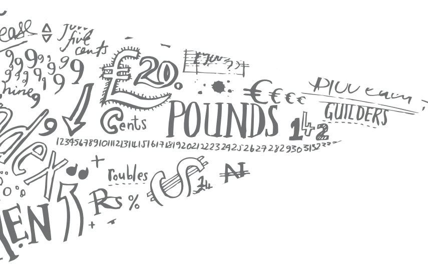
Analysis of profit warnings

Issued by UK quoted companies



FTSE 100 leads profit warnings higher

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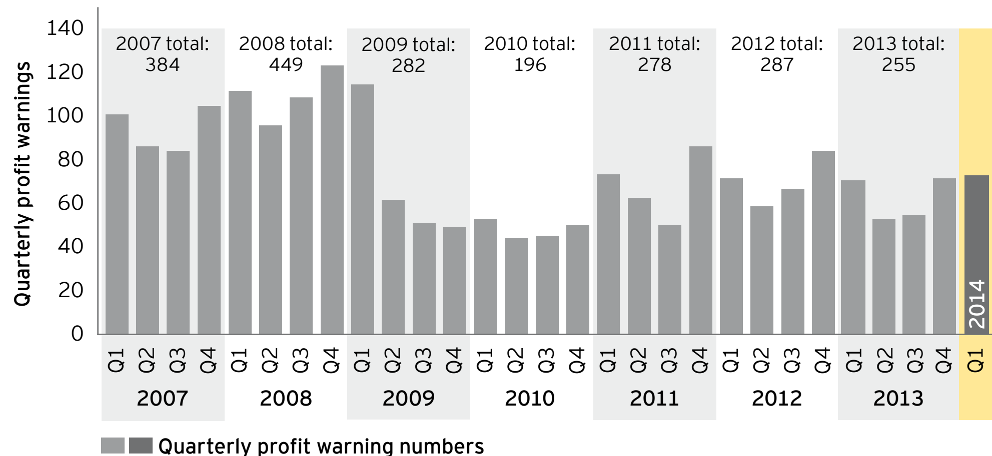
UK earnings expectations ran too far ahead last year, dropping back by the end of 2013 and falling dramatically again in Q1 2014. Demand is improving, but pricing tensions remain - especially for consumer facing businesses. Meanwhile, many companies continue to peg back forecasts in response to weaker emerging markets and stronger currency headwinds. Companies in the FTSE 100, significantly exposed on both counts, issued more profit warnings in Q1 2014 than at the height of the financial crisis.

Recovery brings opportunity, but also new capital and earnings challenges. Deflation threatens to outflank the Eurozone, whilst it attempts to heal weakened banks through its Asset Quality Review. There will be more twists and turns as markets anticipate the first steps towards monetary policy normality in the UK and US. Low inflation may delay interest rate rises until mid-2015; however, central banks have a fine line to tread between supporting recovery and encouraging hubris. This shifting capital landscape provides more options for investors and stakeholders. Companies will need to be operationally and financially fit to compete and make the most of the upturn.

Profit warning numbers, Q1 2007-Q1 2014



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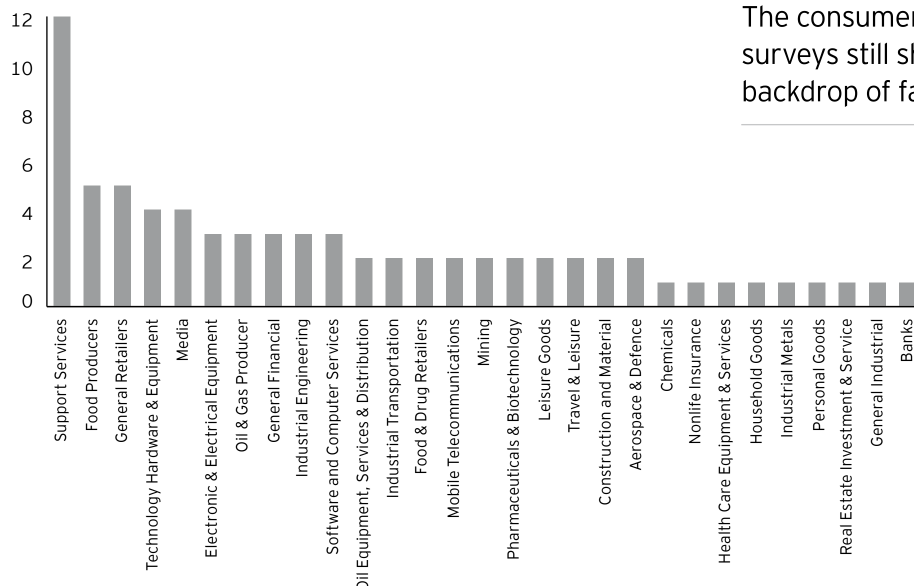
Profit warning highlights

