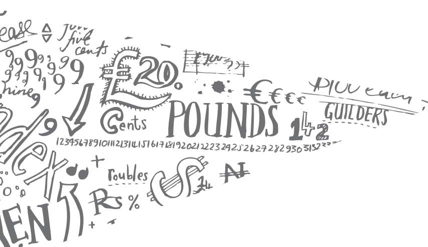
Q3 2014

Analysis of profit warnings

Issued by UK quoted companies



Profit warning surge highlights new challenges

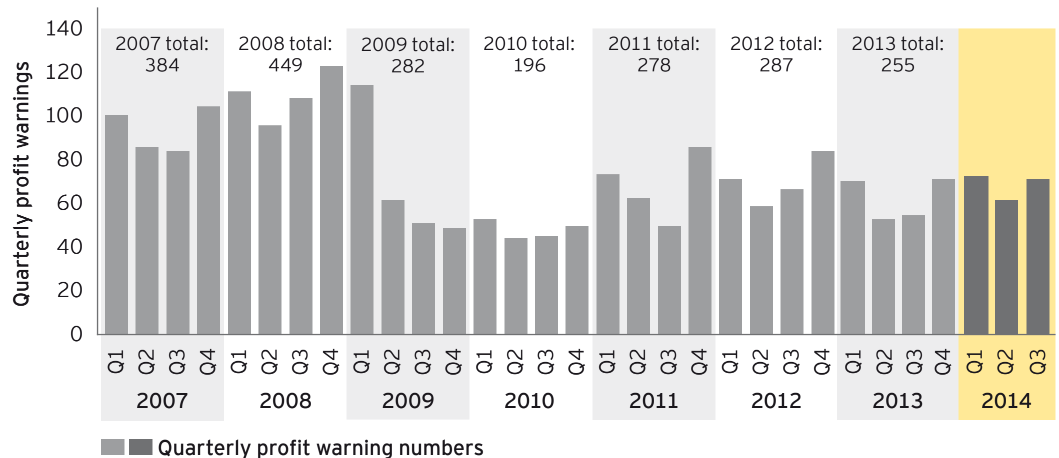
> Companies cannot passively hope for a rising economic tide to float their profits.

UK plc issued 69 profit warnings in Q3 2014, the highest third quarter total since the recession. A high pace of warnings has continued into the fourth quarter, implying that once again companies have over-estimated the pace of recovery and are potentially misreading and failing to adapt to the post-crisis economy.

Companies cannot passively hope for a rising economic tide to float their profits. Slower global growth, lower inflation, low wage increases and lower interest rates are here to stay. In fact, economic growth won't be a panacea for what ails many companies. Businesses continue to wrestle with the multitude of ways the internet is reshaping business and consumer relationships. The shape of this recovery, in particular low levels of insolvency, has left businesses in many sectors facing overcapacity, leading to generating intense competition and wafer thin margins that leave little room for error. The stronger pound and a tougher geopolitical backdrop are complicating, but not necessarily short-term, problems.

Without a handle on these changing economic and industry dynamics, companies will struggle to adapt their business models. They will continue to find investor communication challenging and forecasting with confidence difficult – laying the foundations for the next wave of profit warnings, almost irrespective of the quality of underlying earnings.

Profit warning numbers, Q1 2007–Q3 2014



Contacts

Alan Hudson
Partner
+44 20 7951 9947
ahudson@uk.ey.com

Keith McGregor
Partner
+44 20 7951 0710
kmcgregor@uk.ey.com

Kirsten Tompkins
Analyst
+44 121 535 2504
ktompkins@uk.ey.com

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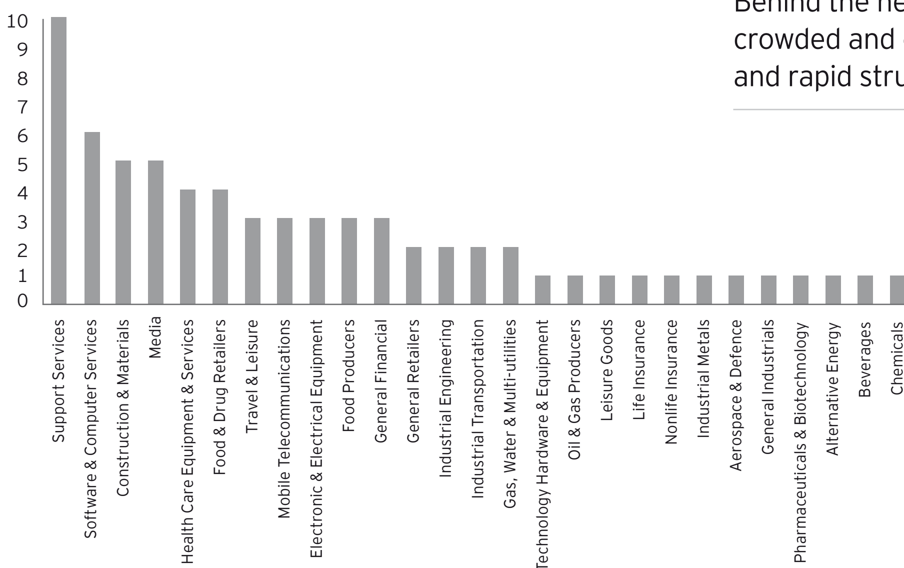
Profit warnings highlights

