Building a better working world

Under Pressure

Analysis of profit warnings

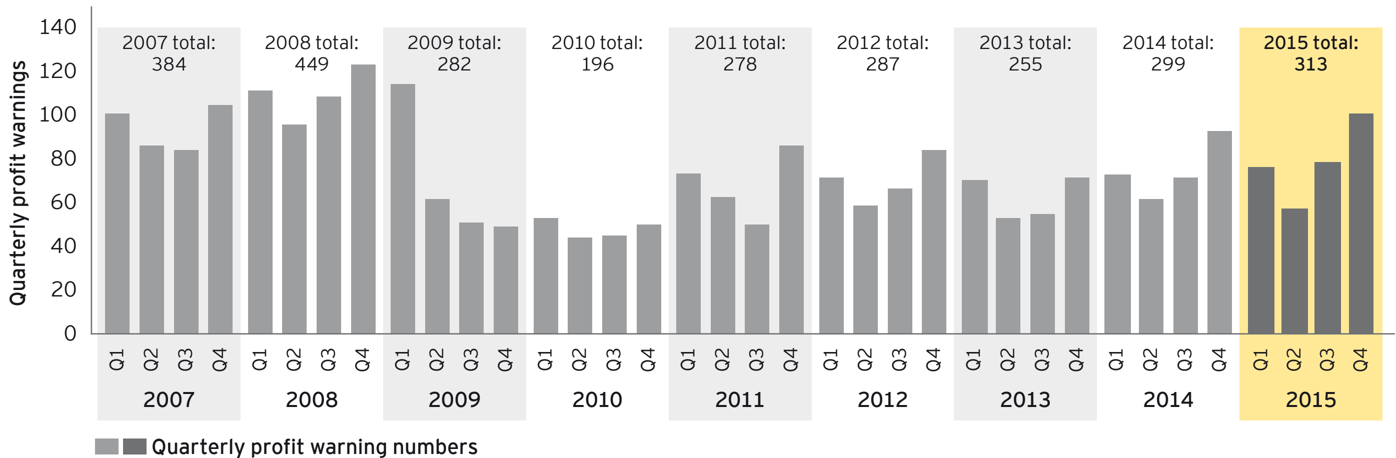
Issued by UK quoted companies

Q4 2015

UK quoted companies issued 100 profit warnings in Q4 15, the highest number since the first quarter of 2009. Companies are benefiting from a period of economic growth, but are also contending with intense competition and rapid economic and structural change in their markets. Oil & Gas is the most obvious example of a sector under pressure, but it's not the only industry struggling to get to grips with new realities.

Most businesses are standing up to the test, but the New Year brought new twists on familiar challenges. Geopolitical tensions are rising. China's economic path has clouded further, with uncertainty feeding into global markets. Low oil prices should be more of a blessing than a curse, but increasing market tensions threaten to swamp economic benefits. In response, we expect to see companies building resilience by intensifying their focus on operational improvement and their capital and portfolio management. Without operational and capital flexibility, companies will struggle to adjust their business models to rapidly shifting markets. A bruising end to 2015 reset earnings expectations, but companies will face further challenges to profitable growth in the year ahead

Profit warning numbers, 2007-2015.

