The price of uncertainty

Analysis of profit warnings

Issued by UK quoted companies

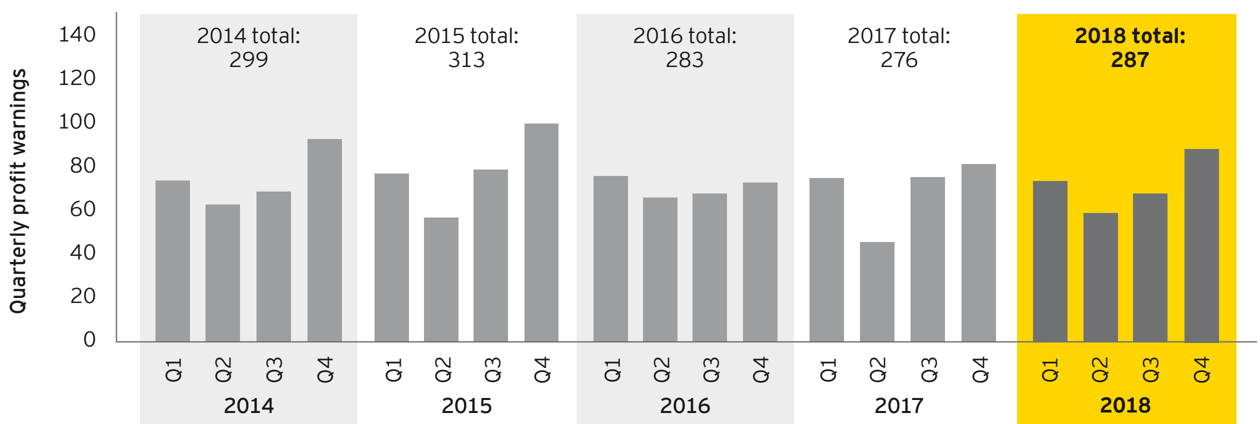
Q4 2018

One in six UK quoted companies issued profit warnings in 2018, the second highest level since the end of the last recession. UK profit warnings rose to 88 in the final quarter of 2018 and 287 across the year, with the *EY Profit Warning Stress Index* leaping from 72 to 87 in the final quarter – the biggest jump since late-2011 and the midst of the Eurozone crisis.

The rise in our *Stress Index* is driven by increasing numbers of 'new' profit warnings from companies who hadn't warned in the last year – especially in consumer-facing sectors. On-going structural pressures are increasingly compounded by the growing uncertainty that has spread from business to consumers, weakening confidence and delaying spending.

Record share price falls on the day of warning reflect markets' flight to safety. Investors, like many businesses, have positioned for the worst – which could provide some upside in the event of a benign outcome to 2019. But most scenarios leave us facing further political and economic uncertainty and there is no let-up in the pace of digital disruption and structural change.

