Building a better
working world

# Analysis of profit warnings

## Issued by UK quoted companies

Q4 2016

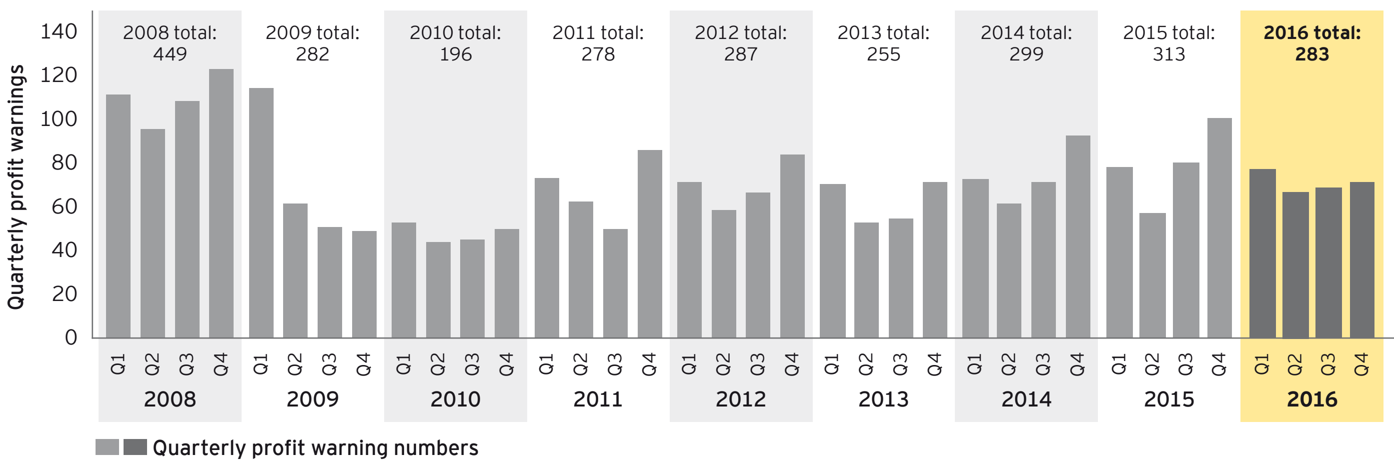
# The calm before the storm

It was a better end to 2016 than expected. UK quoted companies issued 73 profit warnings in the final quarter, taking the annual total to 283 — the lowest for three years. Our headline numbers, much like those in recent economic surveys, show the UK economy weathering the initial impact of the BREXIT vote remarkably well.

Behind the headline number, however, the picture is mixed and the signals less positive. In particular, a record level of Support Services warnings and five-year high in alerts from General Retailers highlight the structural issues that pre-date BREXIT and will leave many companies vulnerable to any further bumps in the road.

Many of last year's risks will become realities in 2017. Companies can't take much for granted in this period of challenge to the political and economic consensus – but neither can they afford to be paralysed in the face of rapid sector change. It's going to be a more testing period for UK plc than we've seen for quite some time.