- UK quoted companies issued 69 profit warnings in Q3 2014, the highest third quarter total since 2008 and 13 more than the same quarter of 2013.
- The rise in profits warnings looks incongruous next to rapid economic growth, but this is a broad-based increase – it isn't due to a few rogue companies warning multiple times.
- In the twelve months to the end of Q3, 23% of companies warning did so more than once - just above the calendar year average of 22%.
- This rise in profit warnings exposes struggle of many companies to adapt to and read the challenges of the new economy.
- Behind the headline rise in demand, companies face crowded and competitive markets, savvier customers, and rapid structural changes that all are keeping the pressure on margins.
- In the first nine months of 2014, 21% of profit warnings cited competitive or pricing pressures, compared with 7% in 2013.
- The FTSE sectors issuing the highest number of profit warnings in Q3 2014 were Support Services (10), Software & Computer Services (6), Construction & Materials (5) and Media (5) – highlighting the pricing and competitive pressures faced by the contract-reliant.
- The five warnings issued by the FTSE Construction & Materials sector in Q3 2014 is the highest quarterly total for over two years. The perfect storm of legacy low-margin contracts and rising costs has hit contractors especially hard – and the recovery may not bring respite.
- The pace of structural change in the UK economy is epitomised by food retailing, currently in the midst of a generational shift in spending patterns. FTSE Food & Drug Retailers sector issued six profit warnings in the first nine months of 2014, its worst period since 2005.
- Over 50% of FTSE Mobile Telecommunications companies have warned in the year to date. Companies face economic challenges in high youth unemployment and slower emerging markets, along with overcapacity, market saturation and the relentless capital requirements of innovation.
- The strong pound remains an ongoing issue. A rise in the number and percentage of companies still citing currency issues in their profit warning – up from 14% in Q2 to 22% in Q3 – also indicates the prevailing forecasting difficulties.
- The median share price fall on the day of warning fell back to 10.4% from 12.5% in Q2 2014. However, investor concerns and discretion have picked again up in the first few weeks of Q4, with a median fall of around 13%.

Profit warnings by sector, Q3 2014



Behind the headline rise in demand, companies face crowded and competitive markets, savvier customers, and rapid structural change.

Economic and sector overview

It's recovery, but not as we know it

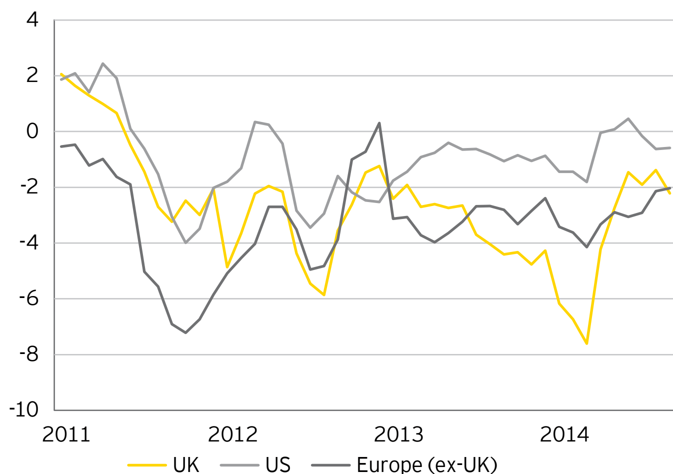
It could be another year of two halves. Perhaps not with the same drama as last year's taper tantrum or a mid-summer Eurozone crisis, but the second half of 2014 will pose more challenges. Central bank actions have helped to quash volatility, pushing asset prices to pre-crisis highs. However, the countdown to a new monetary era will bring new tests and greater volatility as markets begin to re-price risk.