Profit warning numbers, 2014-2018

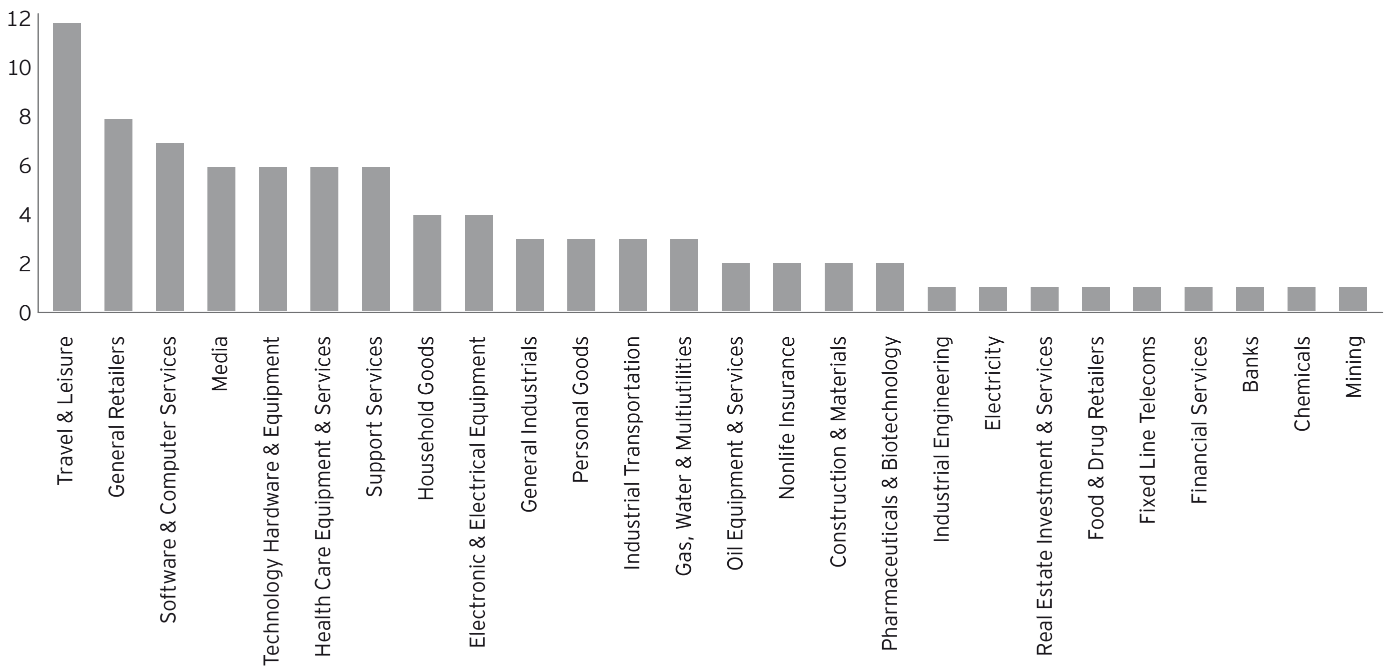


Profit warning highlights

- UK quoted companies issued 88 profit warnings in Q4 2018, rising 9% year-on-year to hit the highest fourth-quarter total since 2015.
- The 287 profit warnings issued in 2018 represents a 4% increase on 2017's total and the highest annual figure since 2015.
- In Q4 2018, 74% of companies issuing profit warnings hadn't warned in the last year — the highest proportion of 'new' companies warning in over eight years.
- As a result, the *EY Profit Warning Stress Index* hit 87 in Q4 2018, up from 72 in the previous quarter and the fourth highest level since the end of the financial crisis.
- The collision of two major themes drove profit warnings higher in 2018: structural change and rising uncertainty.
- The FTSE sectors with the highest number of profit warnings in Q4 2018 were: Travel & Leisure (12), General Retailers (8), Software & Computer Services (7).
- The FTSE sectors with the highest number of profit warnings in 2018 were General Retailers (36), Travel & Leisure (29) and Support Services (27).
- Changing spending patterns and falling confidence triggered a 50% increase in FTSE General Retailers profit warnings in 2018, with warnings hitting their highest level for seven years.
- FTSE Travel & Leisure companies issued their highest annual total of warnings since 2002, as weather, spending and regulatory headwinds hit the sector.
- Rising uncertainty continues to affect business-to-business spending. Almost a third of profit warnings cited contract issues in Q4 2018 — the highest for ten years.
- FTSE Technology & Hardware saw the highest number of contract-related profit warnings in Q4 2018. Sector warnings hit a six-year high amidst signs of a global slowdown.
- The heightened sense of uncertainty is reflected in a record 22.6% average drop in share price on the day of warning in Q4 2018.

"This is the highest proportion of 'new' companies warning in over eight years."

Profit warnings by sector, Q4 2018



Uncertainty squared

We go to press with the UK still in Brexit-limbo. The EU Withdrawal Agreement has been rejected by Parliament, but there is no consensus around what comes next. At such a moment, it's impossible to make firm predictions. But, what we can say with firm conviction, is that economic and political uncertainty will persist in 2019. No Brexit scenario entirely removes it and uncertainty isn't the preserve of Brexit. From the path of US interest rates, to US-China trade relations, the year ahead is fraught with unpredictable elements. Beyond this, many companies are contending with seismic change that's reshaping their sector, whatever the macro backdrop.

Therefore, our focus here is on the impact of uncertainty, how and where it might lift and how companies should react.

Domestic uncertainties

A Brexit impasse now looks set to dominate the first quarter of 2019. Extended 'no-deal' worries could boost inventories, but with any positive economic impact more than outweighed by delayed spending and decision making. If a way forward is agreed before 29 March, the initial relief may boost confidence and sterling, but uncertainty will linger until there is firm progress made on future financial, trade, labour and capital relationships.

The spread of this uncertainty from businesses to consumers is a growing concern. Business confidence has been low for some time, but business investment accounts for 10% of UK GDP. Consumption that's driven UK growth since the EU Referendum and this should be fuelling the recovery in 2019, as real incomes finally start to rise. Yet, consumer confidence is falling and Christmas retail sales hit their lowest level in a decade.

Falling consumer confidence is largely driven by macro-uncertainties. The flipside to this is the potential boost the UK economy would receive from stability and UK consumers' increased confidence in their personal finances. Although, this should be caveated by household's weakened balance sheets, the length of time it may take for Brexit uncertainty to dissipate and volatile elements beyond Brexit.

Global uncertainties

Brexit isn't 2019's only unpredictable variable. The World Bank recently cut its 2019 global economic growth forecast to 2.9% from a downwardly revised 3% in 2018, citing "rising downside risks to the outlook". US, China and the Eurozone are all expected to slow in 2019. The forecast also has considerable downside risks, including a "sharper tightening of borrowing costs" and "intensifying trade tensions" which could "disrupt globally interconnected value chains".