**Profit warning numbers, 2008-2016**

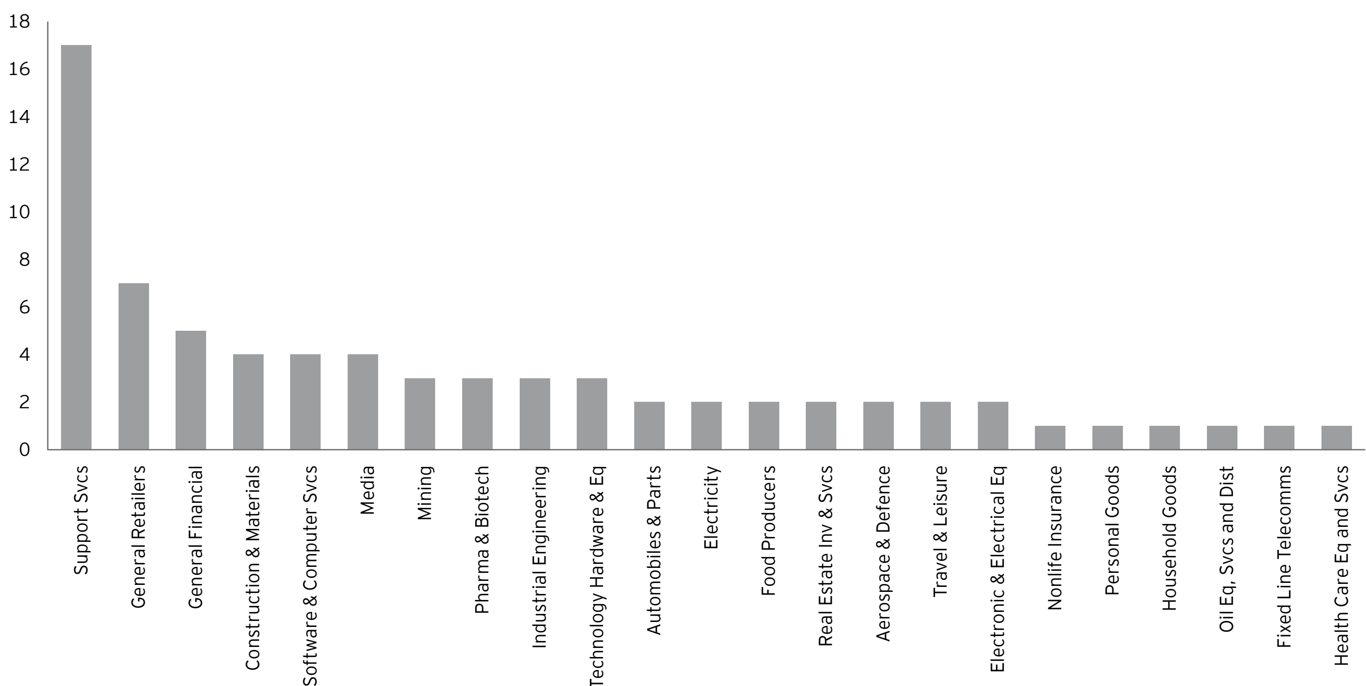


# Profit warning highlights

- UK quoted companies issued 73 profit warnings in Q4 16, five more than the previous quarter, but 27 fewer than Q4 2015 when warnings spiked following the oil price shock.
- The relatively low level of warnings reflects the mixed impact of the initial fall-out from the BREXIT vote and improvements elsewhere in the global economy.
- The weak pound, a mild increase in oil prices and a better global growth outlook have been broadly positive for commodity sectors and companies with overseas earnings.
- The outlook for many sectors under structural pressure has been further dented by being on the wrong side of the pound's fall and the impact of uncertainty on business commitments.
- The FTSE sectors issuing the most profit warnings in Q4 16 were: Support Services (17), General Retailers (7), General Financial (5) and Construction & Materials (4).
- In 2016, 28% of FTSE Support Services companies issued warnings – surpassing 2008. The most frequent reason for warning is contract delays and cancellations as businesses reign in spending.
- Retailers still issued the most warnings for five years in 2016, despite rising sales. Profits are under pressure even before currency hedges run out and the weak pound takes its toll.
- The same number of FTSE Construction & Materials companies warned in Q4 16 as in the whole of 2015. The sector remains structurally vulnerable to falling confidence and rising prices.
- Just eight warnings cited BREXIT in Q4 16, against 20 in Q3 16; but companies are responding to wider challenges, with uncertainty contributing to 27% of warnings citing delayed or cancelled contracts.
- The FTSE mid-250 issued over a quarter of all warnings in Q4 16, the highest proportion since late 2013, when global growth anxieties also hit expectations as much as domestic concerns.
- The median share price fall on the day of warning moved back up to 13.8% in Q4 16 against 12.5% in 2016 as a whole.
- The uncertain outlook has led to many companies pushing back on expectations, despite the strong end to 2016. This could limit profit warnings, if forecasts adjust – but there's potential for further shocks.

"The uncertain outlook has led to companies pushing back on expectations, despite the strong end to 2016."

**Profit warnings by sector, Q4 2016**



# Economic and sector overview

## It's not business as usual

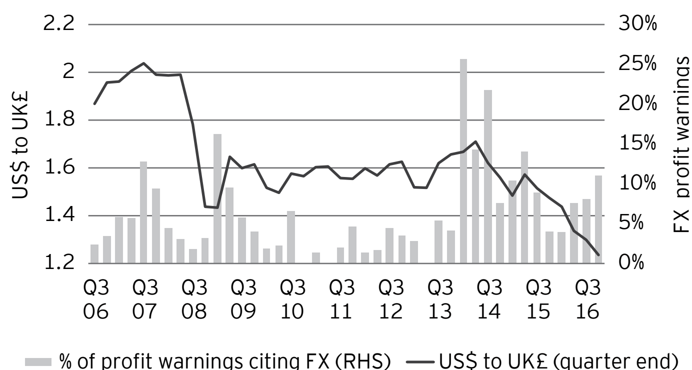
UK growth and earnings defied expectations in 2016. But behind the headlines, there are mixed signals and fortunes. There is still a gap between winners and losers, one which in many cases predates BREXIT and stems from ongoing structural weaknesses that will leave companies exposed to the significant changes and new challenges that lie ahead in 2017. We expect this to be a very different year — and for many companies a much tougher one. There are four features we think will make 2017 a watershed year for UK plc.

### Sterling and inflation

Sterling will remain the UK's 'Brexitometer' and one of the biggest drivers of change in the UK economy in 2017. The additional clarity the Prime Minister recently provided on the UK's starting negotiating position adds detail, but not certainty. The main driving force will be the progress of Article 50 and subsequent negotiations, whilst the expectation of a 'clean' exit is likely to maintain strong downward pressure. Currency volatility will also stem from other central banks trying to manage their currencies through a period of increasing inflation and geopolitical change.