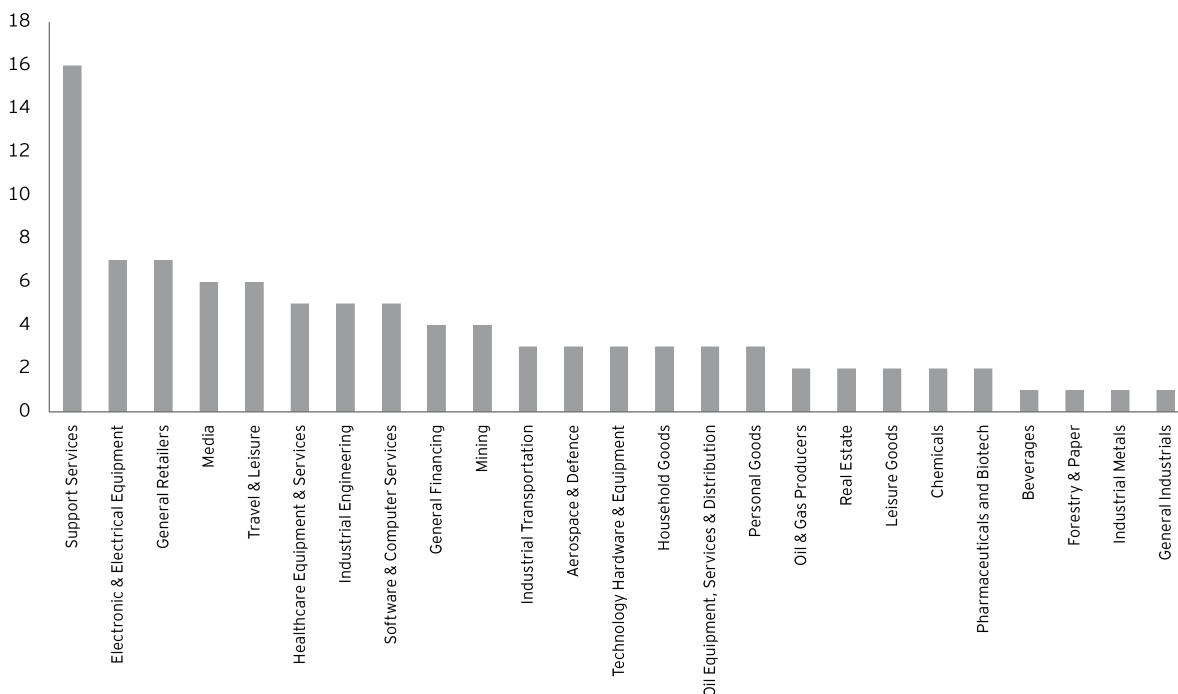


Profit warning highlights

- After an early summer lull, further commodity price falls and rising growth concerns helped push UK profit warnings to 313 in 2015, up from 299 in the previous year and the highest total since 2008.
- During 2015, 17.3% of current UK quoted companies warned, the highest annual percentage of companies warning since 2008.
- A century of profit warnings from 7.3% of UK quoted companies in Q4 15 represents the highest quarterly total since Q1 09 and the highest percentage of companies warning in one quarter since Q4 01.
- The FTSE sectors leading profit warnings in Q4 15 were: Support Services (16), Electronic & Electrical Equipment (7), General Retailers (7), Media (6) and Travel & Leisure (6).
- It's the sectors with the greatest percentage of companies warning that tell the story of 2015, in particular the broad impact of falling oil, metal and mineral prices and the influence of disruptive competition.
- Half of FTSE Oil Equipment, Services & Distribution companies issued a profit warning in 2015 as pressures passed down the supply chain.
- A fifth of all profit warnings in 2015 cited falling commodity prices, mostly from companies listed outside commodity sectors.
- Manufacturing companies featured highly, amidst falling CAPEX budgets, volatile currencies and uncertain export demand. In 2015, 42% of FTSE Electronic & Electrical Equipment, and 40% of FTSE Aerospace & Defence issued profit warnings.
- Low inflation and rising wages boosted disposable incomes in 2015, but a third of General Retailers still issued profit warnings – the highest since 2011. This new peak reflects rising competitive and disruptive pressures, which have limited the benefit of higher disposable income.
- The median share price fall on the day of warning rose to 13.9% in Q4 15 – a six quarter high. The median fall in 2015 of 12.2% is the highest since 2011.
- The last time profit warnings rose over 100 in 2008-9, earnings forecasts reset and profit warnings fell away dramatically. History is unlikely to repeat exactly in this more disrupted and volatile climate, but expectations have been well grounded and a further shock will be needed to push warnings this high again.

Half of FTSE Oil Equipment, Services & Distribution companies issued a profit warning in 2015 as pressures passed down the supply chain.

Profit warnings by sector, Q4 2015



Economic and sector overview

Living in interesting times

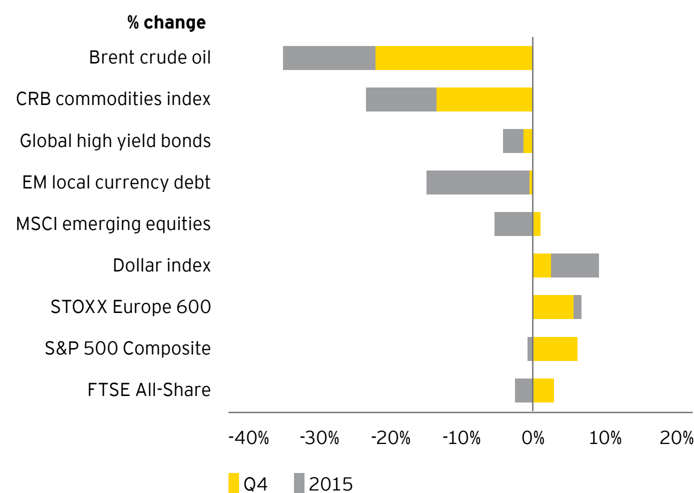
The year has started on a gloomy note. Many of the challenges that dominated last year – oil, China, emerging markets – have continued into 2016 with the volume turned up. Meanwhile, new concerns have appeared on UK plc's agenda, from the National Living Wage to the upcoming EU Referendum. There are still many positive elements to balance against these concerns. Swathes of the global economy still have significant positive momentum, including the UK, where growth remains unbalanced but continues apace. There are still substantial buffers in place that should protect against all but the most substantial failures in confidence. Indeed, one of our major concerns is that companies and markets freeze as concerns mount. What's needed now is for companies to add resilience and that requires action.

New Year, old concerns ...

The New Year has started with market turmoil as a melting pot of global concerns threatens to bubble over. US monetary tightening was never going to be an easy ride, certainly not when combined with hints of further teething trouble in China's economic rebalancing and a further dip in oil prices to a 13-year low. The negative feedback loop of a rising dollar, falling commodity prices and weaker Chinese demand is of course a potentially toxic cocktail for many emerging market economies. The pain isn't universal. Some countries are benefiting from the flexibility afforded by lower inflation and a weaker currency. But pockets of stress are building in areas reliant on dollar denominated products and debt.

Asset performance in Q4 15 and 2015

% change



Source: Thomson Reuters Datastream

If concerns bubble under – rather than over – global GDP should keep growing at 3.4% in 2016, according to the IMF. The downgrade from October's forecast of 3.6% represents the growing number of downside risks, many of which centre on China's prospects. The current official rate of growth - 6.9% in 2015 - is only enough to sustain fragile market confidence. This is now the lowest since 1990 and fears of further decline remain. Volatility in Chinese equities might not have a direct economic read through, but it does highlight the problem of reconciling rebalancing and reform with maintaining stability. The service sector appears to be taking off in places, but large parts of the 'old' economy face significant challenges from high levels of debt, loss of competitiveness and excess capacity – some of which is being exported abroad, most notably in steel.