There are reasons for optimism. On-going US-China trade negotiations offer hope. US growth should ease only gradually, with fiscal stimulus still in effect. Chinese policy measures should help prevent a sharp slowdown. An end to Brexit uncertainty would help boost growth across Europe. Low oil prices should help to dampen inflation.

But, there is risk in each of these elements. Protectionism is increasing worldwide and US-China relations remain strained. Even a mild slowdown in Chinese growth is having a detrimental impact on sectors like automotive and technology, whilst emerging markets are also under pressure from capital outflows triggered by rising US interest rates. A prolonged government shutdown will hit US growth. Oil prices remain vulnerable to escalating geopolitical tensions. German economic growth has cooled to its lowest in five years and Italian-EU relations remain strained.

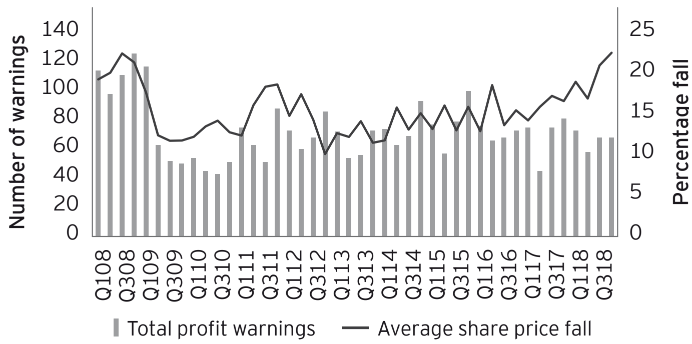
Market uncertainties

A higher level of government policy and economic uncertainty naturally feeds into monetary policy. The Federal Reserve's previously implied increases of two quarter-points in 2019 are now in doubt. If interest rates increase at a slower pace, this may provide an initial boost, but it also sends a worrying signal to already febrile markets.

Liquidity, economic growth and political stability have underpinned a long equity market bull-run, which now seems to be reaching its peak. A crash isn't necessarily imminent. Interest rates are still at record lows and it would take a considerable trigger to create widespread recession. But, as we've seen, downside risks are increasing and changing market mindsets. Investors facing the unknown clearly want to be backing the fittest companies as the record high in average share price fall on the day of profit warning shows.

Investors move to safety

% average share price fall on day of warning vs total profit warnings



Strong companies in resilient sectors can still raise capital relatively easily. But, weaker, high-yield credits — especially those in areas like retail and construction — are struggling. Concern is growing in high-yield debt, with the LBO market above pre-crisis volume and covenant-lite deals becoming the norm. A fifth of UK corporate debt outstanding is in leverage loans and high-yield bonds, according to the Bank of England.

Economic and sector overview (continued)

When uncertainties have uncertainties

The first quarter at least could be exceptionally bumpy in UK markets. When, how and indeed if the UK exits the EU remains unknown. Resolving this first set of uncertainties still leaves a further round in relation to the UK's future relationships with the rest of the world. Beyond that, we have unpredictable global elements and sector revolutions in progress. It's interesting to note that the sharp rise in FTSE Travel & Leisure profit warnings in 2018 coincides with the sector rising in our *EY Disruption Index™* (www.ey.com/disruptionindex).

In the face of such unpredictability, companies need to find the balance between being prepared and battening down the hatches. Management teams need to take a 'no regrets' approach to Brexit, with contingency plans that address their biggest pinch

Why did profit warnings rise in 2018?

In 2018, 16.8% – or around one in six – UK listed companies issued profit warnings. This is the the second highest level since 2008, when 17.7% of companies warned.

One of the reasons why the percentage of companies warning in 2018 is so high is an increase in the number of 'new' companies warning. By 'new' we mean companies issuing profit warnings for the first time in 12 months, as 74% of companies did in Q4 2018 – significantly more than 52% in Q1 2018.

Why are more 'new' companies warning and why does this matter?

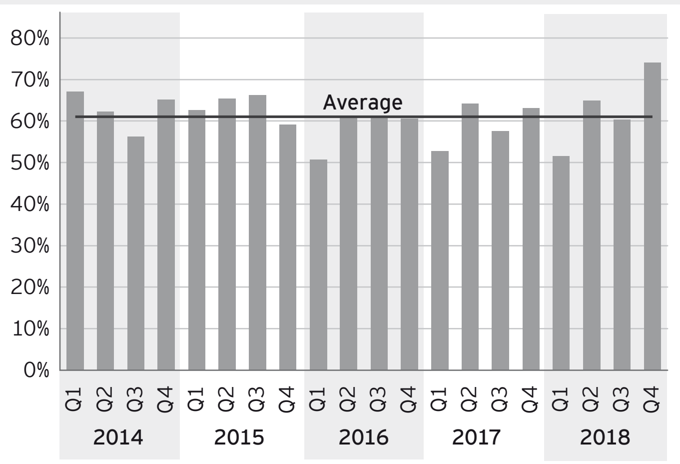
New warnings, new trends...