One of the most noticeable effects of sterling's fall has been the unadjusted high in the internationally-oriented FTSE 100. The weak pound has increased overseas earnings expectations — through hopes of better exports and earnings translation — with a further boost from improving global growth and commodity prices. Warnings from most commodity and some industrial sectors have fallen — or at least remained stable — since the BREXIT vote, bucking the overall trend of an 18% rise. But against this we also have the impact of weak sterling on import prices, inflation and ultimately the consumer — which has been delayed so far due to currency hedges and the pass through of price increases.

A rising pound normally triggers more profit warnings.




Consumption accounted for most of the growth in the UK economy in 2016. And much of the increase in consumer spending came from increased borrowing and savings, raising a question mark over its sustainability even before we factor in a reduction in work benefits and expectations that inflation will top 3% in 2017. Given the pound's uncertain path it's hard to judge where prices will end up, but the negative impact is starting to come through in the profit warning data with 11% citing adverse exchange rates in Q4 16 against just 4% in Q1. Thus it's a bleaker outlook for those who rely on the consumer — especially companies importing goods and materials — and the economy all round. EY ITEM now expect UK GDP growth to slow to 1.3% in 2017 and just 1.0% in 2018

### Politics and growth

Inflation is a global story, with even the previously inert Eurozone reporting CPI of 1.1% in December, its highest level since 2013. Some impetus has come from oil following OPEC's supply cuts. But improving global economic prospects have provided a broader push. The IMF now expects the global economy to grow by 3.4% in 2017, up from 3.1% in 2016, led by better forecasts for China, Europe, Japan and most notably the US, where the new administration is expected to implement significant financial stimulus.

The changing balance of growth, back to advanced economies is only part of the new narrative. More fundamentally, political consensus about the benefits of globalisation and how best to drive growth is changing. Populist parties are gaining in popularity and governments of all hues are taking a less laissez-faire attitude towards globalisation and adopting more parochial policies to win over the "left behind". This trend is increasing the vogue for infrastructure spending, opening up public sector opportunities. But, companies can also expect to face greater protectionism — in trade and M&A — and intervention in their operations, from plant location to prices. This is a critical shift in government attitude towards business.

Given the state of flux in the UK, US and a plethora of upcoming European elections, it's impossible to know where this will lead. What we do know is that businesses will need to adopt a more flexible attitude towards production and supply chains. There are also risks to the improving growth narrative. Investors started 2017 with heavy bets on the success of US stimulus, but there are obviously other possibilities. Over a quarter of UK profit warnings cited contract delay or cancellation in Q4 16 — a sign that UK businesses aren't counting their chickens.

**Profit warnings citing BREXIT in 2016**

| FTSE sector | Number of warnings |
|---|---|
| Support Services | 7 |
| Real Estate Investment & Services | 6 |
| General Retailers | 5 |
| Travel & Leisure | 5 |
| Construction & Materials | 2 |
| Electronic & Electrical Equipment | 2 |
| Household Goods | 2 |
| Other | 6 |
| **Total** | **35** |

# Economic and sector overview (continued)

## Dollar and debt

The changing political climate has implications for monetary policy. There is a growing debate over whether central banks are reaching the limits of what monetary policy can achieve. Add in rising inflation and it seems unlikely that many advanced economies will slacken policy much further, even if they don't follow US rate rises. The UK could be the exception, if the economy slips and inflation allows. But even if the MPC lowers interest rates in 2017, the Bank of England may tighten policy elsewhere given their ongoing concerns over consumer debt levels.

Debt markets are still open, issuing record amounts in the first week of 2017 – with investors perhaps looking to get ahead of the curve. After many years, the global direction of travel is changing. If this is the start of "normalisation" it doesn't necessarily mean returning to pre-2007 rates. Most companies also have a considerable refinancing buffer – which will delay the impact of any rise. But there are companies with weak credit metrics that have struggled for years – even at these easy rates. Refinancing will be a shock when it comes. And of course, uncertainty around inflation and growth – especially US growth – could add to market volatility. If the US hits capacity constraints, the Federal Reserve could raise rates more than the expected 1.5% in 2017. On the other hand, the US economy could slow significantly, lowering the pace.

The world will be watching the US with interest, not least emerging markets. According to *The Economist*, around 60% of the world's population use the dollar or linked currencies – many in emerging economies. Dollar debt hit around $101t last year – a third in emerging nations. Emerging market portfolios suffered their largest three-month outflows in seven years in Q4 16. Small open economies that have benefited the most from the expansion of global trade and supply chains and those dependent on foreign investment flows have the most to lose. Commodity exporters could outperform if prices continue to rise. Companies will need to keep a close eye on their markets.

## Disruption and deals

After such a long period of consensus and relative stability, nothing can be taken for granted. This isn't business as usual. Companies will be differentiated much more than we have been used to of late due to the sheer amount of challenge and change. Inflation, changing growth patterns, disruption to trade agreements, political upheaval, increasing debt spreads will all run alongside the disruptive change we continue to see in consumer behaviour and sector dynamics. There's more chance of companies being caught on the wrong side – especially those already under structural pressure without the capacity to adapt.

