

It's a risky world of trade
so dont go it alone!

Mike Buggy – Risk Underwriting

MARKETPLACE Training Session
4th February 2015

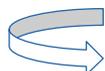


How do we assess trade credit risk?



What do we measure?

How do we measure it?

 *Payment disruptions by a company in a given country that are outside the control of companies*

COUNTRY RATING  **AA1** → **D4**

MEDIUM-TERM RATING



Economic risk

Political risk

Structural Business Environment



Macroeconomic imbalances: level of development, structure of output and trade, long-term growth
Political risk indicators: mechanisms for orderly transfers of power and succession process, concentration of power, effective policymaking, independence of institutions, social cohesion, international relations
Business climate indicators: regulatory and legal framework, control of corruption and the relative ease of doing business

SHORT-TERM RATING



Commercial risk

Financing risk



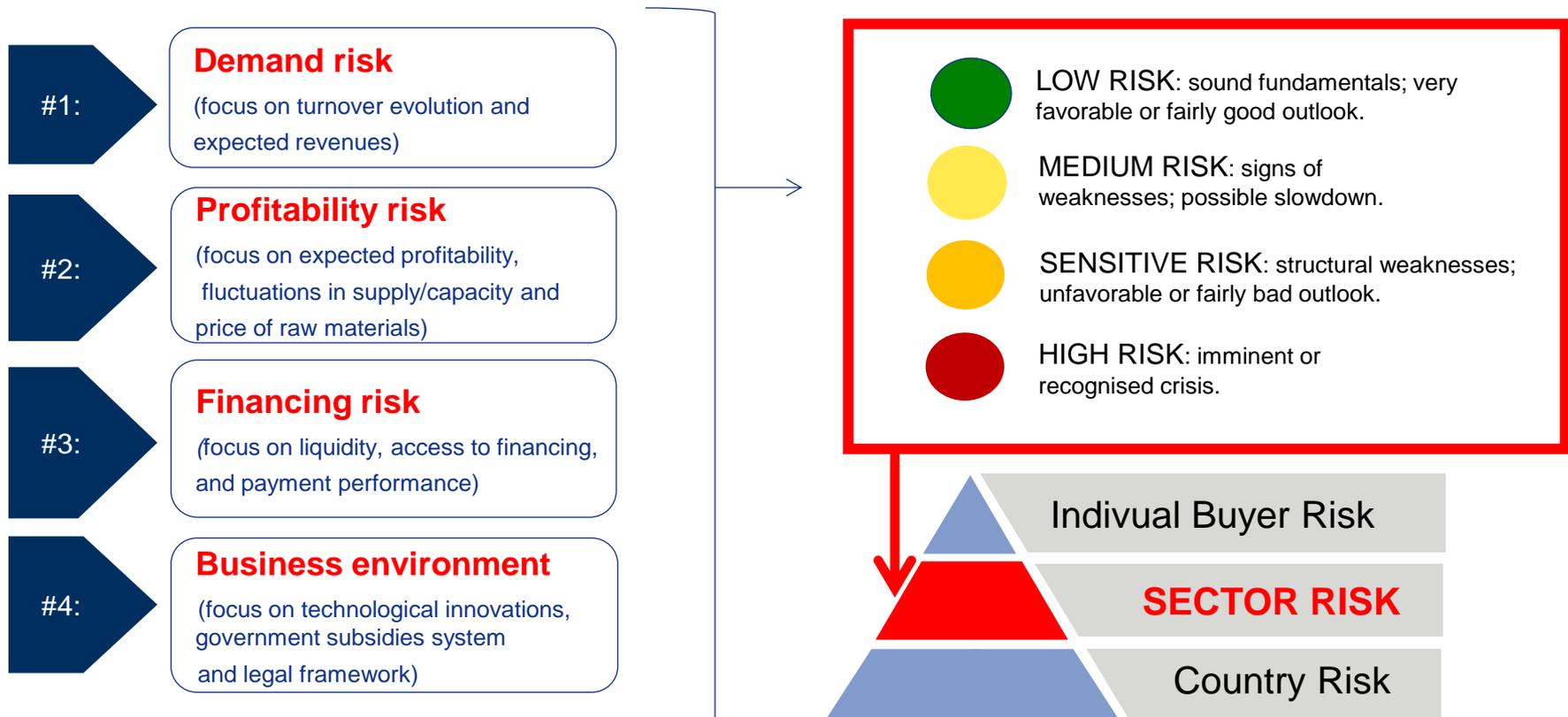
Business cycle:
 GDP + insolvencies + payments experience
Financial vulnerability:
 Sensitivity to swings in capital flows and political capacity to respond effectively

A clear definition of the Sector Risk (SR)

☞ One objective: to measure the risk of non-payment by a company in a given industry (an industry is a given sector in a given country)

An assessment based on the evaluation of 4 key components, updated quarterly...