- UK quoted companies issued 74 profit warnings in Q1 2014, one more warning than the previous quarter and the highest first quarter total since Q1 2011.
- FTSE sectors issuing the highest number of profit warnings in Q1 2014 were FTSE Support Services (12), FTSE Food Producers (5) and FTSE General Retailers (5).
- Domestic demand is improving, but pricing pressures, emerging market anxieties and currency headwinds continue to lower profit expectations.
- The strengthening pound and weakening emerging market currencies dominated profit warnings in Q1 2014. Just over a quarter of warnings cited adverse exchange rates, against an average of 3% in the previous four quarters.
- Companies in the FTSE 100, most exposed to emerging markets and with high foreign currency exposure, issued 14 warnings in Q1 2014 – more than at the height of the financial crisis.
- Around a fifth of companies cited pricing pressures in Q1 2014, an indication that although demand is picking up, companies and consumers are still looking for value.
- Around a quarter of the FTSE Support Services sector has issued a profit warning in the year-to-date. Surveys show volumes improving, but public and private sector alike are keeping a tight control on prices, resulting in tight margins, intense competition and little room for error.
- The consumer outlook is improving, although retail surveys still show volatile sale patterns against a backdrop of falling prices. Non-food retailers are largely managing well in this environment. FTSE General Retailers issued five profit warnings in Q1 2014, which is equal to the same quarter of 2013.
- Food retailing is facing considerable structural challenges as consumer demand polarises between value and premium and shopping habits shift towards online and convenience.
- Pricing tensions in UK food retailing and volatile emerging markets will sustain pressure on FTSE Food Producers, who issued five profit warnings in Q1 2014 - the highest quarterly total since 2006.
- The FTSE Aerospace & Defence sector has seen the highest percentage of companies warning in the last 12 months, at 64%. The US shutdown, global government austerity and adverse exchange rates have all taken their toll.
- For the second quarter in a row, around 10% of profit warnings cited higher than expected investment or research & development costs. This suggests companies are investing more to meet demands of recovery and structural change.
- The median share price fall on the day of warning increased to 9.4%, from 8.4% - the first rise in three quarters. Perhaps an early indication of more discretion in equity markets as investment opportunities open up.

Profit warnings by sector, Q1 2014



The consumer outlook is improving, although retail surveys still show volatile sale patterns against a backdrop of falling prices.

Economic and sector overview

Recovery fails to boost earnings expectations

The pace of UK profit warnings continued unabated in 2014, with expectations coming under pressure from a number of quarters. The UK recovery remains in full swing, however profit forecasts are still tumbling in response to growing pains in developing markets, the strengthening pound and continuing pricing pressures.

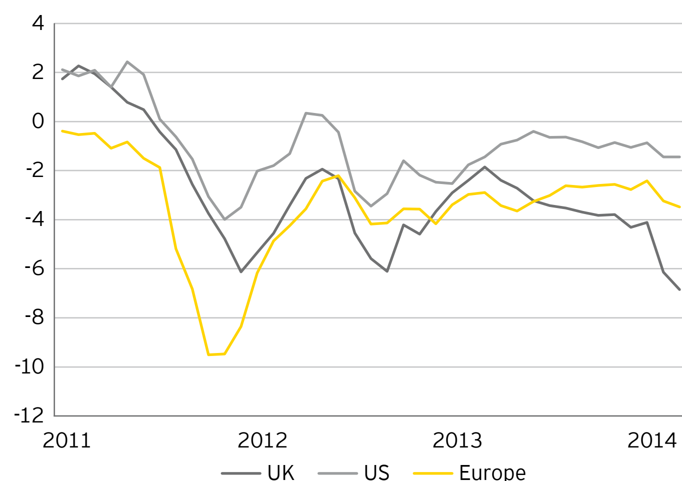
The economic backdrop should continue to improve in 2014, but it isn't plain sailing, with old foes and new challenges to face. The ongoing investor quest for yield in a low return environment has soothed market tensions - for now. However, the path towards monetary tightening could still be rocky as investors continue to reallocate capital. The balance between risk and reward remains a delicate one for UK plc.