Companies cannot assume old models will succeed – a significant factor in the fourth largest deal volumes on record in 2017. Companies cannot afford to sit still, they must keep moving despite of and because of change. Companies need to ask themselves if they have the capital in place not only to ride out lumpy demand, but also make any necessary portfolio adjustments and take opportunities. It is hard to plan for specific outcomes, so companies also need to build the flexibility and agility to respond.

**Warnings as a percentage of FTSE sector, Q4 2016**

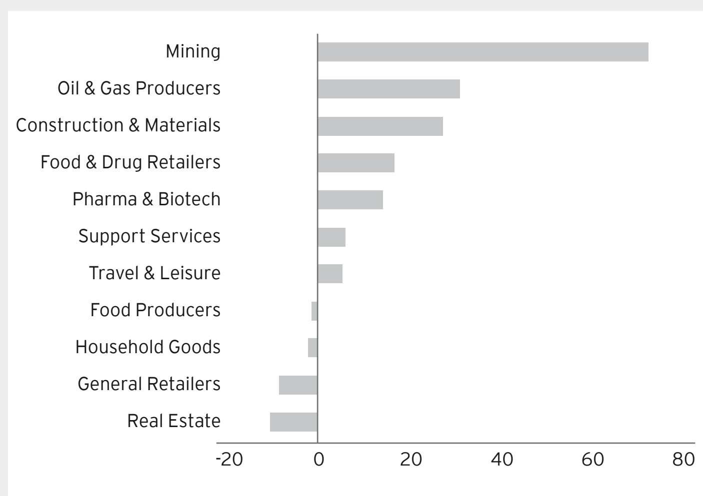
| | Number of companies warning | Number of companies in FTSE sector | % of companies warning |
|---|---|---|---|
| Aerospace & Defence | 2 | 12 | 17% |
| Automobiles & Parts | 2 | 5 | 40% |
| Construction & Materials | 4 | 34 | 12% |
| Electricity | 2 | 11 | 18% |
| Electronic & Electrical Equipment | 2 | 34 | 6% |
| Fixed Line Telecommunications | 1 | 8 | 13% |
| Food Producers | 2 | 27 | 7% |
| General Financial | 5 | 124 | 4% |
| General Retailers | 6 | 54 | 11% |
| Health Care Equipment & Services | 1 | 38 | 3% |
| Household Goods | 1 | 29 | 3% |
| Industrial Engineering | 3 | 34 | 9% |
| Media | 4 | 67 | 6% |
| Mining | 3 | 99 | 3% |
| Nonlife Insurance | 1 | 12 | 8% |
| Oil Equipment, Services & Distribution | 1 | 11 | 9% |
| Personal Goods | 1 | 14 | 7% |
| Pharmaceuticals & Biotechnology | 3 | 66 | 5% |
| Real Estate Investment & Services | 2 | 71 | 3% |
| Software & Computer Services | 3 | 110 | 3% |
| Support Services | 17 | 140 | 12% |
| Technology Hardware & Equipment | 3 | 20 | 15% |
| Travel & Leisure | 2 | 69 | 3% |
| **Total** | **71** | | |

## A divergent outlook

In 2016, we recorded 283 profit warnings from 217 companies – or just over 16% of UK registered companies on the Main Market and AIM. This is the lowest percentage since 2013. So far, so in-tune with positive surveys and GDP data. But, there is more to see in the detail, including factors that will really differentiate companies in 2017.

**BREXIT:** The initial impact wasn't dramatic, but there were 18% more warnings in the post-vote period than before and we've seen a discernible change in earnings dynamics. Some sectors' expectations have reset entirely. Real Estate sectors issued the most profit warnings since 2008. But perhaps most fundamentally, the related fall in the pound is changing the structure of the UK economy and has strongly differentiated earnings forecasts. There will be considerably more pressure on the consumer supply chain – with further disputes possible – as currency hedges run out and input prices rise.

### Performance of selected FTSE 350 sectors since BREXIT




**Growth:** The UK's economic slowdown in 2017 will contrast against improving prospects elsewhere. Our data shows commodity and some industrial sectors benefitting not only from the falling pound, but also the stronger global outlook and rising dollar. Profit warnings from FTSE Oil & Gas Producers and basic materials sectors have fallen significantly; although companies serving the oil sector are still feeling the impact of reduced activity.

**Uncertainty:** Record levels of FTSE Support Services warnings indicates businesses are holding back spending, as does the 27% of warnings citing contract delays or cancellations. Most of these came in the second half of 2016, with the trend continuing into 2017.

