							1
Media	under £200m	3	1			1	1		6
Mining	under £200m						1		1
Nonlife Insurance	£201m – £1bn	1							1
Personal Goods	under £200m	1							1
Pharmaceuticals & Biotechnology	under £200m	1			2				3
	£201m – £1bn	1							1
Real Estate Investment & Services	under £200m	1							1
	£201m – £1bn	1							1
Software & Computer Services	under £200m						1	1	2
	£201m – £1bn				2				2
	over £1bn	1							1
Support Services	under £200m	1				1			2
	£201m – £1bn				1		1		2
Technology Hardware & Equipment	under £200m	1						1	2
Travel & Leisure	under £200m		1						1
	over £1bn	1							1
<b>Grand Total</b>		<b>21</b>	<b>5</b>	<b>2</b>	<b>10</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>51</b>

# Number and percentage

	Q1 2007		Q2 2007		Q3 2007		Q4 2007		Q1 2008		Q2 2008		Q3 2008		Q4 2008	
<b>Turnover band</b>																
under £200mn	79	77%	69	78%	66	77%	74	69%	74	65%	70	71%	77	69%	75	60%
£201mn – £1bn	12	12%	12	14%	10	12%	23	21%	28	25%	14	14%	21	19%	33	26%
Over £1bn	12	12%	7	8%	10	12%	10	9%	12	11%	14	14%	13	12%	18	14%
<b>Total</b>	<b>103</b>	<b>100%</b>	<b>88</b>	<b>100%</b>	<b>86</b>	<b>100%</b>	<b>107</b>	<b>100%</b>	<b>114</b>	<b>100%</b>	<b>98</b>	<b>100%</b>	<b>111</b>	<b>100%</b>	<b>126</b>	<b>100%</b>

	Q1 2009		Q2 2009		Q3 2009		Q4 2009		Q1 2010		Q2 2010		Q3 2010		Q4 2010	
<b>Turnover band</b>																
under £200mn	73	62%	32	51%	32	62%	36	72%	42	78%	32	71%	29	63%	25	49%
£201mn – £1bn	29	25%	22	35%	19	37%	9	18%	9	17%	8	18%	11	24%	19	37%
Over £1bn	14	12%	9	14%	1	2%	5	10%	3	6%	5	11%	6	13%	7	14%
<b>Total</b>	<b>117</b>	<b>100%</b>	<b>63</b>	<b>100%</b>	<b>52</b>	<b>100%</b>	<b>50</b>	<b>100%</b>	<b>54</b>	<b>100%</b>	<b>45</b>	<b>100%</b>	<b>46</b>	<b>100%</b>	<b>51</b>	<b>100%</b>

	Q1 2011		Q2 2011		Q3 2011	
<b>Turnover band</b>						
under £200mn	45	60%	40	63%	37	73%
£201mn – £1bn	18	24%	9	14%	11	22%
Over £1bn	12	16%	15	23%	3	6%
<b>Total</b>	<b>75</b>	<b>100%</b>	<b>64</b>	<b>100%</b>	<b>51</b>	<b>100%</b>

Turnover band	4-year average	
under £200mn	50	65%
£201mn – £1bn	18	23%
over £1bn	9	12%
<b>Total</b>	<b>77</b>	<b>100%</b>

*N.B.: Figures are to the nearest whole number.  
Totals may add up to slightly above or below 100%.*

# Number and percentage of warning companies by region, 2007 – 2011

Region	Q1 2007		Q2 2007		Q3 2007		Q4 2007		Q1 2008		Q2 2008		Q3 2008		Q4 2008	
London	36	35%	24	27%	23	26%	29	27%	36	32%	32	33%	37	33%	43	34%
Midlands/East Anglia	13	13%	16	18%	14	16%	19	18%	17	15%	10	10%	21	19%	22	17%
North West	10	10%	7	8%	7	8%	10	9%	11	10%	4	4%	8	7%	10	8%
Scotland and NI	3	3%	5	6%	5	6%	5	5%	3	3%	4	4%	6	5%	8	6%
South East	25	24%	21	24%	25	28%	30	28%	28	25%	22	22%	19	17%	20	16%
South West/Wales	7	7%	6	7%	6	7%	6	6%	13	11%	13	13%	11	10%	15	12%
Yorkshire/North East	9	9%	9	10%	6	7%	8	7%	6	5%	13	13%	9	8%	8	6%
<b>Total</b>	<b>103</b>	<b>100%</b>	<b>88</b>	<b>100%</b>	<b>86</b>	<b>100%</b>	<b>107</b>	<b>100%</b>	<b>114</b>	<b>100%</b>	<b>98</b>	<b>100%</b>	<b>111</b>	<b>100%</b>	<b>126</b>	<b>100%</b>

Region	Q1 2009		Q2 2009		Q3 2009		Q4 2009		Q1 2010		Q2 2010		Q3 2010		Q4 2010	
London	32	27%	18	29%	15	29%	18	36%	11	20%	7	16%	9	20%	11	22%
Midlands/East Anglia	12	10%	10	16%	9	17%	7	14%	12	22%	9	20%	8	17%	6	12%
North West	13	11%	3	5%	10	19%	4	8%	3	6%	2	4%	4	9%	10	20%
Scotland and NI	3	3%	3	5%	0	0%	2	4%	1	2%	2	4%	3	7%	1	2%
South East	24	21%	14	22%	6	12%	9	18%	15	28%	12	27%	11	24%	11	22%
South West/Wales	14	12%	5	8%	7	13%	5	10%	6	11%	7	16%	6	13%	6	12%
Yorkshire/North East	19	16%	10	16%	5	10%	5	10%	6	11%	6	13%	5	11%	6	12%
<b>Total</b>	<b>117</b>	<b>100%</b>	<b>63</b>	<b>100%</b>	<b>52</b>	<b>100%</b>	<b>50</b>	<b>100%</b>	<b>54</b>	<b>100%</b>	<b>45</b>	<b>100%</b>	<b>46</b>	<b>100%</b>	<b>51</b>	<b>100%</b>

Region	Q1 2011		Q2 2011		Q3 2011	
London	22	29%	15	23%	21	41%
Midlands/East Anglia	10	13%	4	6%	5	10%
North West	8	11%	6	9%	2	4%
Scotland and NI	2	3%	2	3%	2	4%
South East	24	32%	15	23%	10	20%
South West/Wales	2	3%	11	17%	5	10%
Yorkshire/North East	7	9%	11	17%	6	12%
<b>Total</b>	<b>75</b>	<b>100%</b>	<b>64</b>	<b>100%</b>	<b>51</b>	<b>100%</b>

Region	4-year average	
London	22	29%
Midlands/East Anglia	11	15%
North West	7	9%
Scotland and NI	3	4%
South East	17	22%
South West/Wales	8	11%
Yorkshire/North East	8	11%
<b>Total</b>	<b>77</b>	<b>100%</b>

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