...and dedicated to completing both the Country Risk (CR) and the Individual Buyer Risk (IBR)

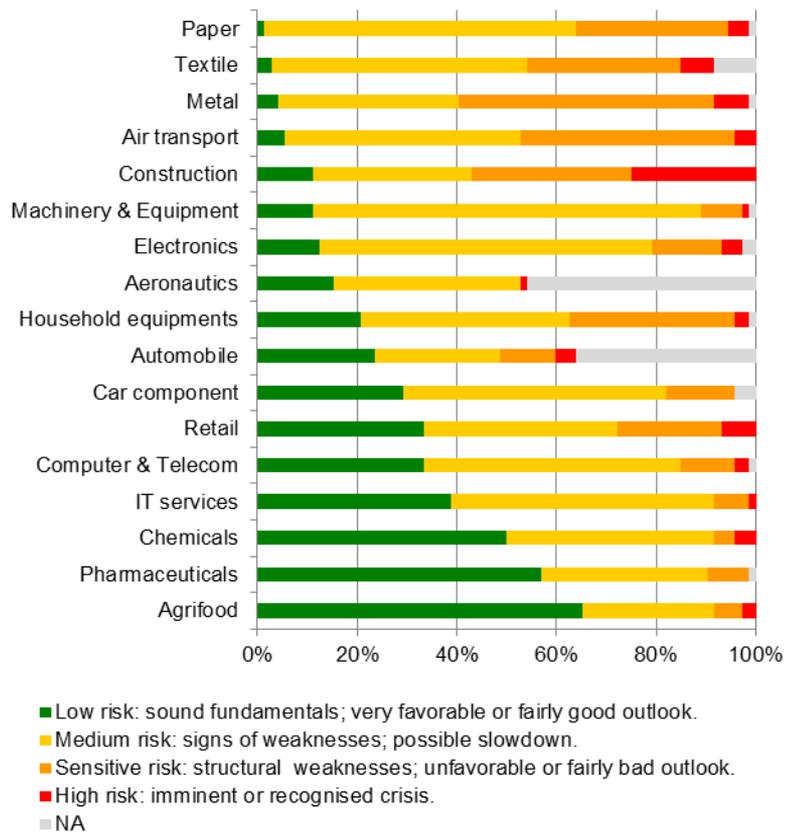


NB: Clearer terminology (sector vs. industry; improved vs. deteriorated; timeline)