This looks, as we feared, like being another year of two halves. Markets are in risk retreat, ostensibly in response to Eurozone stagnation, a darkening geopolitical picture and worsening emerging market outlook. However, volatility was always set to increase as we approached the date of US monetary tightening – even with hopes of further ECB support. Now the clock is ticking, familiar concerns have a sharper edge. Economic and market fault lines look more obvious, as do the challenges of the post-crisis economy. The recovery isn't returning us to the pre-crisis economy. Companies are finding this a tough environment to grow sales and margins – and a tough economy to read, as this latest rise in profit warnings indicates.

Trouble abroad

The expectations reset may not be as harsh as previous years, but we're back in the familiar pattern of post-summer downgrades. The IMF cut their 2014 global growth forecast to 3.3% in early October – compared with 3.7% predicted in January. Geopolitical risks have heightened, moving to the top of many agendas, including respondents to EY's 11th Capital Confidence Barometer. However, familiar risks are also denting growth hopes and gaining greater import in the light of impending US monetary tightening.

Earnings estimates – turning south again?
3m % change in 12-month forward earnings (MSCI)



The Eurozone periphery has certainly benefited from US Quantitative Easing (QE) lowering returns and pushing investors up the yield curve. The dramatic fall in Greek 10-year yields, from 29% in 2012 to just over 6% in June 2014, goes well beyond market plaudits for deficit reduction. As if to illustrate, this yield leaped over 200 basis points in one week in mid-October, as markets retreated from risk – a taste of post-QE risk re-pricing and acknowledgement that Greece's problems remain acute. Government debt to GDP is 170%, up from 137% in 2009. The Eurozone's ratio is 94%, from 80% in 2009 – likely to rise further as the German powerhouse stalls. Hopes that this might inspire the ECB to adopt a full QE programme appears to be sustaining earnings expectations. However, the potential impact on growth is constrained by the existing low-cost of capital and limited corporate appetite to increase debt; certainly, whilst there is slow growth and little structural reform – the Eurozone's Catch 22. The ECB's Asset Quality Review (AQR) offers one starting point for action, as a credible platform for banking recovery, with an option to extend this further to the next line of lenders. However, some form of debt restructuring – although totally anathema to the ECB – is increasing looking like the best way of preventing a damaging stagnation and deflation spiral.

The US QE countdown has also put emerging markets back in the spotlight. Last year's 'taper tantrum' dress rehearsal has given countries time to prepare and balance streets are stronger than previous crises – limiting the potential for systemic impact. Although, emerging markets won't propel global growth as strongly as the previous cycle, countries with heavy reliance on foreign capital – like Turkey – still look vulnerable to capital flight and BRIC economies are flagging. China's spasmodic attempts to rebalance its economy towards consumption and improve the 'quality' of its growth saw GDP growth slow to 7.3% in Q3 2014, the lowest since 2009. Meanwhile, debts stand at 250% of GDP from around 150% six years ago. The nature of the Chinese economy makes a crash unlikely. However, slower growth, rising debts and the predisposition of government to use capital to prop up weak companies could bring about increasing stagnation.

UK not quite A-Okay...

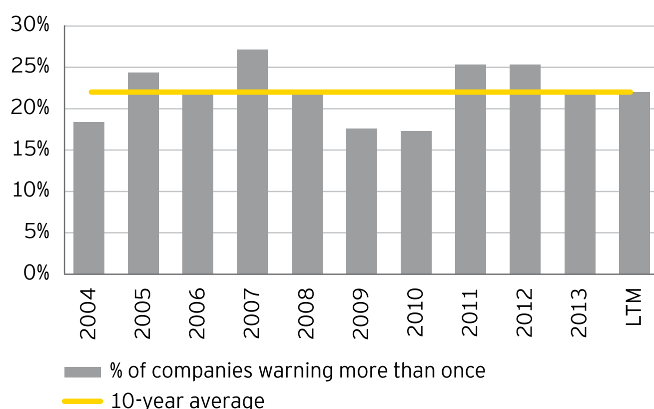
This more troubled global outlook will have an impact on UK growth, hitting exports and – potentially – investment confidence. The EY ITEM Club expects UK GDP to grow by 3.1% in 2014, slowing to 2.4% in 2015 and 2.3% in 2016 as the economy becomes increasingly reliant on domestic growth drivers that aren't without complications. Wage growth still lags even low levels of inflation, despite high levels of employment. Consumer spending has recovered, but remains below its 2008 peak. Rising house prices are boosting confidence, but have softened in recent months. Tax income receipts are lower than expected, contributing to below-target deficit reduction. There's more fiscal austerity to come.