Substantial buffers remain in place to lessen the risk of crisis. There is still an exceptionally supportive global monetary environment, notwithstanding the Fed's interest rate increase in December. The relative level of dollar-denominated debt in emerging markets has fallen significantly since previous crises, which should prevent a rapid escalation of tension. Developing economies look set for another year of steady expansion. The Eurozone in particular is looking 'hot' and ready to benefit from strong capital inflows and a positive trade advantage following its full divergence with US monetary policy. Nevertheless, developing economies and their companies are clearly not immune to rising global tensions, more challenging emerging markets and the mixed impact of weak oil prices. It seems there is only so much falling prices can do to boost demand – not enough, to entirely offset the impact of the dramatic fall in investment demand and market turmoil occasioned by such a sharp decline. With supply and demand set to remain out of kilter, central banks will also be concerned that beneficial low inflation could slip into deflation. The Fed may yet need to take a step back.

UK's stubborn imbalance

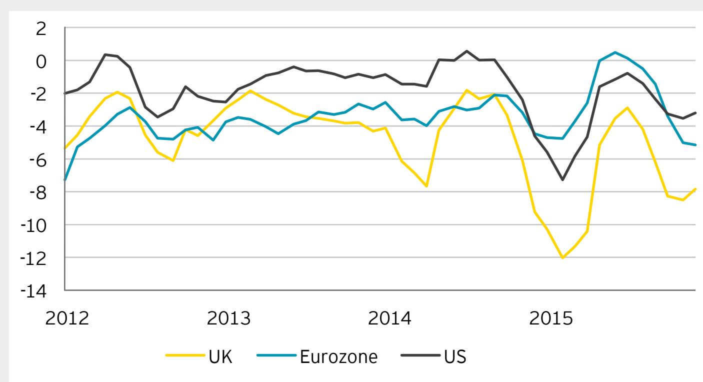
The UK economy should continue to enjoy steady growth in 2016; however these external pressures will serve to accentuate its continuing imbalance. This is still an economy led by the consumer, who now looks set to enjoy an extended period of low inflation and benefit from an even longer interest rate holiday – perhaps until late-2016. The EY ITEM Club has upgraded its 2016 GDP growth forecast from 2.4% to 2.6%, with consumer spending now forecast to grow at 2.8% in 2016. The other side of this equation is of course weakness in global markets, as reflected in the downturn in manufacturing output at the end of 2015. Industrial production fell by 0.7% between October and November, the largest monthly fall in output since January 2013. The UK's balance of trade also remains stubbornly negative. In 2016, stronger US and Eurozone growth and weaker sterling should help to boost exports, although trade growth still looks set to slow overall due to the more difficult global backdrop.

Economic and sector overview (continued)

Why did so many companies issue profit warnings in 2015?

Expectations dropped again at the end of 2015 and figures from analysts UBS show this isn't an isolated event, with European earnings downgraded in seven out of the last eight years. The chart below highlights the UK's recent rollercoaster ride.

Earnings expectations dip again
3m % change in 12M forward earnings (MSCI)



Source: Thomson One

We could blame oil for this latest peak in warnings. Just when it looked like prices were recovering at $70 a barrel in May, they plummeted back down to end the year to below $50. Other metals and mineral prices followed a similar path and these low commodity prices contributed to a fifth of profit warnings in 2015. Over half of these came from companies outside of commodity sectors, highlighting how much stress has been passed down the supply chain. Although, in manufacturing this wasn't the only factor pushing warnings higher, with volatile exchange rates and falling demand in unconnected areas, like technology also playing their part.

Highest % of FTSE sector warning in 2015

Sector	%
Oil Equipment, Services & Distribution	50%
Automobiles & Parts	50%
Electronic & Electrical Equipment	42%
Aerospace & Defence	40%
Mobile Telecommunications	40%
General Retailers	33%
Forestry & Paper	33%
Industrial Metals	27%
Technology Hardware & Equipment	26%
Industrial Engineering	25%

Falling oil prices also doesn't totally explain the peak in profit warnings in 2015; since we'd expect this rise to be at least partly offset by falling prices elsewhere. Instead, consumer-facing sectors saw a collective rise in warnings led by a substantial increase in retail and the travel and leisure sector. It seems that some companies are underestimating the competitive and disruptive challenge and the level of investment required to keep up. Meanwhile, demand remains subdued by a discounting culture that makes it hard to gather momentum outside of sale periods. The weather also hasn't played ball in 2015, but that's arguably another new reality.

FTSE Support Services companies are also issuing a large number of warnings. Almost 40% of the Industrial Supplier sub-sector warned in 2015, mostly in relation to the commodity and manufacturing slowdown. There were no warnings from recruiters – reflecting a robust jobs market – but 27% of the Business Services sub-sector issued a warning in 2015, with almost half citing contract issues. This is the group that should be profiting from increasing outsourcing, but tight margins, intense competition and greater risk transfer on government contracts are limiting the benefit.

With further fiscal austerity ahead, along with the National Living Wage (NLW), changes to revenue recognition and no let up on pricing we expect to see more stress here and in other sectors with similar government, wage or contract-reliant profiles. FTSE Software & Computer Services companies also issued a high number of warnings in 2015. Construction sectors should be buffered by increased government spending, but are always prone to contract issues. Similarly, healthcare spending is increasing, but the care sector will be disproportionally affected by the NLW.