Earnings challenged

UK earnings expectations have been under pressure since mid-2013, but downgrades accelerated again at the start of 2014. UK profit warnings reached their highest first quarter level for three years in 2014. The average 12-month forward earnings estimate for the UK MSCI index also fell 7% in the three months to the end of March – the fastest decline since the credit crisis and faster than the US and Eurozone.

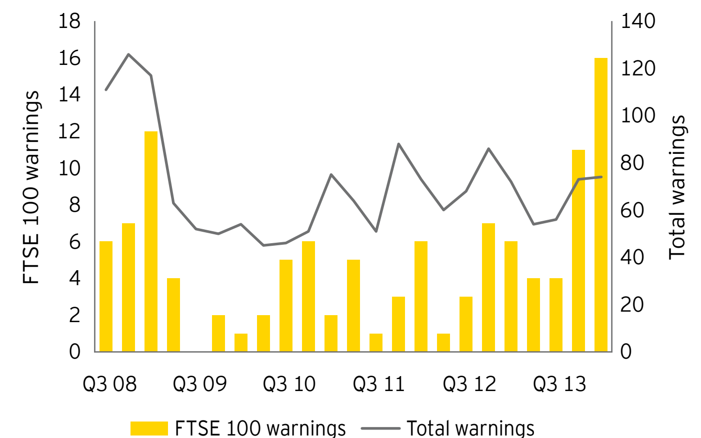
UK earnings estimates revised down

3m % change in 12–month forward earnings (MSCI)



Earnings estimates are still falling in response to the same concerns that lowered forecasts from mid-2013. Growth projections for developing economies are still sinking. The IMF trimmed their 2014 emerging market GDP forecast in April to 4.9%, from 5.1% forecast in January. Meanwhile, regardless of rising demand, consumers and businesses remain highly price-conscious. Just shy of 20% of companies cited 'pressure on pricing' in their profit warning, compared with the previous six-year average of 5%. Companies in sectors offering business services still face tight margins and high vulnerability to profit warnings. The UK retail sector is also under obvious pricing pressure – non-food prices fell for the eleventh straight month in March. The main change in Q1 2014 was a sharp increase in currency headwinds. Currency pressures have been building for some time, but this spilled over into profit warnings in Q1 2014, with 19 companies citing adverse exchange rates - the highest number since 2009. The FTSE 100, highly exposed to overseas earnings and emerging markets, issued more profit warnings in Q1 2014 than at the height of the credit crisis, reflecting these pressures.

FTSE 100 companies lead profit warnings higher



Old foes and new challenges

What help can companies expect from the global economy in the rest of 2014? The outlook is positive, but with familiar caveats and new challenges that will continue to test earnings and raise questions of risk and reward in capital allocation.

The UK outlook has improved significantly. EY ITEM Club expects GDP growth of 2.9% in 2014 – the highest since 2007. This requires some recovery jigsaw pieces to fall into place, chiefly a rise in real incomes supplemented by a rebound in business investment and exports. At the start of 2014, it's a case of two out of three 'ain't bad'. After a long wait, wages are outstripping inflation and UK business investment is rising, up 8.7% year-on-year in Q4 2013. Exports are still the toughest nut to crack. The latest figures for February show the UK's balance of trade improving, but only by virtue of falling imports. Exports should rise later in 2014 as the UK's key markets recover, but other challenges lie ahead. More than 50% of public spending cuts remain. Forecasters also expect GDP growth to slow in 2015 to around 2.3%, as the recovery eats into spare capacity. Low inflation should delay the first interest rate rise well into 2015, which should support demand. However, low inflation will also make it harder for businesses to raise prices, especially if customers preserve their austerity mind-set.

Economic and sector overview (continued)

The trajectory of global growth is also broadly positive, but still muted by slower emerging market expansion — identified by EY's 10th Capital Confidence Barometer (April-October 2014) as the most significant risk to growth. Developing economies still contribute more than two-thirds of global growth and represent a considerable opportunity. However, the approach of US monetary tightening could spark further currency volatility, whilst increases in the cost of capital will likely slow investment and growth. The potential impact of China's economic rebalancing is also concerning. Latest GDP figures have calmed fears somewhat, with year-on-year growth of 7.4% in the first quarter. However, keeping growth over 7% without resorting to stimulus that could increase risks from excess capacity will be challenging. Meanwhile, China's shadow lending system, which funds riskier borrowers, has also slowed sharply following its first default and official comments that role of the market will be 'decisive' going forward. Nevertheless, the Chinese government won't allow a significant run of defaults; although, this is undoubtedly creates a more uncertain business environment.