Economic and sector overview (continued)

There's political uncertainty too. Post-referendum debates on devolution, an unreadable General Election in 2015, possibly followed by an EU referendum in 2016 will add to companies' risk registers. With little inflation imperative and slower growth and greater uncertainty, the Bank of England could choose to hold rates beyond the expected date of spring 2015. Some relief perhaps for the indebted, the exporter, and the company translating back into sterling – but it also highlights underlying weakness.

Rogue warners?

Serial profit warners aren't the story



Are more companies warning or do we just have more companies warning multiple times? It's an important question, since a rise in serial profit warnings would suggest that we're seeing more company specific issues, rather than problems for sectors and the economy as a whole.

Repeated profit warnings from high profile companies might give the impression of a few rogue companies leading the rise. However, our data shows that this increase is broad based and a potential indicator of more fundamental issues. In the year-to-date, 23% of companies warning have done so more than once, against a ten-year average of 22%. Overall, the percentage of companies in the market issuing warnings is also up, 15% in the twelve months to the end of Q3, from 14.5% in 2013.

UK earnings estimates have rallied hard in 2014 on the basis that the recovery is well set. However, there now is obvious uncertainty about the shape of the post-crisis economy, as exemplified by the rise in profit warnings to their highest third quarter level since 2009. Indeed, many other agencies have overestimated this recovery. European earnings estimates look set to finish lower for the fourth year in a row. The IMF's latest global growth downgrade is their third this year. Could companies, analysts and forecasters all be misreading the economy? Are they consistently over-estimating forecasts because they're underestimating how much has changed for good?

New economy?

IMF head Christine Lagarde spoke recently of the risk of a 'new mediocre' for the global economy, i.e., low growth for a long time. US, UK and Canadian central banks have all stated that they believe 'neutral' interest rates have fallen because economic potential – and by extension interest rates – have shifted permanently lower. Higher levels of savings, tougher bank capital requirements, wage stagnation, low investment and some of the most fundamental changes to the nature of work and consumption since the industrial revolution are all contributing to lower and changing patterns of growth. These lower interest rates, in turn, are keeping insolvency levels low, with crowded market places reducing the 'normal' rate of returns. Structural changes in many sectors have brought new technologies and nimble entrants, increasing requirements for investment and restructuring.

Warnings as a percentage of FTSE sector, Q3 2014

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Aerospace & Defence	1	10	10%
Alternative Energy	1	16	6%
Beverages	1	9	11%
Chemicals	1	21	5%
Construction & Materials	4	33	12%
Electronic & Electrical Equipment	3	36	8%
Food & Drug Retailers	2	13	15%
Food Producers	3	27	11%
Gas, Water & Multi-utilities	1	8	13%
General Financial	3	132	2%
General Industrials	1	12	8%
General Retailers	2	58	3%
Health Care Equipment & Services	4	34	12%
Industrial Engineering	2	39	5%

Pricing pressures have also remained acute due to fiscal austerity, low wages and corporate cost cutting. Companies are clearly underestimating these increasing price and completion challenges. Price and competition pressures featured in 21% of warnings in 2014 compared to 7% in 2013.

This is still a fluid picture. Out of new technologies and social change could emerge the next growth cycle – as it has before. However, in the short to medium term, companies face slower growth, crowded markets, thriftier customers and a constant race to keep pace with change. In all, a tough place to grow sales and margins – and tough to forecast, even without the complications of post-QE volatility.

New models

Lower growth, inflation and interest rates have significant implications for business models, forecasting and capital allocations. Our Capital Confidence Barometer shows the increasing influence of shareholder activism, focusing on cost management and portfolio optimisation – elements that will remain in focus as pressure builds on the top and bottom line. M&A will likely be part of the conversation, with acquisitions offering an increasingly attractive way of capturing market share and that increasingly rare commodity – pricing power. The low cost of capital also helps to make deals attractive – although the focus remains on quality, over quantity. Shareholders will also demand that companies get a firmer handle on their forecasts with a closer understanding of economic and sector dynamics.

The next stage of the cycle looks set to bring new challenges and new volatility, as markets work through the fallout from the AQR and prepare for the next phase in US monetary policy. High-yield debt remains one of the biggest potential flashpoints. Markets have fundamentally mispriced risk for many years now and, with banks being unwilling or unable to buy into high-yield, it'll be tough getting out when the going gets tough.