Global sector risk breakdown is steady

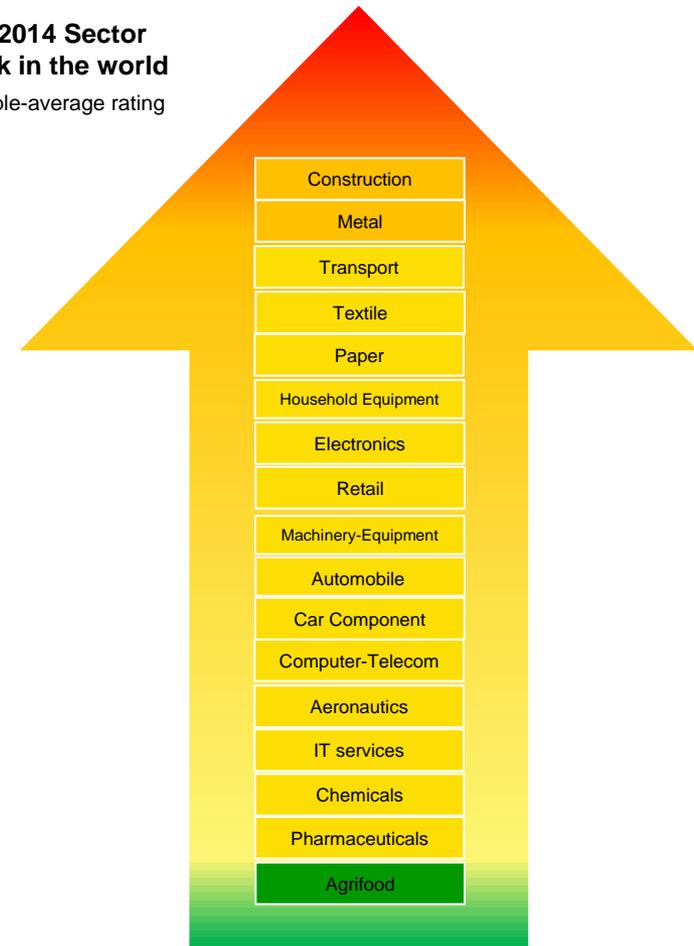
Agrifood remains the best rated sector

Number of countries by ratings of risk for each sector
(in % of the number of countries, Q4 2014 evaluation)



Source: Euler Hermes

Q4 2014 Sector Risk in the world
Simple-average rating



Source: Euler Hermes

Corporate Risk Assessment

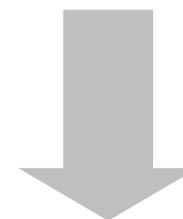
The EH Grading system

1	Exceptional	Virtually no risk of loss
2	Very strong	Minimal risk of loss
3	Strong	Low risk of loss
4	Good	Below average risk of loss
5	Average	Average risk of loss
6	Watch	Above average risk of loss
7	Weak	Increased risk of loss
8	Distressed	High risk of loss
9	Uninsurable	Very high risk of loss
10	Failures	

Good credit grading

of a company and/or sector

→ low default probability



Bad credit grading

of a company and/or sector

→ high default probability



MARKETPLACE INTERNATIONAL 2015

WORLD LEADERS. WORLD CLASS. WORLDWIDE.

Euler Hermes Country Risk Rating	Company Name	Euler Hermes Sector Risk Rating	Euler Hermes ID	Euler Hermes Credit insurance cover available - Y/N	Euler Hermes Company Risk Grade	Euler Hermes Credit Limit Indication by Value (Euro)	Euler Hermes Comments
France - AA1	Cie Import Produits Alimentaires T/A CIPAL	Agrifood	504104	Y		€ 300,000	
France - AA1	ITM Entreprises T/A Intermache	Agrifood	1240437	Y		€ 1,500,000	Please confirm principal to contract as numerous trading entities within the Intermache Group however cover is available.
France - AA1	Les Menus du Monde	Agrifood	25040984	Y		€ 100,000	
France - AA1	Creca Foods	Agrifood	23824554	Y		€ 25,000	
France - AA1	Freshpack	Agrifood	4778891	Y		€ 250,000	
France - AA1	Picnic Surgeles	Agrifood	358355	Y		€ 200,000	
Germany - AA1	FFG Food Germany GmbH	Agrifood	94833962	Y		€ 100,000	
Ireland - BB2	Asda Stores Limited (UK) part of Wal-Mart	Agrifood	456865	Y		€ 1,500,000	
Ireland - BB2	Pallas Foods Ltd.	Agrifood	20011049	Y		€ 1,500,000	
Ireland - BB2	Jed Ireland GmbH	Agrifood	16184232	Y		€ 1,000,000	
Ireland - BB2	Sainsbury's Supermarkets Limited	Agrifood	5341845	Y		€ 1,000,000	
Ireland - BB2	Allegro Limited	Agrifood	1389259	Y		€ 1,000,000	

1. Country Risk 2. Buyer Name 3. Sector Risk 4. Risk Grade 5. Limit Indication 6. Relevant Comments

Euler Hermes Country & Sector Risk Rating - Key

- Green - Low risk: sound fundamentals; very favorable or fairly good outlook.
- Yellow - Medium risk: signs of weaknesses; possible slowdown.
- Amber - Sensitive risk: structural weaknesses; unfavorable or fairly bad outlook.
- Red - High risk: imminent or recognised crisis.

Euler Hermes Company Risk Grade - Key

- Green - Go ; You may like to consider increased trading with these customers. Please apply for an increase in the credit limit as appropriate
- Amber - Watch; We closely monitor these customers for financial and other material changes
- Red - Warning: This indicates that your business may be at higher risk when trading with these customers.

Important: These are non binding limit indications as of 2nd February 2015 and may be subject to change should new information become available. Please note that ultimate responsibility for offering credit terms and decision to supply remains with suppliers.

Bad Debt and Insolvency Matters...