Despite these concerns, and the increasing tension between Ukraine and Russia, market anxieties eased during the first quarter. This is due in good part to investors' quest for yield in an increasingly low return environment – a pursuit that has seen investors take on more risk in search of greater reward. The Eurozone periphery has been a significant beneficiary of this trend, with Greece taking advantage to launch a post-bailout bond. It's also helped European banks spring clean their balance sheet before the Asset Quality Review (AQR). This breathing space is useful, although, investor enthusiasm isn't a cure. Greek unemployment is almost 27%, Eurozone government debt stands at a record high and the Eurozone banking sector remains one of the IMF's chief global concerns. EY's latest analysis, "EY Eurozone Forecast: Outlook for financial services, spring 2014" shows a central scenario for AQR that doesn't find substantial capital holes at the national level. This will give AQR the potential to restore confidence. However, in the short-term it will limit Eurozone lending as banks deleverage. Growth looks set to hit just 1% in 2014, whilst inflation sat very much in the ECB 'danger zone' in March at 0.5%. Further stimulus looks increasingly likely.

New era

With the US and UK potentially pulling in opposite monetary directions to the Eurozone and emerging markets still fragile, the potential for market volatility remains. The date of the first US rate rise is a moot point – markets predict early 2015, the Federal Reserve indicates later in 2015. Finding the right moment for monetary tightening looks an almost impossible task. Delaying risks hubris, haste risks setback. The IMF recently warned of the dangers of tightening too soon. The Bank of England warned that the ability of markets to shrug off tensions in Ukraine and in the Chinese banking system could "reinforce risk appetite", lulling investors into a false sense of security. Although, recent moves suggest equity markets are starting to display greater discretion in riskier areas, like technology.

Hence, the rest of 2014 looks set to bring opportunities and challenges as companies balance risk and reward in a recovering, but volatile global economy. Operational and financial fitness is vital to ensure companies capitalise on top-line growth and attract investment. Economic recovery, combined with shifts in the interest rate and capital landscape will provide greater choice for investors. Companies benefiting from 'yield tourism' may find it harder to access finance as the risk-return equation changes again. Businesses will need to think about capital needs and allocation. For those with the means to do deals, portfolio rationalisation and quality, over quantity in acquisition are key deal trends, as companies take cautious steps forward.

Warnings as a percentage of FTSE sector, Q1 2014

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Aerospace & Defence	2	11	18%
Banks	1	8	13%
Chemicals	1	20	5%
Construction & Materials	2	33	6%
Electronic & Electrical Equipment	3	36	8%
Food & Drug Retailers	1	13	8%
Food Producers	4	27	15%
General Financial	3	129	2%
General Industrials	1	13	8%
General Retailers	4	49	8%
Health Care Equipment & Services	1	30	3%
Household Goods	1	27	4%
Industrial Engineering	3	39	8%
Industrial Metals	1	14	7%
Industrial Transportation	2	18	11%

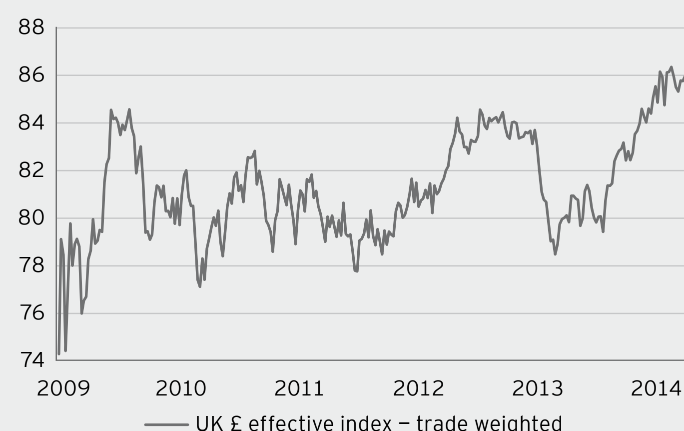
Currency headwinds dominate profit warnings in Q1 2014

Currency headwinds don't normally feature heavily in UK profit warnings. Between 2008 and 2013, an average of 4% of warnings cited adverse exchange rates. However, in Q1 2014, 26% or 19 profit warnings cited adverse currency movements, the highest number since Q1 2009, when 19 or 16% of profit warnings blamed exchange rates.