Sectors feeling the pinch

FTSE sector	% warnings citing competition/pricing
Industrial Metals	67%
Food & Drug Retailers	67%
Chemicals	50%
Personal Goods	40%
Household Goods	40%
Industrial Engineering	38%
Gas, Water & Multi-utilities	33%
Pharmaceuticals & Biotechnology	33%
Travel & Leisure	33%
General Retailers	33%

These are especially difficult times in metals, especially steel, due to overcapacity and falling demand in China. Food retail is going through a well-publicised tussle between new cut-price entrants and established chains. This battle has fundamentally reset consumers' price expectations, with the value focus extending across all consumer sectors. Engineering companies are also feeling the pinch from falling Chinese demand, which has left many markets oversupplied. There's pressure on regulated returns across Europe. In pharmaceuticals, development costs are increasing, whilst government-spending constraints are putting additional pressure on drug reimbursement prices. The chemicals sector sits at the bottom of the supply chain, absorbing all of these consumer and industrial pressures.

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Industrial Metals	1	14	7%
Industrial Transportation	2	17	12%
Leisure Goods	1	10	10%
Life Insurance	1	10	10%
Media	5	79	6%
Mobile Telecommunications	3	9	33%
Nonlife Insurance	1	13	8%
Oil & Gas Producers	1	86	1%
Pharmaceuticals & Biotechnology	1	56	2%
Software & Computer Services	6	112	5%
Support Services	10	151	7%
Technology Hardware & Equipment	1	27	4%
Travel & Leisure	3	68	4%
Total	**65**		

Focus on sectors

FTSE General Retailers and FTSE Food and Drug Retailers

Profit warnings from quoted retailers rose from two in Q2 to six in Q3, the highest summer total since 2011. The overall picture is still relatively benign. Profit warnings are higher year-on-year, but still well below their peak and focused in a relatively small group of companies. Retail sales rose through the summer, only falling when September proved unseasonably warm.

However, these warnings highlight challenges facing the entire sector, one that is well used to changing fortunes and fashions, but which now find itself on uncertain ground and in the midst of a generational change in spending patterns.

It's too darn hot

The UK climate threw another curve ball in late-summer, delivering the driest September on record and one of the warmest. Better behaved weather earlier in the season had helped retailers deliver solid growth. However, the 2.1% fall in like-for-like September sales gave a good proportion of these gains back, as autumn and winter lines stayed on the shelves. It was the weakest retail performance since December 2008, excluding Easter distortions, according to the BRC. In less weather dependent areas, such as toys, beauty and big-ticket, sales were actually relatively robust, which offers good omens for Christmas. However, fashion had its worst performance since April 2012. The ability to sell more summer stock at full price being more than offset by sluggish sales of jumpers, coats and boots. At the luxury end, the slowdown in China and Russian sanctions also hit sales.

Having cash tied up in such high value items at the peak of the pre-Christmas working capital cycle has left many fashion retailers with no option but to discount hard– a trend that has continued into a mild October. The return of autumnal weather should help retailers play catch-up and it's vitally important now to prevent early season discounting blurring into pre-Christmas sales. As we've seen in previous years, a protracted sale season lowers price expectations, with a damaging impact across the whole sector.