Multiple profit warnings, often issued by companies on the wrong side of structural trends or onerous contracts, were a significant driver of profit warnings in 2017 and early 2018. In Q1 2018, four companies warned for the fourth time in 12 months, 14 companies warned for the third time. A number of these companies have since restructured and investors' expectations have adjusted, but the number of profit warnings still rose at the end of 2018.

This is because we've seen more companies warning and – crucially – an increase in 'new' companies warning. Companies are still being caught out by the pace of change or contract issues. But, many of these 'new' warnings are linked to new or deepening trends. In particular, our data shows a rise in profit warnings linked to the impact of rising uncertainty on confidence and demand in both business and consumer sectors.

'New' profit warners by quarter

% of companies warning who hadn't warned in the last year



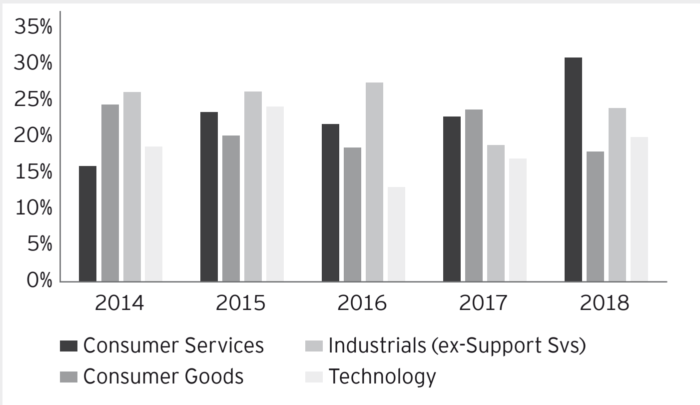
Sliding confidence

FTSE General Retailers and Travel & Leisure sectors were already issuing exceptionally high levels of profit warnings due to changing consumer behaviour and pressure on disposable incomes. Nevertheless, these two sectors also saw the highest level of 'new' profit warnings in Q4 2018, as consumer confidence – which had been relatively robust – fell, delaying spending in high ticket areas and beyond. Profit warnings spread as previously resilient areas began to miss expectations in this tougher environment. In 2018, 50% of General Retailer profit warnings cited weaker consumer confidence, up from 25% in 2017.

Meanwhile, as we noted last quarter, uncertainty is continuing to increase profit warnings in industrial sectors. In Q4 2018, 31% of profit warnings cited contract disruption or cancellation, the highest level in eight years. The FTSE Technology & Hardware sector issued the highest number of contract-related profit warnings in Q4 2018, when its warnings hit a decade high. All but one of the companies warning hadn't warned before in the last 12 months. Healthcare profit warnings also rose on contract delays.

Consumer Services sectors dominate

% of selected FTSE super-sector warning



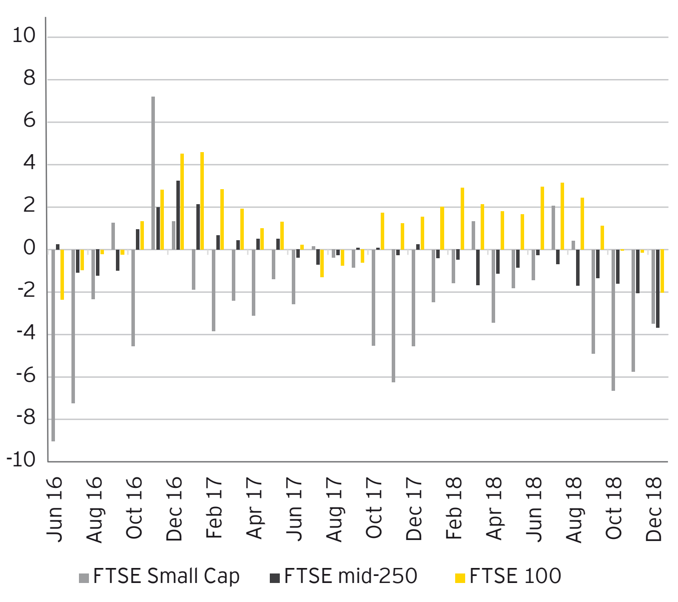
What this means for 2019 and beyond

Uncertainty isn't the only reason why profit warnings spread in 2018. The weather continued to confound normal seasonal patterns, hitting retail and travel sectors. Regulatory issues came increasingly to the fore, such as the changes to gaming regulation. China's slowdown also hit technology sales. The automotive points and create flexible operating and cost structures to ride out any storm – and benefit from any upturn. Companies need to be confident that they have enough available capital to fund additional inventory and warehousing during any Brexit disruption – and to be sure that their supply chain is prepared too. But, it's impossible for businesses to avoid taking risks – however risky the world seems. The pace of change means that companies risk being left behind if they go into their shell.

sector found itself caught in the cross-hairs of many of these pressures. But, economic and political unpredictability certainly compounded these issues and won't abate in 2019.