It normally takes a period of sustained strength or weakness in sterling to trigger a spike in currency related profit warnings. The impact depends on the direction of travel. In 2008, the pound weakened by 25% against the dollar. This fall had affected a broad range of companies by 2009, with sterling weakness significantly increasing commodity and oil prices. This latest spike in currency-related warnings stems from the increasing and sustained strength of the pound, which is hurting UK companies translating overseas earnings back into sterling. FTSE 100 companies, who obtain around 80% of revenues from outside the UK, issued five currency related profit warnings in Q1 2014, with a further four from the FTSE mid-250. In Q1 2009, FTSE 350 companies issued just four currency related warnings.

As in 2009, pressure has been building for some time. The pound has appreciated by more than 10% on a trade-weighted basis since March 2013, including a 12% increase against the dollar and a 6% rise against the euro. Against emerging market currencies, the rise is even more dramatic, rising over 30% against the Russian Rouble and Turkish Lira. Paradoxically the recent rapid improvement in the UK economy helped to trigger this latest round of warnings by pulling forward interest rate expectations and pushing sterling to new levels.

Sterling strength drags on earnings



	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Leisure Goods	2	11	18%
Media	3	76	4%
Mining	2	116	2%
Mobile Telecommunications	2	9	22%
Nonlife Insurance	1	14	7%
Oil & Gas Producers	3	91	3%
Oil Equipment, Services & Distribution	2	12	17%
Personal Goods	1	19	5%
Pharmaceuticals & Biotechnology	2	50	4%
Real Estate Investment & Services	1	84	1%
Software & Computer Services	3	105	3%
Support Services	12	151	8%
Technology Hardware & Equipment	4	28	14%
Travel & Leisure	2	63	3%
Total	**70**		

FTSE General Retailers

The fickle UK weather contributed to a volatile first quarter for retailers, but with a positive underlying momentum that bodes well for rest of 2014. There were five profit warnings from FTSE General Retailers in the first quarter of 2014, up from two in the previous quarter and equal to the number issued in the same quarter of 2013. However, a small group of companies contributed to many of these alerts and the proportion of retailers issuing profit warnings now stands at a four-year low. In the year-to-date, just 14% of the FTSE General Retailers sector has issued a profit warning, the lowest rolling 12-month figure since the start of 2010. It's a further indication of increasing sector resilience and the improving consumer backdrop, with rising market confidence underlined by a string of successful retail IPOs. Although, it's certainly not plain sailing for retailers and it may be tough to live up to some heightened expectations in what still is a highly competitive and changeable consumer environment.

You're hot then you're cold …

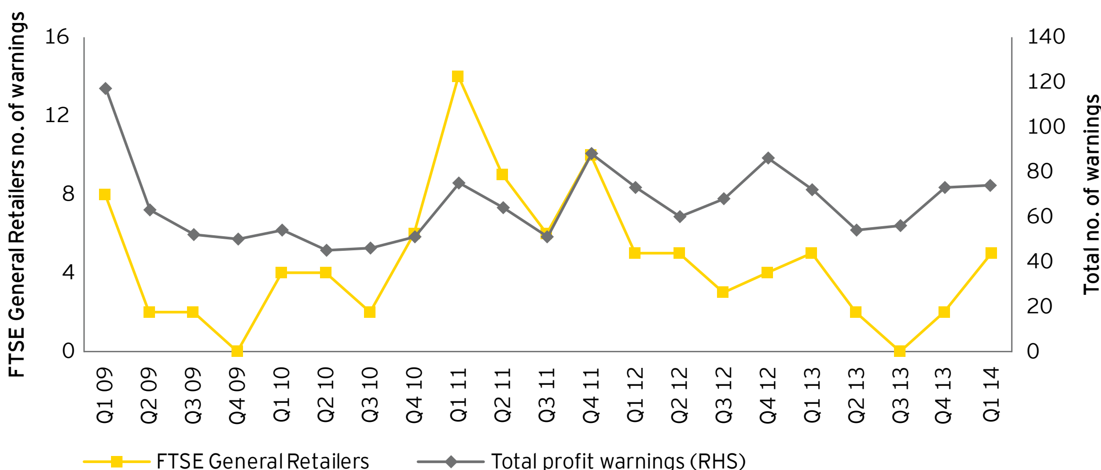
Extreme weather and a late Easter combined to create an erratic set of retail sales in the first quarter. British Retail Consortium (BRC) figures indicated a bumper January, with year-on-year like-for sales rising by 3.9%, only for sales to fall by 1% in February and 1.7% in March. Looking beyond these monthly figures, the underlying trends are reasonably good. It's also heartening that categories less reliant on the timing of the Easter break performed well in March. Furniture sales were well down year-on-year, but with the weather back on side, fashion retailers posted significant growth. A warm and sunny spring has convinced consumers to buy summer collections at full-price, providing a welcome boost to margins.