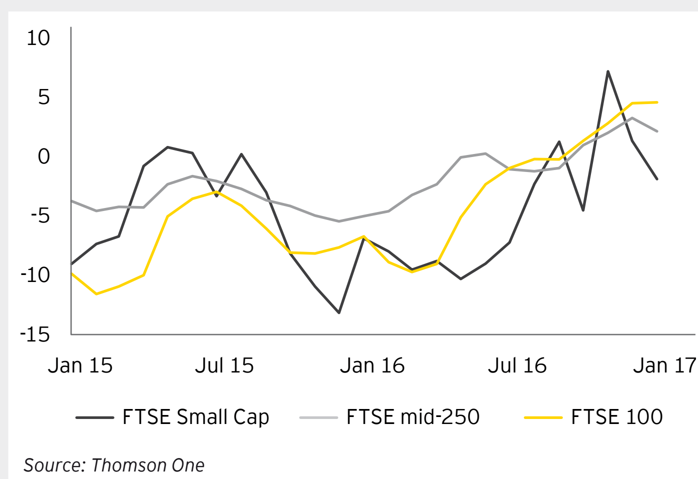
**Structural challenges:** In 2016 retail warnings hit a five year high, whilst Q4 16 FTSE Construction & Materials warnings were at a two year high. Both sectors have suffered long-term structural issues that pre-date BREXIT, but – as our analysis here shows – its fallout will expose weaknesses.

**Multiple warnings:** In Q4 16, 49% of companies were issuing at least their second warning in the last year – against 37% in Q4 15. Multiple warnings primarily stem from: the exposure of a 'bad' contracts or rogue business, especially when companies struggle to establish the full extent; poor strategic decisions – once on the wrong side of a trend, falling profits makes it hard to get back; and a significant shift in the macro landscape. Risks that are now heightened.

**Uncertain expectations:** Much of the above has been well trailed and should be in earnings forecasts. Expectations are moderating as companies in pressured sectors talk them down- despite the strong end to 2016. This could limit profit warnings, if events play out as expected. But weaker companies with poor visibility over their businesses will be vulnerable to the undoubted potential for shocks in 2017.

### Earnings expectations volatile below FTSE 350

3m % change in 12M forward earnings expectations




*Source: Thomson One*

## FTSE Construction & Materials

The construction sector is vulnerable to rising costs and falling confidence, so it's no wonder that it now finds itself in the spotlight. The prospect of increased infrastructure spending and improving global growth have tempered overall market concern. But in this diverse industry, there are invariably companies that don't have exposure to growth sectors, whilst adverse moves in demand and pricing will expose existing vulnerabilities.

### New headwinds

FTSE Construction and Materials profit warnings hit a six-year low in 2015 as the domestic economic outlook improved and costs fell in the wake of, inter alia, low inflation and oil prices. Five warnings from 11% of the sector in 2015 stood in stark contrast to the years following the financial crisis, when a quarter of the sector regularly warned on an annual basis. A low level of warnings continued into the first half of 2016; nevertheless, we saw seeds of uncertainty, such as large companies deferring occupation decisions. The BREXIT vote brought these concerns into sharper focus and raised other issues, particularly sterling and labour mobility. The initial sharp hiatus passed relatively quickly; but demand and labour uncertainty lingers and the pound's 20% fall – amplified by a global increase in energy, fuel and other material prices – has started to bite. Four companies issued profit warnings in Q4 16 alone – the highest quarterly total for over two years.

The Construction Products Association (CPA) forecasts just a 0.3% increase in industry output in 2017. Underneath the headline figure, performances will diverge, driven by diverse macroeconomic and industry trends in residential, public and commercial sectors. The CPA expects the infrastructure sector to grow by 6%, flat housebuilding activity and commercial activity to fall by 3%. Any commercial slowdown will be cushioned to some extent by the run-off of existing contracts, but many of these are fixed at low margins and vulnerable to rising costs. Half the sector's warnings in 2016 cite the impact of increasing costs and this will remain an issue, exacerbated by a weak pound and ongoing skill shortages. In April, large companies will also need to start paying into a new apprenticeship levy, that this year at least will be collected alongside the CITB levy.