Earnings expectations reset

3m % change in 12m forward earnings expectations



What happens next depends on how much more unpredictable 2019 becomes. Markets adjust quickly to new realities and recent falls in consensus expectations suggest UK plc has a difficult 2019 factored into its forecasts. The fall in expectations for the more domestically-exposed FTSE Small-Cap has now spread to the FTSE 350, as global concerns grow. UK profit warnings may only move higher if we see a significant shock.

But that's not the end of the story. Long periods of uncertainty and low expectations have their own dangers, if they serve to limit investment and discourage risk taking. In this fast-moving world, companies need to keep moving forward or risk finding themselves on the wrong side of sector trends, potentially triggering a new cycle of profit warnings in years to come.

You can explore our profit warning data further using the **EY Profit Warning Console:**

www.ey.com/warnings

Warnings as a percentage of FTSE sector, Q4 2018

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Gas, Water & Multi-utilities	3	8	38%
Technology Hardware & Equipment	6	17	35%
General Industrials	2	11	27%
Personal Goods	2	12	25%
Nonlife Insurance	2	9	22%
Oil Equipment & Services	2	11	18%
Travel & Leisure	12	71	17%
Industrial Transportation	3	18	17%
Health Care Equipment & Services	6	41	15%
Food & Drug Retailers	1	7	14%
Fixed Line Telecommunications	1	7	14%
General Retailers	8	58	14%
Household Goods & Home construction	4	31	13%
Electronic & Electrical Equipment	4	35	11%
Electricity	1	10	10%
Media	6	63	10%
Banks	1	11	9%
Software & Computer Services	7	113	6%
Construction & Materials	2	35	6%
Chemicals	1	20	5%
Support Services	6	123	5%
Industrial Engineering	1	30	3%
Pharmaceuticals & Biotechnology	2	64	3%
Real Estate Investment & Services	1	51	2%
Mining	1	86	1%
Financial Services	1	131	1%
Total number of companies warning	**86**		

Focus on sectors

FTSE General Retailers

FTSE General Retailers issued 36 profit warnings in 2018, the highest annual total since 2011 and 50% more than 2007. During 2018, 38% of the sector issued profit warnings, the highest proportion of the sector warning since 2008.

To understand what happened in 2018, we need to start at the end and with the all-important Christmas period.

How tough was Christmas?

As we go to press in mid-January, a mixed, but largely downbeat view of Christmas is emerging. The latest BRC survey shows food sales growing by 1.8% in the final three months of 2018, but non-food sales falling by 1.4%, creating flat growth overall and the worst December performance since 2008. Barclaycard's broader measure of consumer spending presents a slightly more positive picture, but with the same pattern. Much of the 1.8% sales increase it records comes in pubs (+12.9%) and restaurants (+9%), with sales falling in clothing (-3%) and in department stores (-6.3%).

There is nuance in this picture, as the latest trading statements show. Discounters and premium brands performed best across all categories. Many non-food retailers beat sales expectations, even in tough categories like apparel. Online sales obviously did well overall, but online retailers weren't immune to the overall slowdown if they didn't get their offering right.

But generally, the performance of food over non-food and online over in-store holds, with strain spreading across the sector as our profit warning data shows. Around two in five FTSE General Retailers issued profit warnings in 2018, with a high number of companies warning for the first time in 2018 during the final quarter. The disposable income and structural pressures that shaped 2018 continued. But a dip in previously resilient consumer confidence to its lowest level in five years in December, raised the stakes, depressing sales beyond high-ticket into previously robust areas.

What price (even) these volumes?

This picture of a tough, but not disastrous Christmas comes with the important caveat that the sales data we receive in January is only part of the story. It's never just about the total amount consumers buy, but where they spend it and the price paid by retailers to acquire it.