The sunny start to spring, in contrast to the snow of 2013, and the late timing of Easter ought to give retailers a like-for-like boost at the start of the second quarter. The housing market continues to pick up and help should come in 2014 from a further fall in unemployment and a long awaited rise in real incomes. For the first time since 2010, the consumer price index is finally outstripping average annual wage increases. CPI dropped to 1.6% in March, whilst annual wage increases – including bonuses – rose by 1.7% on average in the three months to February.

This is undoubtedly a significant moment following the longest wage squeeze in recent history. Although, it is perhaps bittersweet, given that falling retail prices have fuelled some of the inflation fall. Sales figures paint a broad picture. They don't show the impact of disruptive influences, the intense level of competition and the increasing amount of discounting used to attract consumers. According to the BRC, non-food retailers reported annual deflation of 3.2% in March, the fastest fall since 2006 and the eleventh consecutive month of price cuts. Retailers have absorbed some of these cuts with additional efficiencies, but there is little fat left to trim.

This pressure should let up to some extent as consumers start to feel the effect of real wage increases, but this won't happen overnight and some changes in consumer behaviour look entrenched. Wages have fallen by 8% in real terms since 2008 and it will take some time to make up this lost ground. The EY ITEM Club expect inflation to stay at 1.6% and annual wage increases around 1.7% on average for the rest of 2014. It's not until 2015 that wages move significantly ahead of inflation and 2016-7 before annual wage increases approach their pre-crisis average. Consumers' austerity mind-set, which polarised retail spending, shows no signs of changing any time soon. It's certainly in evidence now. According to Barclaycard, consumers spent 20% more in budget retailers in March, compared with the same period in 2013, whilst spending on luxury goods increased by 6%. Consumers are still trading down in some areas, but willing to make sacrifices for the occasional special purchase, leaving a long-suffering squeezed middle.

FTSE General Retailers profit warnings vs. total profit warnings



Something new

Investors looking to put cash to work have focused on the improving retail story. The FTSE General Retailers All-Share index has outperformed in 2014, rising by 13% in the first quarter against a 1% decline in the FTSE All-Share as a whole. Some of this boost has come from new entrants, with retailers dominating the rejuvenated London IPO market. In the first quarter, seven companies raised £2.1 billion with more companies waiting in the wings.

These newly floated retailers represent a wide spectrum, from well-known domestic brands to international companies, including predominantly online businesses and the mainly high street based. Their IPO success will undoubtedly encourage others to come forward. However, there are concerns that new issues could fail to live up to some heady valuations. Some of the premium given to newly floated retailers over their more mature peers stems from the fact that their businesses are trimmer and operationally fitter. Having originated in the digital age, or restructured before flotation, they've had the opportunity to create operational structures more suited to a multichannel environment. However, there is also an element of the 'novelty of the new' and high valuations bring high expectations that may be tough to achieve in a competitive environment. Investor trust, once lost, is hard to regain.

Many companies considering IPOs will be going through a dual process, with M&A markets also opening up. There is increasing interest from Far Eastern investors in UK retail in particular, due to its strengthening growth story, the entry point into Europe and access to strong brands with the potential to expand and develop overseas.

Fixing the roof while the sun shines

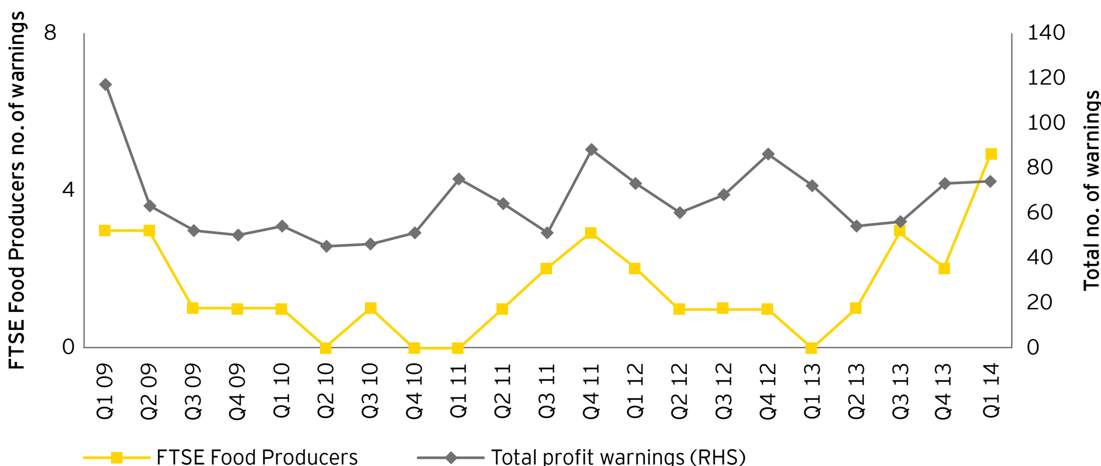
The improving sector outlook and investor interest in the sector provides all retailers with a platform and a window to develop their business and rationalise their portfolio. Companies should be looking to take operational measures to get ready for growth and ensure their businesses are flexible enough to face the future.