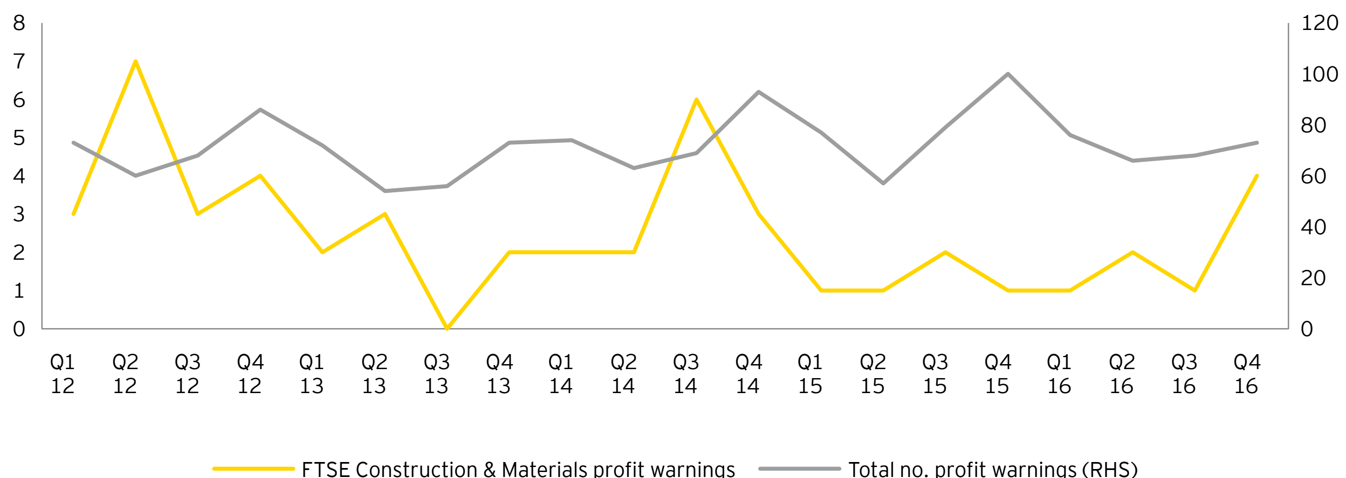
As a result, we expect to see increased pressure through the supply chain and more – and more intense disputes finalising accounts – especially where there is pressure to maximise returns against original bids or estimates. Warnings from material suppliers in the FTSE Support Services sector are testament to existing supply chain pressures. But 2017 will also bring opportunities in government spending, including the imminent housing white paper. The three Hs – Heathrow, Hinkley Point and HS2 – already have the go-ahead, with progress possibly accelerated by the BREXIT vote. And, the current vogue for increased infrastructure spending isn't restricted to the UK. The US in particular looks set to spend in the wake of the Trump victory and economic prospects are improving elsewhere.

### Problems beyond the cycle

Company performance will depend on targeting growing sub-sectors, but also businesses' ability to deal with rising cost pressures and manage delivery. The construction industry is still wrestling with structural issues that have left companies vulnerable to mishap. Even in the good times, margins have remained exceptionally thin compared with other industries. *Construction News*' annual survey of the Top 100 UK construction contractors shows average operating margins falling from 2.4% to 1.9% in 2015. This endemic issue of low margins seems to stem from the way the sector balances risks against returns across the contract life cycle.

If long-term contracts are appropriately priced and proficiently delivered, they should insulate companies against dips. UK companies with access to longer term contracts based on a more

**FTSE Construction & Materials profit warnings**



collaborative approach tend to report higher margins – as do those with international exposure. But this isn't the norm. The norm is a more transactional, adversarial approach and intense competition that leads companies to take on contracts with thin margins – particularly during quiet periods. Delivering on tightly-bid contracts increases the risk of losses when costs rise or the project overruns. And delay is often a reality, due to failures in monitoring progress and performance and in addressing delivery risks. In many cases this is caused by a lack of internal transparency, accentuated by poor management information – due to a lack of IT investment and poor internal controls. Culture also remains an important influence. Over-optimism in bidding decisions and project reporting can render controls ineffective and result in bad news travelling slowly. This all contributes to making it less likely projects will remain on track and more likely that management won't become aware of a problem until it becomes material.

Negative feedback loops exacerbate the problem. Low margins limit the ability to prioritise investment in training and in research and development, which could increase productivity. Onerous contracts and contract delays also put a strain working capital. The frequency of insolvencies and financial failure – especially amongst key sub-contractors – has a detrimental impact on contract delivery and margins, as well as the sector's reputation. Clients and Tier 1 contractors are increasingly carrying out due-diligence on the financial health of the supply chain. Weak companies fail to get on bid lists and are excluded from many opportunities. Management of working capital is also an ever-present issue. Payment profiles have changed significantly since the last recession. The sector continues to wrestle with the problem of slow payment – especially where additional economic pressures have exacerbated existing delays. The introduction of project bank accounts on government commissioned projects could further 'pinch' working capital for Tier 1 contractors.

### Mitigating risk, optimising opportunities

In this uncertain environment, companies with exposure to growth sectors and longer-term projects – which tend towards more collaborative pricing – will be at an advantage. But all companies, will need to think about optimising their supply chains and internal organisation to create efficiencies and manage costs within their control. Companies should be stress testing cost projections and embedding operational procedures and controls throughout the bidding and delivery life cycle. In particular, the industry needs to innovate and to nurture and develop skills. BREXIT may be the impetus the sector needs in this area, since it seems unlikely that it will be able to rely on a flexible European labour pool much beyond 2018.

Given the challenges ahead, it might be time for new thinking on contract delivery mechanism and greater co-operation between client and customer to develop stronger relationships. Whilst adversarial, competitive tendering remains the norm, the focus will remain on cost, rather than value and outcomes – to the detriment of all. We also expect to see further consolidation – especially amongst contractors. A consolidated sector, with fewer companies, better operating structures and more pricing power could help to improve margins. But the sector as a whole needs to raise its game to navigate a testing period that will have potential pitfalls, but also possibilities.