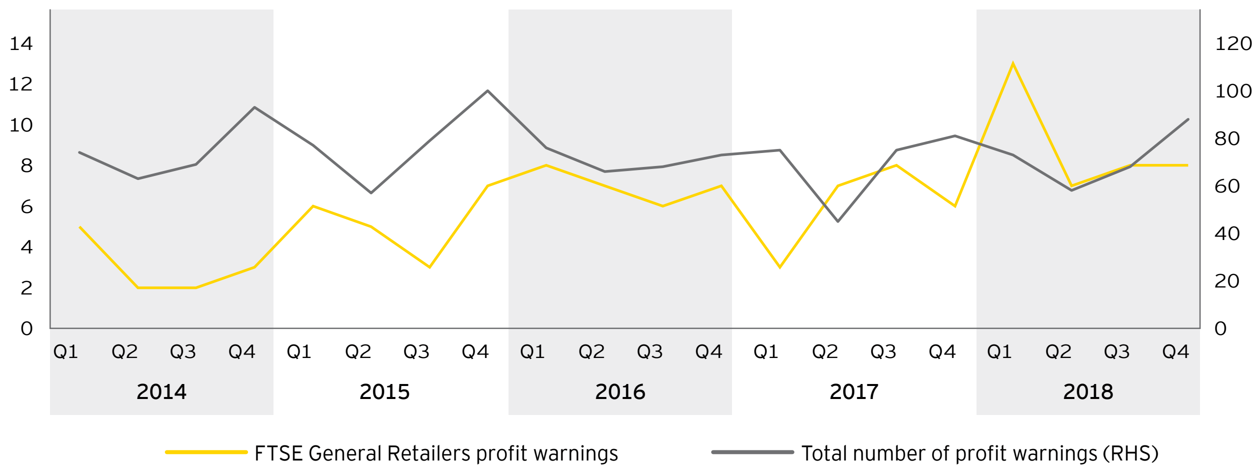
Profit warnings at the end of last year and the start of this indicate that many retailers paid a high price. There is a strong divergence in profit performance between those who could hold their nerve and those that were forced to go on sale early. Many apparel retailers carrying a high inventory of warm clothing were forced to offer significant discounts as winter failed to materialise. Half of the eight sector warnings issued in Q4 2018 came from the Apparel sub-sector, which doubled its annual total of warnings to ten in 2018 as a whole.

As retailers' costs rise, these pricing pressures continue to take their toll. In 2018, 44% of FTSE General Retailers' profit warnings cited either rising overheads or pricing pressures – up from 29% in 2017 and 14% in 2016. Meanwhile, 17% of profit warnings include the increasing cost of investment in stores and technology. If we add this relentless margin squeeze to the continuous need for reinvention and falling consumer confidence, we begin to understand why 2018 was exceptionally tough. Sales have fallen further in previous years, but retailers have never had to contend with a revolution in spending patterns on the scale of 2018.

Cash-strapped 2019?

Much of the distress we've seen in the last year ultimately stems from retailers' struggles to flex their operation models to short-term challenges, whilst also adapting to more fundamental and seismic changes in consumer behaviour and expectations. UK consumers are amongst the most online-savvy in the world, spending one in every five pounds online – and rising. How well and quickly retailers can cope with volatility and tap into new trends is a big indicator of their success. The problem for many

FTSE General Retailers profit warnings



retailers is that they're caught in a spiral of rising costs and increasing discounts — and the external challenges keep coming.

What happens next in 2019 could come down to Brexit and cash. One of the main positive notes we can strike for 2019 is that consumers should feel a little less cash-strapped. Falling inflation, low unemployment and rising wages should see real disposable income rise. But, this rise is likely to be marginal at first and vulnerable to further Brexit uncertainties and further falls in sterling. A benign Brexit scenario could lower inflation and boost confidence across the economy, but with the caveat that consumers still have high levels of borrowings and low savings.

Meanwhile, many retailers are also in weakened cash positions going into 2019. A boost to consumer confidence and spending would provide welcome relief. A hit to cash flows from the need to build inventory or from higher tariffs; border delays; and a falling pound would trigger further stress. But again, given the on-going seismic shifts in the sector, whatever the outlook, there will be further need for store rationalisation and restructuring.

Who wins?

We've learnt in the last ten years that no retailer is invincible. Consumers may be sentimental in principle, but not in practice. To survive, retailers need a strong understanding of their customer, their unique selling point and how this fits into consumers' changing lives.

Department stores' previous USP — the convenience of multiple brands under one roof — has been supplanted by the smartphone and ability to shop from multiple brands any place, any time. Stores need to offer something more, by creating an experience that consumers can't get online. But, online retailing itself is no-longer a differentiator. The focus has shifted to experience and delivery. Online searching has moved on from word-based, to visual searching based on clicking on style, colours and textures. Rather than one size-fits all web pages and services, customers expect curated and tailored experiences with brands that fit with their personal values.

This isn't the death of retail, but we are seeing its reinvention.

What next for shops?

If 2018 was the year of the CVA, what will 2019 bring? Retail has been through periods of radical change before, but none which have brought into question the future of shops themselves.

The advent of the supermarket, the emergence of the shopping centre, the growth of out-of-town retail parks and supermarkets' move into non-food areas all reshaped the sector and its real estate needs. Where this online revolution differs, is the direction of resources away from physical retail space and the sheer pace of change, which is well beyond what we've seen before.