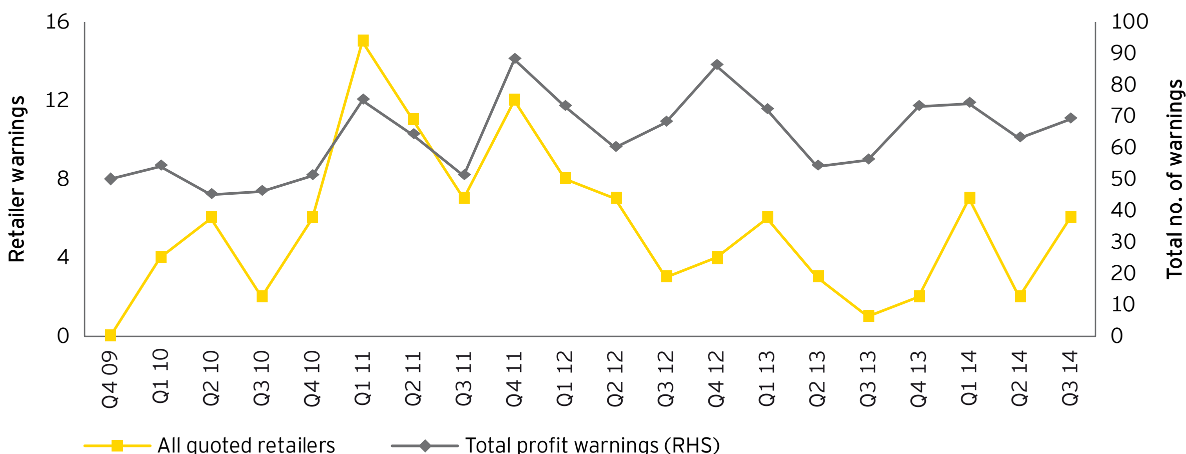
Moveable feasts

There are deeper problems for retailers than weather for retailers. New entrants, new technologies and changing consumer behaviour continue to challenge established business models and nowhere is this more visible right now than in food retailing. In the third quarter, BRC figures show food sales fell by 1.7% and showed their first 12-month average decline in five years, down by 0.2%. Companies in the FTSE Food & Drug Retailers sector have issued six profit warnings so far in 2014, against three in the whole of 2013.

The pressure on sales and margins is largely focused on established supermarkets, struggling to adapt to the convenience trend and the challenge posed by an amorphous and expanding group of warehouse, supermarket and high street discounters. This group met consumers' austerity needs in the recession and have succeeded in resetting their value expectations in the recovery. Recent campaigns by the major discount chains have focused on quality as well as price, to further emphasise the value message – a theme that will continue into Christmas.

The 'Big 4' fight back has focused on price and loyalty. Both are tough fights to win. Discounters benefit from reduced consumer expectations, which allow them to display a smaller range of products and create store efficiencies that are tough to match. The smart use of loyalty programmes by the established supermarkets, to tailor incentives and experience, may yield greater benefits. A convenience store footprint and online shopping capability are also leverageable advantages. However, there isn't a silver bullet that will return supermarkets to uninterrupted improvements in margins and sales.

Retailer profit warnings vs. total profit warnings



Better, but not boom time

This pressure will remain, not least because the retail sector as a whole is still also grappling with a restricted consumer wallet. Easier access to consumer credit, low interest rates, the improving housing market and the £16bn PPI windfall have improved expenditure and confidence in the last two years. Recent falls in petrol prices have also boosted disposable income. However, consumer spending will remain below its early-2008 peak. The EY ITEM Club's latest report forecasts average growth of just 2.4% between 2015 and 2020, well below the 3.7% recorded in decade before the financial crisis.

The principle reason for this drawn out fall is the UK consumer's 'lost decade' of real wage growth, the longest sustained fall in real wages since records began. Even by 2017, real individual take-home pay will still be less than in 2008, according to ITEM. More people than ever have jobs, boosting the collective spending power of UK households, but the rise in employment has yet to translate into a sustained inflation-beating rise in wages. On average, each household has less real income to spend than before the crisis.

It's beginning to feel...

Thus, retailers will need to show resilience and be on top of their game in this golden fourth quarter. The outlook is still relatively positive – consumers always find money to spend when it matters and retail sales have held up well overall in 2014. However, experience shows that sector polarisation is often at its sharpest during the festive season, when the strongest retailers pick up the majority of sales. To be in the winners enclosure this Christmas, retailers will need to – once again – understand and adapt to changing consumer expectations, focusing on value and convenience and employing robust discounting and stock strategies.

Retailers with multi-channel offerings should be prepared for this to be an m-commerce Christmas, with more traffic potentially coming from mobile devices than from desktops. Although it's important to note that online and store shoppers are often one and the same. Ensuring that consumers enjoy an integrated service across all channels – backed up by a unified supply chain – is essential. Consumers must be able to move freely between online and store environments, particularly given the growing popularity of 'click and collect'. Planet Retail research shows 35% of online shoppers self-collect and the pressure is certainly on to meet consumers growing fulfilment expectations this Christmas.