The Resolution Foundation estimates that 3.2m workers will directly benefit from the introduction of the NLW in April 2016, with a further 2.8m higher earners benefiting from the spill-over effect. They expect 0.6% to be added to the UK's wage bill overall, mainly focused in residential care, food and drink, retail and support services.

Indeed, there always seems to be something these days from oil, to the Eurozone, emerging markets and the weather. It is tough to account for every eventuality, but in this more uncertain climate, companies need to be better prepared for the unexpected. Companies should be undertaking a realistic assessment of their business and their markets, looking at their operational resilience and where and how they can create value. This should help businesses build more robust forecasts and adapt to rapidly changing markets. Out of the 240 companies warning in 2015, 59 – or just under a quarter – warned more than once. With each warning leading to a median share price fall of just under 14% in Q4 15, failure to forecast accurately can be very expensive.

In the short-term, structural imbalance is less of an issue than overall growth – particularly given the UK's need to close its fiscal deficit. In the long-term this is a concern, since it leaves the UK economy vulnerable to further fiscal austerity and upcoming interest rate rises. Recent increases in productivity are welcome, but have also been fairly modest, which will limit further wage rises beyond the growth legislated by the National Living Wage (NLW). The NLW could potentially boost productivity, if companies rethink the balance of spending on investment and labour; although the corollary of this could be at least a short-term hit to employment. The EY ITEM Club expects GDP growth in 2017 to drop back to 2.3%, reflecting how growth from the end of 2016 will be hard won, with no easy wins.

Investment is central to this forecast and recent figures have been promising. Companies have responded to the need to fight slow growth and meet the demands of rapid and disruptive change with record levels of M&A and rising levels of investment. With so much on the UK corporate agenda in 2016, there is a risk this improvement will halt. Many companies will be unable to totally offset the cost of the NLW and the EU Referendum could also cause companies to pause in the run up to the vote – and possibly beyond, depending on the result.

A new era

These are interesting times, full of pitfalls, but also opportunities. To survive and indeed thrive, companies need to acclimatise to unpredictability, developing operational and capital flexibility to ride the dips and make the most of the peaks and any opportunities that come along. In unpredictable markets, timing is vital. In the UK, we expect companies to move early in 2016 to raise capital, well before the likely summer date for the EU Referendum. It's a good time now to assess capital resilience and whether businesses have enough flexible long-term financing in place to meet their needs. The US interest rate increase and global market concerns shouldn't rattle investment grade debt markets too much, so long as the overall monetary environment remains accommodative and investors hold their nerve. Large debt issues left over from last year's M&A boom could cause indigestion, but the appetite for this type of debt seems to be there.

Worry does make markets more discerning and the non-investment grade market is feeling the strain. Yield pressure is mainly focused in areas related to the commodity price slide for now. Nevertheless, there is always a risk that stress will leak out into other parts of the system. As we've noted before, years of ultra-low interest rates have pushed investors along the yield curve into riskier assets with fewer protections. This often means that there is no consistency or proportionality in market reaction – especially at the margins. We anticipate a tougher year for credit in 2016.

Warnings as a percentage of FTSE sector, Q4 2015

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Aerospace & Defence	3	10	30%
Beverages	1	9	11%
Chemicals	2	21	10%
Construction & Materials	1	35	3%
Electronic & Electrical Equipment	7	33	21%
Forestry & Paper	1	3	33%
General Financial	4	129	3%
General Industrials	1	11	9%
General Retailers	7	57	12%
Health Care Equipment & Services	5	35	14%
Household Goods	3	26	12%
Industrial Engineering	5	36	14%
Industrial Metals	1	11	9%
Industrial Transportation	3	16	19%
Leisure Goods	2	13	15%
Media	6	73	8%
Mining	4	104	4%
Mobile Telecommunications	1	10	10%
Nonlife Insurance	1	13	8%
Oil & Gas Producers	2	77	3%
Oil Equipment, Services & Distribution	3	12	25%
Personal Goods	3	14	21%
Pharmaceuticals & Biotechnology	2	64	3%
Real Estate Investment & Services	2	70	3%
Software & Computer Services	5	105	5%
Support Services	14	149	9%
Technology Hardware & Equipment	3	23	13%
Travel & Leisure	6	71	8%
Total	**98**		

FTSE General Retailers

FTSE General Retailers issued seven profit warnings in Q4 15, up from three issued in the previous quarter and the same period of 2014. This is the biggest fourth quarter peak in FTSE General Retailer profit warnings since 2011 and takes the yearly total to 21 — again the highest in four years. That a third of the sector issued a profit warning in 2015 seems remarkable in the current consumer-economic environment. But, as trends in the "golden quarter" amply highlight, retail's fate isn't just about the amount of disposable income available, but when and where it's spent and the hard bargain being driven by the UK consumer.

Whether the weather ...

An early and extended Black Friday festive period probably helped to bring the retail profit warning season forward, but a four-year high in profit warnings is still hard to ignore. One of the most consistent refrains in trading statements has been the weather. For the second year running, unseasonably warm weather hit sales of autumn and winter clothing, traditionally the most expensive lines of the year. This topped off a tough year for apparel retailers, with over 40% warning during 2015.

Overall fourth quarter retail sales looked disappointing, with the British Retail Consortium's (BRC) like-for-like figures falling year-on-year in October and November. December sales only crept up by 0.1%, compared to a poor month last year when they fell by 0.4%. The weather was undeniably a factor in this performance. But it's does seem as if volatile seasonal demand is becoming the norm — whatever the weather — driven in part by consumers holding on for discounts.