Data from AlixPartners shows that British retailers closed almost 6,000 stores in 2018 — the largest number since 2010. Unlike 2010, the closures were driven primarily by structural change, rather than economic pressure. In 2008 internet sales accounted for around 5% of retail sales. By 2018, this figure was 18%, with over 80% of UK residents making at least one online purchase during the year.

Modest leverage and low interest rates have limited landlord distress thus far. Prime locations still have a high level of occupancy, due to their ability to attract new tenants and new types of tenants — such as car retailers. But, even in prime locations, there is growing pressure from retailers who haven't been through CVAs to mirror the terms of those who have, by cutting rents and introducing more flexible operational models.

There is no easy way forward. To survive, shopping centres need to tap into the significant trends of 'experience' or 'convenience'. Major shopping centres have focused on 'experience'. But, the consumer spending squeeze has also hit the oversupplied casual dining market. Department stores, the traditional anchor tenants, are also closing stores, leaving significant gaps. We're increasingly seeing the hollowing out of secondary and tertiary high streets, who've been especially hard hit by store closures.

The fundamental issue for many landlords is a lack of deliverable options. Sites, especially outside prime areas, need a radical approach. Aviva Investors estimates that 170,000 new homes could be built on the 24 million square feet of land currently occupied by retail parks and identified as suitable for mixed-use developments. Returning some retail space to housing can also help with regeneration.

The Catch-22 is that many secondary and tertiary retail property valuations remain too high to make alternative uses or occupational models viable. An exceptionally low level of transactions in the sector has also limited the number of comparative valuations in the market.

But, something has to give. There is only one direction of travel and retail landlords need to plan for a future with fewer shops. Modest leverage and low interest rates have limited distress thus far. Nevertheless, there is a growing disparity between the values of privately held assets and the implied asset valuations of quoted companies, which cannot continue, even if some areas of the market look oversold.

If further large-scale CVAs and restructurings emerge, it will eventually force more retail landlords, or their lenders, to take more drastic action. As such, for many retail landlords 2019 will be no less challenging than 2018. For those that can adapt to change and are well capitalised, the market may offer some excellent acquisition opportunities.

Focus on sectors (continued)

FTSE Automobiles & Parts

The FTSE Automobiles & Parts is a small sector, with just a handful of UK quoted companies. Nevertheless, the automotive sector is a vital part of the UK economy and one that finds itself in the cross-hairs of a potent mix of environmental, economic, trade and disruptive forces.

Changing models

The global automotive industry is currently contending with a sharp decline in diesel's popularity due to more stringent emission targets, consumers' increasing environmental concerns and negative publicity following 'dieselgate'. In addition, the supply chain has been affected by the introduction of the "Worldwide harmonised Light Vehicles Test Procedure" (WLTP), required for any new car to be sold after 1 September 2018. A shortage of testing facilities created a significant supply bottleneck and triggered multiple international profit warnings ranging from parts suppliers, through OEMs to dealerships.

Looking longer-term, diesel remains the focus of current environmental concerns, but for governments to meet their clean-air targets, cars cannot be manufactured in their current numbers or in their current form for much longer. The UK looks set to phase out internal combustion engines by 2040. The change may come sooner — or existing car ownership models may even have broken down by this date. Car-sharing and ride-hailing is still at low levels and self-driving is still in its problematic infancy. But we've seen elsewhere how quickly consumers can change their behaviour once technology and economics create accessible and attractive options.

Brexit breakdown… consumer slowdown

Meanwhile, a more immediate threat to the sector comes from higher trade barriers. Automotive supply chains are amongst the leanest and most finely tuned in the world, with components often crossing borders multiple times during production and a high proportion of finished products destined for overseas markets. UK-based manufacturers have made it clear that, given the extent of EU-UK cross-border activity, processes would be seriously impaired by any additional border friction. UK car exports remain at a historically high level, with 8 out of 10 cars currently exported.

There are also risks to demand. The sales of new cars in the UK last year fell at their sharpest annual rate since the financial crisis, in part due to falling consumer confidence, but also due to the decline of diesel and impact of WLTP. Crucially, vehicle sales in China also fell for the first time since 1990 last year, as the end of government tax breaks and economic slowdown reduced demand in the world's biggest car market.

Crossroads

It's difficult to say what the UK sector will look like in three months' time, let alone three years or beyond. But, in terms of where pressures will hit, three areas stand out.