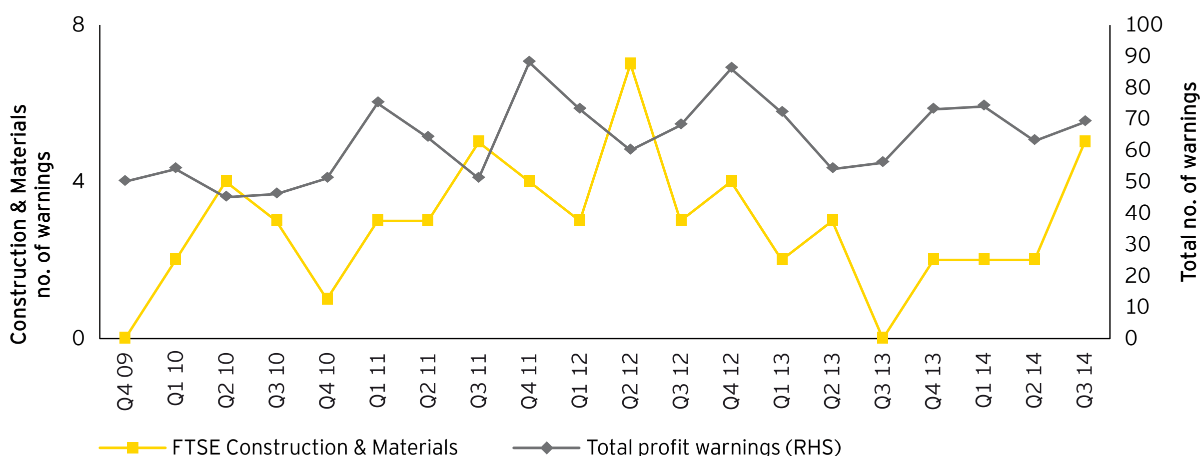
Challenges ahead

Economic upturn alone isn't going to restore retailer fortunes. Spending will rise, shifting back to discretionary items as consumers feel more confident, but previous levels of consumption are unfeasible in this climate. To capture a larger slice of a limited pie, retailers need the flexibility, ingenuity and focus to match rapid changes in consumer behaviour. Recent events have also increased stakeholder and market focus on forecasting, accounting practices and supply chain relationships. Food retailers in particular are facing greater scrutiny with regard to compliance with Grocery Supply Code of Practice (GSCOP) along with calls for greater transparency. Maintaining margins and forecasting earnings whilst meeting these kaleidoscopic needs, presents another great challenge for retailers.

FTSE Construction & Materials

The construction sector continued to recover in 2014. However, it's by no means plain sailing, with parts of the sector under severe margin pressure in spite of – and in some instances because of – the strong recovery. FTSE Construction & Materials companies issued five profit warnings in the third quarter of 2014, the highest quarterly total since Q2 2012. Nine profit warnings from six companies in the first nine months of 2014, already puts the sector ahead of its seven warnings from five businesses in 2013.

FTSE Construction & Materials profit warnings vs. total profit warnings



This is a highly diversified sector and it's by no means an entirely distressed picture. Overall, 21% of the FTSE sector has issued a profit warning in the year-to-date, not far ahead of 15% of the market as a whole. However, the profit warning data highlights the lingering dangers of recovery – especially in contracting. Moreover, these pressures won't ease entirely, even when low-margin legacy contracts have run their course.

Under pressure

Improving overseas opportunities, along with domestic boosts – such as the Government's Help to Buy Scheme – and the wider economic recovery have inspired a significant recovery in UK construction. The Markit/CIPS construction PMI survey rose to 64.2 in September, showing the strongest growth since the six-year high recorded last January. Slower than expected increases in new orders and employment, have raised some concerns. House building has also shown late-summer softness. However, the construction sector is undoubtedly seeing far greater and broader demand – beyond house building – due to a recovery in commercial and civil engineering projects that address the UK's infrastructure imperative.

Rising numbers of profit warnings look curious in this context, but increasing activity doesn't always bring higher profits. Indeed this recent sharp upturn has created added complications for contractors in particular, who have found themselves in a well-publicised 'perfect storm' of low-margin legacy contracts and rising costs. During the depths of the recession, many contractors priced aggressively in response to competitive pressures and the need to at least cover their overheads and retain critical mass for better times. These contracts are now coming under severe pressure as labour, materials and subcontractor costs rise. Contractors report a 15% rise in brick prices and long delays in securing plant, especially in the South East. Fixed price contracts often mean that contractors are unable to pass on cost increases and overruns are costly. Unsurprisingly, the majority of sector profit warnings in 2014 relate to contract issues including cost overruns, adjustments or delays.

Challenges continue

Of course, there is a positive flip side for some in rising prices. However, the sector is by no means returning to halcyon pre-credit crisis days. The current rapid expansion in the UK economy will slow in 2015, when interest rates will probably rise. The IMF also recently cut its global growth expectations again. Moreover, growth areas that served the industry before the recession won't necessarily pick up where they left off. Major supermarkets are scaling back their store expansions as consumers habits shift away from the big weekly out of town shop. Meanwhile, government spending is still constrained within a programme of austerity – with a General Election now on the horizon. The improved economic picture means the hiatus shouldn't be as severe as 2010. There are also calls, following initiatives such as the Armitt Review, to limit the impact of the political cycle on infrastructure development through the establishment of a National Infrastructure Commission. However, the draft bill to establish the Commission isn't due for debate until January 2015; which leaves the General Election as a thorn in the side.