## FTSE General Retailers

Last year brought mixed blessings for retailers. Consumers kept on spending, but the margin vice has not loosened its grip and the fallout from the BREXIT vote – whilst not universally negative – has twisted the handle another notch. As a result of these pressures, quoted retailers issued their highest number of warnings for five years in 2016. But, this is a sector strongly

**FTSE Quoted retailer profit warnings**

divided between winners and losers. If we look a little deeper, just 15 companies were responsible for these 32 warnings — fewer than 2015. We expect the economic and sector challenges of the next twelve months to increasingly expose these weaknesses — and other fault lines — as import prices rise and consumers' incomes come under greater pressure.

### That was then...

Consumers defied expectations in 2016, with overall consumption rising by 2.8%, compared with 2.4% in 2015. Some of the uplift in sales was driven by overseas spending due to the weak pound, but domestic sales also rose. UK households may have anticipated a rise in inflation and brought forward spending. The decision to cut interest rates did put consumers in a better position and perhaps it's not surprising that they reacted confidently to what was by definition, a popular BREXIT vote. But, whatever the motivation to spend, the year ended on a relative high. If we look across the fourth quarter to take heavy and extended Black Friday discounting period into account, ONS figures show an increase of 5.6% spent against the same period last year. British Retail Consortium (BRC) data shows like-for-like sales rising by 1.1% over the three-months to December. Sales seem to have dipped in early December. But this could just be due to consumers spending early in the Black Friday period, then leaving it late in what was a full week before the big day.

That's the headlines, but there were clear sector variations. BRC data shows food retailers were the major contributors to overall growth. Our data shows all seven retail profit warnings in the final quarter coming from FTSE General Retailers, with no warnings from FTSE Food & Drug Retailers. And, volumes won't necessarily translate into profits given the continuing backdrop of rising cost and pricing pressures keeping a vice-like pressure on sector margins. Almost a third of clothing retailers warned in 2016 as the apparel sector finds itself in the vanguard of the omni-channel market — with the additional costs this entails — whilst also continuing to contend with overcapacity, the National Living Wage, rising business rates and lately increasing supplier costs linked to the falling pound.

Some companies are clearly doing better in capturing more of the uplift in sales and maintaining margins through greater operational resilience and brand power. The increasing gap between winners and losers became starkly apparent in 2016, with the number of warnings rising by over a quarter year-on-year, but the number of companies warning falling to 15, from 21 in 2015. The divide is perpetuated as diminishing returns decrease the ability to invest. A danger underlined in December by a 7.2% growth in online sales, against a 1.4% decline in-store, on a like-for-like basis.

### This is now...

Retailers should carry some of last year's momentum into 2017. The UK economy shouldn't fall off a cliff at the start of the year and the very small number of warnings we've seen in the post-Christmas confession period underlines the positive end to 2016. But, there is every indication that this year will represent a watershed for consumers and retailers. Last year consumers reacted to risk, this year they will need to contend with new realities.

The most obvious of these is the fall in sterling. The positive impact of a weak pound on overseas sales is heavily outweighed for most retailers by the adverse impact on import prices and the knock-on impact of inflation on disposable incomes. Currency hedges and efforts to limit price rises have delayed the effects. But, most pre-BREXIT hedges will run out by the second quarter and a 20% fall in sterling's value will inevitably spill out along the supply chain. We had a taste of this in 2016, when over 40% of post-BREXIT retail warnings cited adverse exchange rates. We expect this pressure — and supplier tensions — to grow as inflation moves up to 3% in 2017 — fuelled also by the rising prices at petrol pumps.

Inflation isn't all bad news. Food retailers can welcome a moderate level of food inflation — especially one as well trailed amongst consumers as this — since it may allow them break out of the current deflationary cycle. We finally saw a mild uptick in shop prices at the end of 2016. That said, inflation won't change the sectors' dynamics. The major food retailers will be holding out as long as possible to improve their competitive position and to guard against consumers trading down. The discount sector is much stronger — and has stronger brand recognition — than it did a decade ago.

And, it will be hard to raise prices when consumers have less to spend in 2017. ITEM believes that a combination of higher inflation, welfare cuts and a softer jobs market will lead to a 0.3% drop in disposable income in 2017. Households also increasingly resorted to using their savings and additional credit to maintain spending in 2016. Unsecured borrowing increased by £1.9bn in November, the highest since March 2005, taking the annual growth rate up to 10.8%. This is unsustainable in the longer term and ITEM's forecasts show a year-on-year slowdown in consumer spending to 1.7% in 2017 and 0.4% in 2018. Retailers will need to fight much harder to win a share of a smaller market in 2017.

### New dynamics

We said in 2016 that it could be 'one last consumer hurrah' due to an expected rise in inflation combined with a fall in wage and employment growth. The fall in sterling and uncertainties associated with the BREXIT process heightens these challenges and creates a more challenging macro-economic backdrop. Meanwhile, the cost and complexity of adapting to structural changes in consumer behaviour continues. A high level of profit warnings in 2016 — and the well trailed impact of inflation on consumer spending — should push down on earnings expectations for 2017 and limit profit warnings. But, ongoing uncertainties in the outlook leaves the potential for further shocks and we expect to see further differentiation of the sector as it comes to terms with new realities in 2017.