Retailers that are meeting consumers' needs should thrive and attract investor attention. Ultimately, retail success is always about understanding and engaging the customer. Two themes in particular have dominated profit warnings in the last six months: multi-channel and discounting strategies. Retail loyalty is fragile and easily lost through a misjudged channel strategy or failure to keep pace with shifting consumer behaviour. The pricing environment is tough, but retailers need to use discounting judiciously. Consumers quickly get wise to continual sales, which eventually erode brand value and consumer trust. Conditions are looking more favourable than they have for some time, but it is only by operating at their full potential and in tune with consumer behaviour that retailers will be able to benefit.

FTSE Food Producers

FTSE Food Producers issued five profit warnings in the first quarter of 2014, the sector's highest quarterly total since 2006. In the twelve months to the end of Q1 2014, 26% of FTSE Food Producers issued a profit warning, compared with 8% in the year to Q1 2013. The sector has largely rebuilt consumer confidence in areas affected by the horsemeat scandal, whilst commodity-pricing pressures have eased. However, food producers are still feeling the pressure from slower than expected growth in emerging markets and intense competition in mature sectors, with pricing pressures prevalent throughout. Investors viewed the sector as a relatively safe haven through the downturn; however, these pressurised margins now stand in stark contrast to the

FTSE Food Producers profit warnings vs. total profit warnings



improving returns available elsewhere. Food producers will need to work hard to deliver value and attract investors.

Running to stand still

Spikes in commodity prices caused peaks in profit warnings for FTSE Food Producers in 2008-9 and 2011. However, the price of the big three ingredient and feed commodities - corn, wheat and soybean – all fell due to good harvests in 2013. This fall isn't universal. The price of cocoa, milk power and meat in particular are still elevated, triggering profit warnings in some areas. It's also a tougher environment for sugar producers, as beet costs rise and sugar prices fall ahead of the abolition of European Union quotas in 2017. However, for the most part, the input half of the equation is better than previous years and less extreme movements in raw material prices are making it easier for companies to plan.

Instead, in 2014, it's the more difficult selling environment that's dominating the agenda and leaving food companies running hard to stand still. In almost all markets, there is continuing pressure on top-line growth and continued downward pressure on prices from increasingly fickle and price-sensitive customers. Pressure on pricing, falling demand and adverse exchange rates have featured heavily in profit warnings and other trading statements in the last 12 months.

Demand and currency volatility are an unavoidable part of emerging market expansion, but the last 12 months have provided an exceptionally bumpy ride. Most significant emerging economies have struggled with growing pains and capital outflows as we begin the run into tighter US monetary policy. The resultant slower, less predictable growth, combined with currency volatility, is a challenging environment for food companies. Currency weakness has a multitude of negative effects. Central banks can either allow rising import prices to fuel inflation or use interest rate hikes to defend their currency. Either way, this squeezes consumer incomes. Meanwhile, weak or volatile currencies in overseas markets hit UK companies reporting in a strengthening pound. This volatility is an especially pressing problem for quoted companies, who find it harder to satisfy investors seeking transparency and predictability. Emerging economies still have tremendous potential and are still expanding faster than mature markets, making them a vital part of food producers' long-term growth strategy. However, companies need to have realistic expectations – progress will not be smooth.

The attraction of emerging markets stems in part due to difficulties closer to home, where competition and pricing pressures are intense. The UK consumers' focus on value continues to polarise the food retail market, reshaped by the shift to online and convenience. The consumer butterfly is increasingly buying food in small bursts, flitting between online outlets, discounters and premium supermarkets to find value and using convenience stores to top-up. This shift in consumer behaviour has left the big-four supermarkets defending falling market share. They've largely chosen do to this through price, prompting concerns of a further price war in an already competitive market. Food inflation slowed to 0.8% in March - its lowest level since the BRC began collecting data in 2006. The big four supermarkets still command a huge share of the market and manufacturers will find themselves in the crossfire. The direct impact may be limited at first. Larger producers retain pricing power in their biggest brands. Supermarkets have also focused the first round of price cuts on specific areas, like milk, where they can foot some of the bill themselves. However, increasing competition in grocery and strong consumer price sensitivity will undoubtedly maintain the keen pricing environment we've seen for many years, keeping the pressure on producer margins.