Channel hopping

On the plus side of the leger, extending the Black Friday season did smooth demand and retailers learnt lessons on fulfilment and expectations from previous years. The mid-week start also contributed to a greater number of online sales and fewer queues at the tills. Indeed, online acceleration is another significant reporting theme. This was always on the cards, given the wet weather and events in Paris, but it seems that we're now looking at a faster, more fundamental shift than many expected. One fifth of Christmas purchases were made online and almost all the retailers who out-performed this Christmas had significant online success.

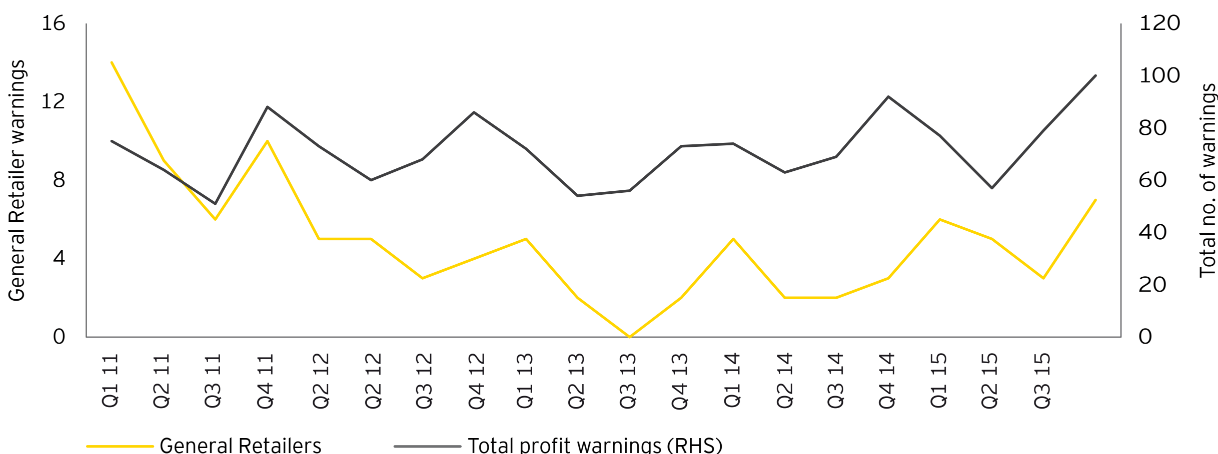
This growth means fulfilment is really shaping up to be a key battleground as completion hots up and expectations rise. Fast fashion is increasingly now offered with same-day delivery. Retailers lacking the wherewithal — in expertise and capital - to keep up with this transition will struggle. The rapid speed of change means retail boards will need to be constantly rethinking their business model and re-asking the question about the balance between online and physical presence and investment. Delivery costs are rising up the agenda as volumes increase and the losses shouldered on the final mile really start to mount up. Keeping up with the latest shifts in technology and related changes in behaviour will also place heavier demands on retailers' working capital, finance, buying and functions.

Bargain hunt

In 2016, retailers should benefit from a continuing consumer sweet spot of rising house prices, rising employment, near-zero inflation, rising wages and low interest rates. House prices are forecast to rise by 6.5%, providing a further boon for home accessory and furniture retailers. Interest rates seem unlikely to rise until late 2016. The National Living Wage should keep wages rising in 2016 — albeit with a dual-edge for retailers. Employment levels might not rise further, but they shouldn't sink back too far. EY ITEM Club expect consumer spending growth to remain at around 2.8% in 2016. Retail should be enjoying a golden period.

The reason why the sales picture isn't so rosy is highlighted by

FTSE General Retailer profit warnings vs. total profit warnings



BRC figures that show shop prices falling for 32 consecutive months in December, when non-food prices fell 3% year-on-year – only a slightly smaller decline than November's near-record 3.3% fall. Consumers clearly haven't felt the need to trade back up as much as they did after previous recessions. In this they have been abetted by a strong promotional culture, epitomised by Black Friday – albeit with a louder discounting debate this time around. Retail is also facing increasing consumer focus on 'experience spending', which creates even further competition for spare cash.

It's not unusual ...

When does unusual become the norm? Volatile demand and margins squeezed by the rise of online and consumer austerity certainly look set to stay and to be joined by the impact of the NLW. The weather never behaves. Retailers will need to find ways to adapt – for example, by implementing more flexible ordering, which may require a rethink of some supplier relationships. Raising prices in this environment will also be tough, placing further emphasis on operational improvements and innovation.

In this ever shifting environment, retailers will need to ensure that their business models are fit for purpose and that they have the operational and capital resilience to adapt and take any opportunities. Those who can innovate and use online to capture consumer imaginations and loyalty will certainly have an advantage. It's perhaps an indication of the state of retail flux that we'll have at least four new major company CEO's in 2016 and M&A is back on the table, especially for overseas buyers. Acquisitions aren't the answer for everyone, given the limits of competition and real-estate complications. But many retailers will need capital or new partners to make the transformation necessary to compete in this environment and low valuations may well encourage private equity back into the fray.