# Q4 2016 – 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 |
| | £201m-£1bn | | | | 1 | | | | 1 |
| Automobiles & parts | under £200m | | | 2 | | | | | 2 |
| Construction & Materials | under £200m | 1 | | | 1 | | | | 2 |
| | £201m-£1bn | | | 1 | | | | | 1 |
| | over £1bn | 1 | | | | | | | 1 |
| Electricity | under £200m | | | | 1 | | | | 1 |
| | £201m-£1bn | | | 1 | | | | | 1 |
| Electronic & Electrical Equipment | under £200m | | | | 1 | | | | 1 |
| | £201m-£1bn | | | | 1 | | | | 1 |
| **Fixed Line Telecommunications** | over £1bn | 1 | | | | | | | 1 |
| Food Producers | under £200m | 1 | | | | | | | 1 |
| | £201m-£1bn | | | | | | | 1 | 1 |
| **General Financial** | under £200m | 1 | 1 | 1 | | | | | 3 |
| | £201m-£1bn | 1 | | | | | 1 | | 2 |
| **General Retailers** | under £200m | 1 | | 2 | | 1 | | | 4 |
| | over £1bn | | 1 | | | | | | 1 |
| | £201m-£1bn | | 1 | | 1 | | | | 2 |
| **Health Care Equipment & Services** | over £1bn | 1 | | | | | | | 1 |
| Household Goods | £201m-£1bn | | | | 1 | | | | 1 |
| Industrial Engineering | under £200m | | 1 | | | | 1 | | 2 |
| | over £1bn | | | | | | | 1 | 1 |
| **Media** | under £200m | 3 | 1 | | | | | | 4 |
| Mining | under £200m | 1 | | | | 1 | | | 2 |
| | £201m-£1bn | 1 | | | | | | | 1 |
| **Nonlife Insurance** | £201m-£1bn | 1 | | | | | | | 1 |
| Oil Equipment, Services & Distribution | over £1bn | 1 | | | | | | | 1 |
| Personal Goods | under £200m | | | | | 1 | | | 1 |
| Pharmaceuticals & Biotechnology | under £200m | | | | | 1 | 1 | | 2 |
| | £201m-£1bn | 1 | | | | | | | 1 |
| Real Estate Investment & Services | under £200m | 1 | | | | | | | 1 |
| | £201m-£1bn | | | | 1 | | | | 1 |
| Software & Computer Services | under £200m | | 1 | | 1 | | | | 2 |
| | £201m-£1bn | | | 2 | | | | | 2 |
| Support Services | under £200m | 2 | 1 | 1 | 2 | | | 1 | 7 |
| | over £1bn | 2 | 2 | | | | 1 | 2 | 7 |
| | £201m-£1bn | | | 1 | 2 | | | | 3 |
| Technology Hardware & Equipment | under £200m | | 1 | | | 1 | | | 2 |
| | £201m-£1bn | 1 | | | | | | | 1 |
| Travel & Leisure | over £1bn | 1 | | | 1 | | | | 2 |
| Grand Total | | **23** | **10** | **11** | **14** | **6** | **4** | **5** | **73** |

# Number and percentage of warning companies by turnover and region, 2010–Q4 2016

## Number and percentage of warning companies by turnover, 2010–Q4 2016

| | Turnover band | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Under £200mn | | £201mn–£1bn | | Over £1bn | | Total | |
| **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% |
| **2016** | | | | | | | | |
| Q1 | 43 | 56% | 22 | 29% | 12 | 21% | 76 | 100% |
| Q2 | 38 | 58% | 15 | 23% | 13 | 20% | 66 | 100% |
| Q3 | 45 | 66% | 16 | 24% | 7 | 10% | 68 | 100% |
| Q4 | 37 | 51% | 20 | 27% | 16 | 22% | 73 | 100% |
| **4-year average** | 42 | 58% | 17 | 23% | 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, 2010–Q4 2016

| | Region | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | London | | Midlands/ East Anglia | | North West | | Scotland and NI | | South East | | South West/ Wales | | Yorkshire/ North East | | Total | |
| **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% |
| **2016** | | | | | | | | | | | | | | | | |
| **Q1** | 23 | 37% | 16 | 21% | 5 | 7% | 9 | 12% | 9 | 12% | 4 | 5% | 5 | 7% | 76 | 100% |
| **Q2** | 22 | 33% | 6 | 9% | 4 | 6% | 2 | 3% | 21 | 32% | 4 | 6% | 7 | 11% | 66 | 100% |
| **Q3** | 20 | 29% | 7 | 10% | 8 | 12% | 3 | 4% | 18 | 26% | 4 | 6% | 8 | 12% | 68 | 100% |
| **Q4** | 23 | 32% | 10 | 14% | 11 | 15% | 5 | 7% | 14 | 19% | 6 | 8% | 4 | 5% | 73 | 100% |
| **4-year average** | 24 | 33% | 9 | 13% | 5 | 8% | 5 | 6% | 16 | 22% | 7 | 9% | 7 | 9% | 72 | 100% |

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