Building from the core

In response, food companies have been streamlining their businesses, focusing on productivity and trimming down to core products. Consumer businesses have historically found it difficult to let go of underperforming brands, especially when they need to generate revenue growth and don't have a replacement earnings stream. As a result, companies have often allowed less favoured brands to die off slowly through lack of investment, rather than monetize what could be valuable assets. However, the message from many food producers is that they are now keen to divest non-core operations to optimise their portfolio and focus on premium, higher margin products. Timely interest from private equity and Asian buyers should help. The 2013 Heinz transaction and the open IPO window have raised confidence in private equity. Chinese buyers in particular have been actively buying Western brands, especially in the dairy sector, as companies look to secure safe milk supplies to feed China's booming demand.

Portfolio adjustment is a vital process, but companies will need to do more to compete with smaller and nimbler rivals. EY's latest Capital Confidence Barometer shows appetite for deals. However, suitable targets at the right price are hard to find. The desire for acquisitions in growth markets has waned somewhat in the last six months, whilst buying in mature markets still requires a compelling innovation or brand to boost margins. The food industry's big players have been seeking acquisitions in niche, high-growth sectors– like functional ingredients - where their capital can provide a significant boost to product development. However, these deals are rare.

Adapt to prosper

Consumer tastes and demographics are rapidly shifting and changes can be abrupt and disruptive. Companies need to act now to optimise their business in mature markets to cope with tough pricing and fickle consumers. The pattern of investment in emerging markets is also changing, as companies recognize the need to focus less on top-line growth and market share and more on bottom-line profitability. Throughout the business, it's vital to contain costs and drive efficiencies. Margin growth is increasingly difficult to unlock and only those who can adapt and remain relevant to consumers will prosper.

Q1 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	2							2
Banks	over £1bn							1	1
Chemicals	under £200m						1		1
Construction & Materials	under £200m	1	1						2
Electronic & Electrical Equipment	under £200m		1						1
	£201m-£1bn				1				1
	over £1bn				1				1
Food & Drug Retailers	over £1bn						2		2
Food Producers	under £200m					2			2
	£201m-£1bn			1				1	2
	over £1bn	1							1
General Financial	under £200m	1							1
	£201m-£1bn	1				1			2
General Industrials	over £1bn	1							1
General Retailers	£201m-£1bn	1			4				5
Health Care Equipment & Services	under £200m	1							1
Household Goods	£201m-£1bn			1					1
Industrial Engineering	under £200m		1				1		2
	£201m-£1bn						1		1
Industrial Metals	under £200m						1		1
Industrial Transportation	under £200m	2							2
Leisure Goods	under £200m		1		1				2
Media	under £200m					1			1
	over £1bn	2				1			3
Mining	under £200m	1							1
	£201m-£1bn	1							1
Mobile Telecommunications	under £200m	2							2
Nonlife Insurance	over £1bn	1							1
Oil & Gas Producers	£201m-£1bn							1	1
	over £1bn	1			1				2
Oil Equipment, Services & Distribution	under £200m						1		1
	over £1bn			1					1
Personal Goods	under £200m					1			1
Pharmaceuticals & Biotechnology	under £200m		1						1
	£201m-£1bn				1				1
Real Estate Investment & Services	under £200m		1						1
Software & Computer Services	under £200m		1				1		2
	£201m-£1bn	1							1
Support Services	under £200m	2	1	1		1			5
	£201m-£1bn	3	1	1					5
	over £1bn				1	1			2
Technology Hardware & Equipment	under £200m				1	1	1		3
	£201m-£1bn				1				1
Travel & Leisure	under £200m				1				1
	over £1bn	1							1
Grand total		**26**	**9**	**5**	**13**	**9**	**9**	**3**	**74**

Number and percentage of warning companies by turnover and region, 2009–Q1 2014

Number and percentage of warning companies by turnover, 2008–Q1 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%
4-year average	38	58%	16	25%	11	17%	65	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–Q1 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%
4-year average	18	28%	9	14%	6	9%	3	5%	15	23%	6	10%	7	11%	65	100%

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