- **Car dealerships:** Most of the commentary around diesel and Brexit has focused on OEMs; but dealerships also face immediate and fundamental challenges as demand falls. Falling residual values of diesel vehicles could prove especially problematic if prices drop below the 'balloon' payment levels at the end of PCP credit arrangements. In the event of a hard Brexit, a tighter squeeze on consumer spending could coincide with a 10% increase in the cost of importing EU-manufactured cars. Dealers will need to address their sales models, including the number, size and location of their sites to match changing consumer behaviour.
- **OEMs:** Diesel is in long-term decline and beyond 'clean' options the future is in electric or alternative-fuel vehicles. More immediately, Brexit could fundamentally reshape car manufacturing in the UK. A number of UK manufacturers have put plans in place for short-term and longer-term closures in response to slower diesel sales and the potential impact of a 'hard' Brexit.
- **Component suppliers:** UK-based suppliers could benefit from greater near-sourcing post-Brexit — but only if UK car manufacturing remains tenable. OEMs will expect suppliers to shoulder some of the burden of rising costs. A falling pound could boost exports. Although, component manufactures are also exposed to increases in import costs and increased waiting times at the border, putting pressure on working capital. Component manufacturers also need to adapt to the changing nature of cars, from the 'death of diesel' to the increase in digital components and self-driving elements.

Q4 2018 — 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
Banks	Over £1bn						1		1
Chemicals	under £200m			1					1
Construction & Materials	£201m-£1bn		1						1
	Over £1bn	1							1
Electricity	Over £1bn							1	1
Electronic & Electrical Equipment	under £200m		3				1		4
Financial Services	Over £1bn	1							1
Fixed Line Telecommunications	£201m-£1bn						1		1
Food & Drug Retailers	Over £1bn				1				1
Gas, Water & Multiutilities	under £200m		2						2
	Over £1bn				1				1
General Industrials	under £200m	1			1				2
	£201m-£1bn							1	1
General Retailers	under £200m					2	1	1	4
	£201m-£1bn				1	1			2
	Over £1bn	1	1						2
Health Care Equipment & Services	under £200m	2	1						3
	£201m-£1bn				1				1
	Over £1bn	1			1				2
Household Goods & Home Construction	under £200m	1			1				2
	£201m-£1bn		1						1
	Over £1bn				1				1
Industrial Engineering	Over £1bn							1	1
Industrial Transportation	under £200m	1							1
	£201m-£1bn				1				1
	Over £1bn	1							1
Media	under £200m	3			1	1			5
	Over £1bn					1			1
Mining	under £200m					1			1
Nonlife Insurance	£201m-£1bn				1				1
	Over £1bn	1							1
Oil Equipment & Services	under £200m	1					1		2
Personal Goods	under £200m				1				1
	£201m-£1bn		2						2
Pharmaceuticals & Biotechnology	under £200m	1				1			2
Real Estate Investment & Services	under £200m					1			1
Software & Computer Services	under £200m	4	1				1		6
	£201m-£1bn				1				1
Support services	under £200m	3							3
	£201m-£1bn				1		1		2
	Over £1bn		1						1
Technology Hardware & Equipment	under £200m		3			1	2		6
Travel & Leisure	under £200m	2	1	1	1				5
	£201m-£1bn			1		1			2
	Over £1bn	2			1	1	1		5
Grand total		**27**	**17**	**3**	**16**	**11**	**10**	**4**	**88**

Number and percentage of warning companies by turnover and region, 2012–Q4 2018

Number and percentage of warning companies by turnover, 2012–Q4 2018

	Turnover band							
	Under £200mn		£201mn–£1bn		Over £1bn		Total	
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	100%
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%
2017								
Q1	40	53%	14	19%	21	28%	75	100%
Q2	29	64%	9	20%	7	16%	45	100%
Q3	43	57%	19	25%	13	17%	75	100%
Q4	53	65%	14	17%	14	17%	81	100%
2018								
Q1	41	56%	19	26%	13	18%	73	100%
Q2	31	53%	17	29%	10	17%	58	100%
Q3	46	68%	13	19%	9	13%	68	100%
Q4	51	58%	16	18%	13	18%	88	100%
4-year average	42	58%	17	24%	13	18%	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, 2012–Q4 2018

	Region															
	London		Midlands/ East Anglia		North West		Scotland and NI		South East		South West/ Wales		Yorkshire/ North East		Total	
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%
2017																
Q1	23	31%	12	16%	11	15%	5	7%	13	17%	9	12%	2	3%	75	100%
Q2	12	27%	1	2%	10	22%	2	4%	8	18%	7	16%	5	11%	45	100%
Q3	27	36%	9	12%	4	5%	3	4%	16	21%	2	3%	14	19%	75	100%
Q4	28	35%	12	15%	9	11%	3	4%	17	21%	5	6%	7	9%	81	100%
2018																
Q1	17	23%	9	12%	12	16%	2	3%	19	26%	4	5%	10	14%	73	100%
Q2	18	31%	6	10%	4	7%	3	5%	12	21%	6	10%	9	16%	58	100%
Q3	20	29%	8	12%	10	15%	6	9%	12	18%	4	6%	8	12%	68	100%
Q4	27	31%	17	19%	3	3%	4	5%	16	18%	11	13%	10	11%	88	100%
4-year average	24	33%	9	13%	7	10%	4	6%	15	21%	6	8%	7	10%	72	100%

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