Contractor margins could also remain under pressure. Across all sectors, but especially in government, procurement has become more commercialised and value driven. Clients are still pushing back hard on pricing, driving working capital harder and becoming more assertive in response to claims-conscious contractors. The commercialisation of social housing highlights the shift in government attitudes. Following years of low activity and tight margins, many specialist contractors have weakened balance sheets and could be vulnerable to any further shocks and margin pressures. The sector's challenges won't end with wind-down of legacy contracts.

Optimising opportunity

These challenges highlight the importance of a diversified approach to developing business and of effective governance in operational procedures and controls, throughout the bidding and delivery life cycle. Demand is increasing and there is an imperative to improve infrastructure, especially in transport and energy. The recent approval for the nuclear plant at Hinckley is certainly a welcome fillip. However, to make the most of these opportunities, it's vital that the construction sector finds common ground with its clients, builds trust with other stakeholders and learns from the past.

The first priority is to avoid eroding margins further on legacy projects and to bid responsibly on current forthcoming contracts. Companies should be stress testing cost projections in advance, closely managing the supply chain and any localised operations, and making the best use of IT to deliver the management information that will underpin all these processes. Given the current shortage of skilled labour, companies will also gain competitive advantage by nurturing talent, through apprenticeships and universities – especially in design and engineering. The strongest companies may also find opportunities via consolidation, by picking up distressed or poorly performing businesses, perhaps even cherry-picking to leave bad contracts behind.

Recent reports have also thrown the spotlight onto accounting difficulties, particularly around measuring revenues and the assessment of contract losses – a recurring problem for any industry with long-term contracts and work in progress. Where management judgement plays a critical part, invariably businesses will hit the occasional snag. However, companies can do more to reassure stakeholders and be transparent in their reporting, especially – as the ICAEW recently highlighted – around profit recognition policies and measurement of order book value. Here, judgement is again an important factor, but companies could provide more detail of their methods and principal assumptions.

Q3 2014 – 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
Alternative Energy	under £200m				1				1
Beverages	under £200m	1							1
Chemicals	£201m-£1bn				1				1
Construction & Materials	under £200m	1	1						2
	£201m-£1bn							1	1
	over £1bn	2							2
Electronic & Electrical Equipment	under £200m		1		2				3
Food & Drug Retailers	under £200m	1							1
	over £1bn				3				3
Food Producers	under £200m					1			1
	over £1bn	1	1						2
Gas, Water & Multi-utilities	over £1bn				2				2
General Financial	under £200m	1							1
	£201m-£1bn	1				1			2
General Industrials	under £200m			1					1
General Retailers	under £200m	1							1
	£201m-£1bn	1							1
Health Care Equipment & Services	under £200m	1	1				2		4
Industrial Engineering	under £200m	1	1						2
Industrial Metals	under £200m	1							1
Industrial Transportation	£201m-£1bn	1			1				2
Leisure Goods	under £200m		1						1
Life Insurance	£201m-£1bn	1							1
Media	under £200m	2			1			1	4
	£201m-£1bn	1							1
Mobile Telecommunications	under £200m	3							3
Nonlife Insurance	over £1bn					1			1
Oil & Gas Producers	under £200m	1							1
Pharmaceuticals & Biotechnology	over £1bn				1				1
Software & Computer Services	under £200m	2	1		1	1			5
	£201m-£1bn		1						1
Support Services	under £200m	2	1					1	4
	£201m-£1bn				2			1	3
	over £1bn				1	2			3
Technology Hardware & Equipment	under £200m						1		1
Travel & Leisure	under £200m							1	1
	£201m-£1bn				1				1
	over £1bn				1				1
Grand total		**26**	**9**	**1**	**18**	**7**	**3**	**5**	**69**

Number and percentage of warning companies by turnover and region, 2009–Q3 2014

Number and percentage of warning companies by turnover, 2009–Q3 2014

	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%
4-year average	39	58%	17	25%	12	18%	67	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–Q3 2014

	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%
4-year average	20	30%	9	13%	6	8%	4	5%	15	23%	6	9%	7	11%	67	100%

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