FTSE Oil Equipment, Services & Distribution

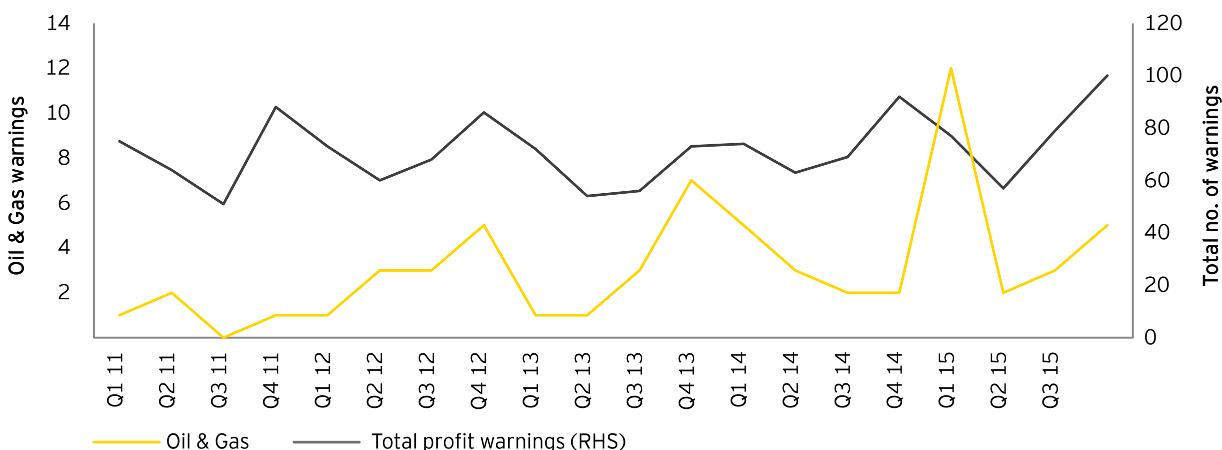
What if 2015 wasn't the nadir for the oilfield services (OFS) sector? There's no doubt that last year was tough. An average Brent Crude price of below $50 a barrel proved to be a powerful catalyst for further CAPEX cuts and efficiency drives from upstream customers, who'd started the process of boosting weak returns when oil prices held above $100. This process had already chipped away at OFS earnings expectations, with a quarter of the UK sector warning each year from 2012 to 2014. Nevertheless, the oil price shock added a new level of intensity in 2015, with 50% of all FTSE Oil Equipment, Services & Distribution companies warning – the highest of any FTSE sector.

And yet it's hard to discount the idea that 2016 might be even tougher. Not when Brent Crude's drops to below $30 a barrel and the market lacks obvious catalysts to sustain a price much above $50 – the point where so many companies struggled in 2015. With cash buffers and previous price hedges running out, we expect the industry to undergo a further difficult period of rebasing in 2016 and for OFS companies to ask more strategic questions about their future in the sector.

Not just a passing storm

In mid-January a *Wall Street Journal* poll of 12 banks predicted an average Brent Crude price of $50 a barrel in 2016, down from $57 forecast in December. Subsequent estimates have tended to the downside, as increasingly strained OPEC relations and further doubts over China's growth prospects contributed to pushing the spot price well below even this low mark. The outlook for oil prices can always change in an instant; but whilst supply remains so ample there appears to be few reasons for the price of crude to rise. US shale companies have defied expectations; Iran is about to come on-stream and the increasing fiscal pain within OPEC isn't being matched by action at the well.

FTSE Oil & Gas sector profit warnings vs. total profit warnings



In response, upstream operators have started the year by announcing further CAPEX cuts of around 10%-20%. According to Wood Mackenzie, energy groups have already postponed nearly $400b of spending on new oil and gas projects since the oil price collapsed. The amount of deferred capital spending on projects awaiting approval has almost doubled since last June, from $200b to $380b. The fact that we have upstream companies talking about revamping business to operate in $60-$30 barrel environments suggests they're not expecting any immediate uplift to oil prices and that they will continue to take action to protect their position. FTSE Oil & Gas Producer profit warnings rose from six in 2014 to 11 in 2015, but the proportion of the sector warning has remained modest at 9%. The pain is being passed downstream and this will continue in 2016.

The impact of these cuts on OFS companies hasn't been uniform. Second-tier operators are obviously more vulnerable, being further down the supply chain. Deep-water operators have suffered more postponements due to higher breakeven prices and heavier upfront capital needs. There are some more resilient areas, such as maintenance and other areas of OPEX spending. But any area of resilience will inevitably draw increasing competition. Across the board, OFS companies have been pulled into more aggressive tendering using fixed price contracts with thinner margins and greater risks — as well as being asked for further cuts in already tight contracts. This will challenge their ability to invest and the attitude of lenders, who are being asked to finance debt in a very uncertain climate.

When the going gets tough ...

With such little visibility and with cash buffers and previous backlogs running out, we believe that the sector will need to make some fundamental changes to protect its future. Building operational and capital resilience to meet the challenge of oil that sticks consistently below $50 — with the flexibility to adapt if prices move higher — will be a tough challenge in 2016 and beyond. OFS companies need to look at how they can work in collaboration with customers and adapt their service offering to meet their needs, providing solutions that will help to lower costs and increase efficiency. Excellence in execution and project management are obviously vital.

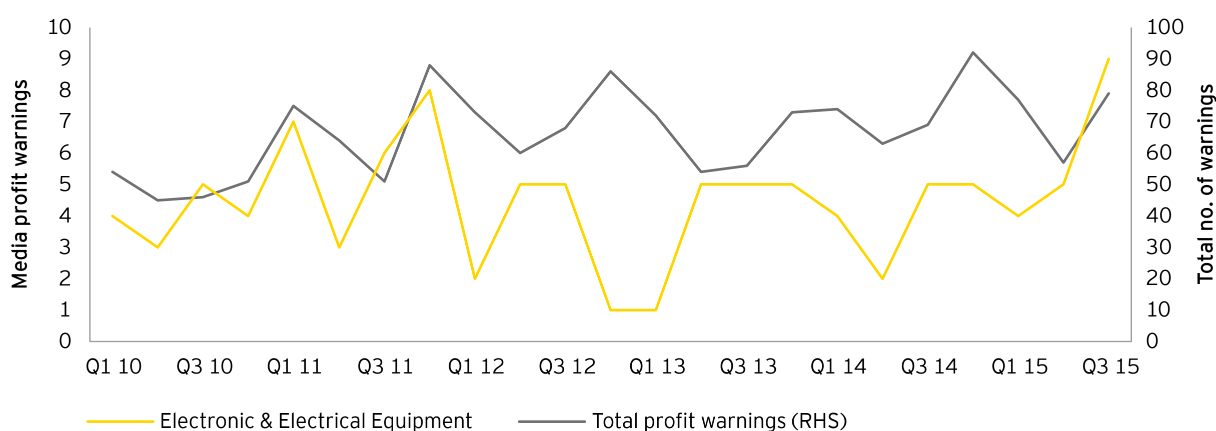
To secure a profitable future, we also believe the sector needs to be thinking about its long-term structure. To combat volatility, businesses will ideally need to build greater flexibility into their cost bases, creating as diversified a mix as possible across geographies, customers and contracting structure, with a mix of reimbursable and lump sum contracts. This should help to reduce vulnerability to swings in operating and capital expenditures. Companies will also need to realign capital structures to new models. M&A is the obvious route and there are plenty of opportunities to consolidate a highly fragmented industry, with 1,500 companies holding limited market share. OFS companies will need to ask themselves some hard questions and decide whether they should be acting as consolidators or even exiting their operations. The one option companies don't have in this market is to do nothing, if they want to grow shareholder value.

FTSE Electronic & Electrical Equipment

FTSE Electronic & Electrical Equipment companies issued 18 profit warnings in 2015, the highest number since 2007. In 2015, 42% of the sector warned as it sailed into almost the perfect storm. Like much manufacturing, it's been hit by sterling's strength and falling export demand, particularly from China. Meanwhile, increasing competition — much of this also originating in China — is pressuring margins. Exposure to energy and mining markets has hit sales, whilst technology sector customers are also under pressure as markets reach saturation.

Many companies are at the cutting edge of their field and should benefit from increasing demand in areas like energy efficiency. Uncertainty, however, could plague the sector in 2016 as few of the pressures that hurt profits last year look set to ease significantly.

FTSE Electronic & Electrical Equipment warnings vs. total profit warnings



Q4 2015 – by sector, size and region

FTSE sector	Turnover band	London	Midlands/ East Anglia	North West	South East	South West/Wales	Yorkshire/ North East	Scotland and NI	Grand total
Aerospace & Defence	over £1bn	1				1			**2**
	£201m-£1bn				1				**1**
Beverages	£201m-£1bn				1				**1**
Chemicals	under £200m						1		**1**
	£201m-£1bn	1							**1**
Construction & Materials	£201m-£1bn	1							**1**
Electronic & Electrical Equipment	under £200m		2		2				**4**
	over £1bn				1				**1**
	£201m-£1bn	1			1				**2**
Forestry & Paper	under £200m			1					**1**
General Financial	under £200m	1			1				**2**
	£201m-£1bn	1				1			**2**
General Industrials	under £200m				1				**1**
General Retailers	under £200m					2	1		**3**
	over £1bn		3						**3**
	£201m-£1bn				1				**1**
Health Care Equipment & Services	under £200m	1				1	1		**3**
	£201m-£1bn	2							**2**
Household Goods	under £200m		1		1				**2**
	£201m-£1bn				1				**1**
Industrial Engineering	under £200m		1				1		**2**
	over £1bn		1						**1**
	£201m-£1bn	1					1		**2**
Industrial Metals	under £200m	1							**1**
Industrial Transportation	over £1bn				1				**1**
	£201m-£1bn	1			1				**2**
Leisure Goods	under £200m				1				**1**
	£201m-£1bn				1				**1**
Media	under £200m	2						1	**3**
	over £1bn	2							**2**
	£201m-£1bn	1							**1**
Mining	under £200m	2							**2**
	over £1bn	1							**1**
	£201m-£1bn	1							**1**
Mobile Telecommunications	under £200m	1							**1**
Nonlife Insurance	over £1bn	1							**1**
Oil & Gas Producers	under £200m	2							**2**
Oil Equipment, Services & Distribution	under £200m						1		**1**
	over £1bn			1					**1**
	£201m-£1bn	1							**1**
Personal Goods	under £200m					2			**2**
	over £1bn	1							**1**
Pharmaceuticals & Biotechnology	£201m-£1bn	2							**2**
Real Estate Investment & Services	under £200m	1							**1**
	£201m-£1bn				1				**1**
Software & Computer Services	under £200m	1	1	1		1		1	**5**
Support Services	under £200m			1	1	2		2	**6**
	over £1bn	1	1		1		1	1	**5**
	£201m-£1bn			1			4		**5**
Technology Hardware & Equipment	under £200m	1	1		1				**3**
Travel & Leisure	under £200m	1			1			1	**3**
	over £1bn	1			1			1	**3**
Grand total		**35**	**11**	**5**	**21**	**10**	**11**	**7**	**100**

Number and percentage of warning companies by turnover and region, 2009–Q4 2015

Number and percentage of warning companies by turnover, 2009–Q4 2015

	Turnover band							
	Under £200mn		£201mn–£1bn		Over £1bn		Total	
2009								
Q1	75	60%	33	26%	18	14%	126	100%
Q2	32	51%	22	35%	9	14%	63	100%
Q3	32	62%	19	37%	1	2%	52	100%
Q4	36	72%	9	18%	5	10%	50	100%
2010								
Q1	42	78%	9	17%	3	6%	54	100%
Q2	32	71%	8	18%	5	11%	45	100%
Q3	29	63%	11	24%	6	13%	46	100%
Q4	25	49%	19	37%	7	14%	51	100%
2011								
Q1	45	60%	18	24%	12	16%	75	100%
Q2	40	63%	9	14%	15	23%	64	100%
Q3	37	73%	11	22%	3	6%	51	100%
Q4	53	60%	24	27%	11	13%	88	100%
2012								
Q1	39	53%	19	26%	15	21%	73	100%
Q2	37	62%	16	27%	7	12%	60	100%
Q3	35	51%	21	31%	12	18%	68	100%
Q4	42	49%	28	33%	16	19%	86	100%
2013								
Q1	43	60%	19	26%	10	14%	72	100%
Q2	33	63%	12	20%	9	17%	54	100%
Q3	42	77%	8	13%	6	11%	56	100%
Q4	35	48%	20	27%	18	25%	73	100%
2014								
Q1	34	46%	22	30%	18	24%	74	100%
Q2	41	65%	11	17%	11	17%	63	100%
Q3	39	57%	13	19%	17	25%	69	100%
Q4	59	63%	15	16%	19	20%	93	100%
2015								
Q1	43	56%	22	29%	12	16%	77	100%
Q2	38	67%	13	23%	6	11%	57	57%
Q3	42	53%	22	28%	15	19%	79	100%
Q4	49	49%	28	28%	23	23%	100	100%
4-year average	41	57%	18	25%	14	19%	72	100%

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, 2009–Q4 2015

	Region															
	London		Midlands/ East Anglia		North West		Scotland and NI		South East		South West/ Wales		Yorkshire/ North East		Total	
2009																
Q1	32	27%	12	10%	3	3%	126	100%	24	21%	14	12%	19	16%	117	100%
Q2	18	29%	10	16%	3	5%	63	100%	14	22%	5	8%	10	16%	63	100%
Q3	15	29%	9	17%	0	0%	52	100%	6	12%	7	13%	5	10%	52	100%
Q4	18	36%	7	14%	2	4%	50	100%	9	18%	5	10%	5	10%	50	100%
2010																
Q1	11	20%	12	22%	3	6%	1	2%	15	28%	6	11%	6	11%	54	100%
Q2	7	16%	9	20%	2	4%	2	4%	12	27%	7	16%	6	13%	45	100%
Q3	9	20%	8	17%	4	9%	3	7%	11	24%	6	13%	5	11%	46	100%
Q4	11	22%	6	12%	10	20%	1	2%	11	22%	6	12%	6	12%	51	100%
2011																
Q1	22	29%	10	13%	8	11%	2	3%	24	32%	2	3%	7	9%	75	100%
Q2	15	23%	4	6%	6	9%	2	3%	15	23%	11	17%	11	17%	64	100%
Q3	21	41%	5	10%	2	4%	2	4%	10	20%	5	10%	6	12%	51	100%
Q4	20	23%	9	22%	8	9%	1	1%	18	20%	9	10%	13	15%	88	100%
2012																
Q1	21	29%	3	18%	5	7%	5	7%	17	23%	5	7%	7	10%	73	100%
Q2	13	22%	7	12%	7	12%	5	8%	15	25%	3	5%	10	17%	60	100%
Q3	20	29%	12	18%	8	12%	4	6%	14	21%	5	7%	5	7%	68	100%
Q4	34	40%	10	12%	7	8%	5	6%	18	21%	8	9%	4	5%	86	100%
2013																
Q1	22	31%	11	15%	10	14%	2	3%	11	15%	7	10%	9	13%	72	100%
Q2	16	30%	5	9%	4	7%	7	13%	16	30%	2	4%	4	7%	54	100%
Q3	19	34%	10	18%	2	4%	3	5%	10	18%	5	9%	7	13%	56	100%
Q4	19	26%	6	8%	4	5%	8	11%	22	30%	9	12%	5	7%	73	100%
2014																
Q1	26	35%	9	12%	5	7%	3	4%	13	18%	9	12%	9	12%	74	100%
Q2	17	27%	8	13%	4	6%	3	5%	14	22%	6	10%	11	17%	63	100%
Q3	26	38%	9	13%	1	1%	5	7%	18	26%	7	10%	3	4%	69	100%
Q4	29	31%	12	13%	7	8%	4	4%	23	25%	11	12%	7	8%	93	100%
2015																
Q1	31	40%	6	8%	8	10%	3	4%	16	21%	7	9%	6	8%	77	100%
Q2	21	37%	9	16%	6	11%	4	7%	10	18%	3	5%	4	7%	57	100%
Q3	26	33%	9	11%	3	4%	6	8%	18	23%	11	14%	6	8%	79	100%
Q4	35	35%	11	11%	5	5%	7	7%	21	21%	10	10%	11	11%	100	100%
4-year average	23	32%	9	13%	5	7%	5	6%	16	22%	7	9%	7	9%	72	

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