40%

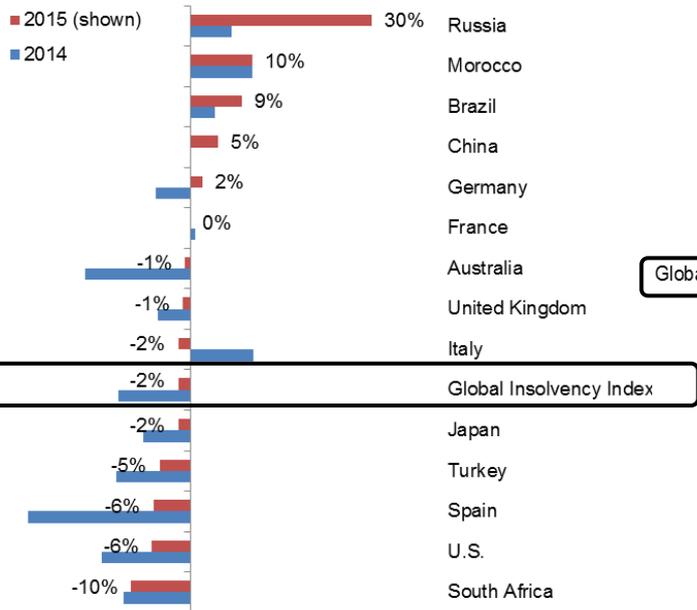
of a Company's assets are typically in the form of its outstanding sales ledger



Insolvencies could decrease by 2% worldwide but remain 10% above their pre-crisis levels

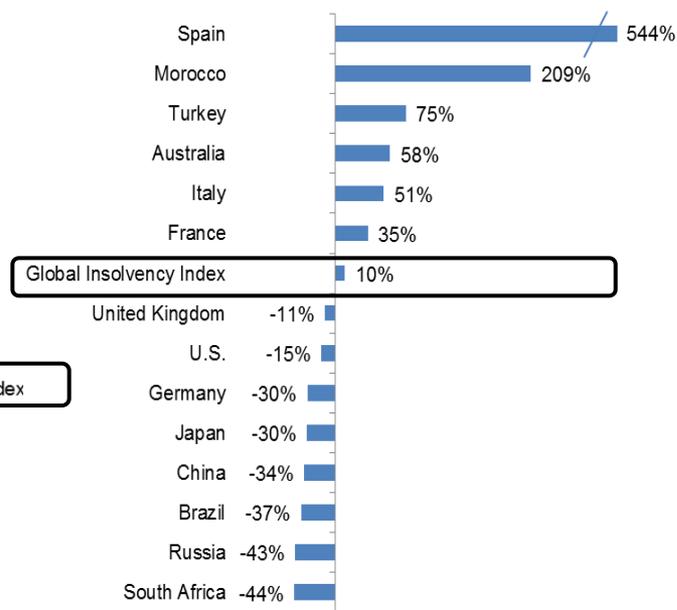
Global business insolvencies: -2% in 2015 but still 10% above pre-crisis levels.
DSOs increasingly used as a financing tool.

Business insolvencies, annual growth in 2014 and 2015



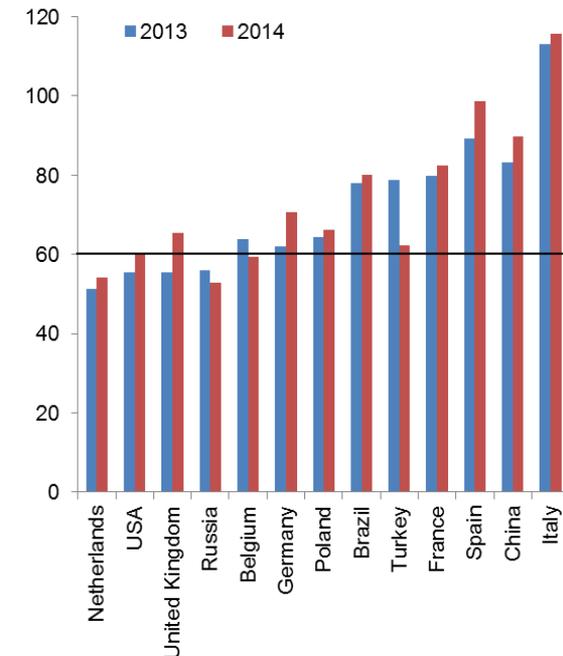
Source: Euler Hermes

Business insolvencies, 2015 vs 2003-2007 average



Source: Euler Hermes

Days Sales Outstanding

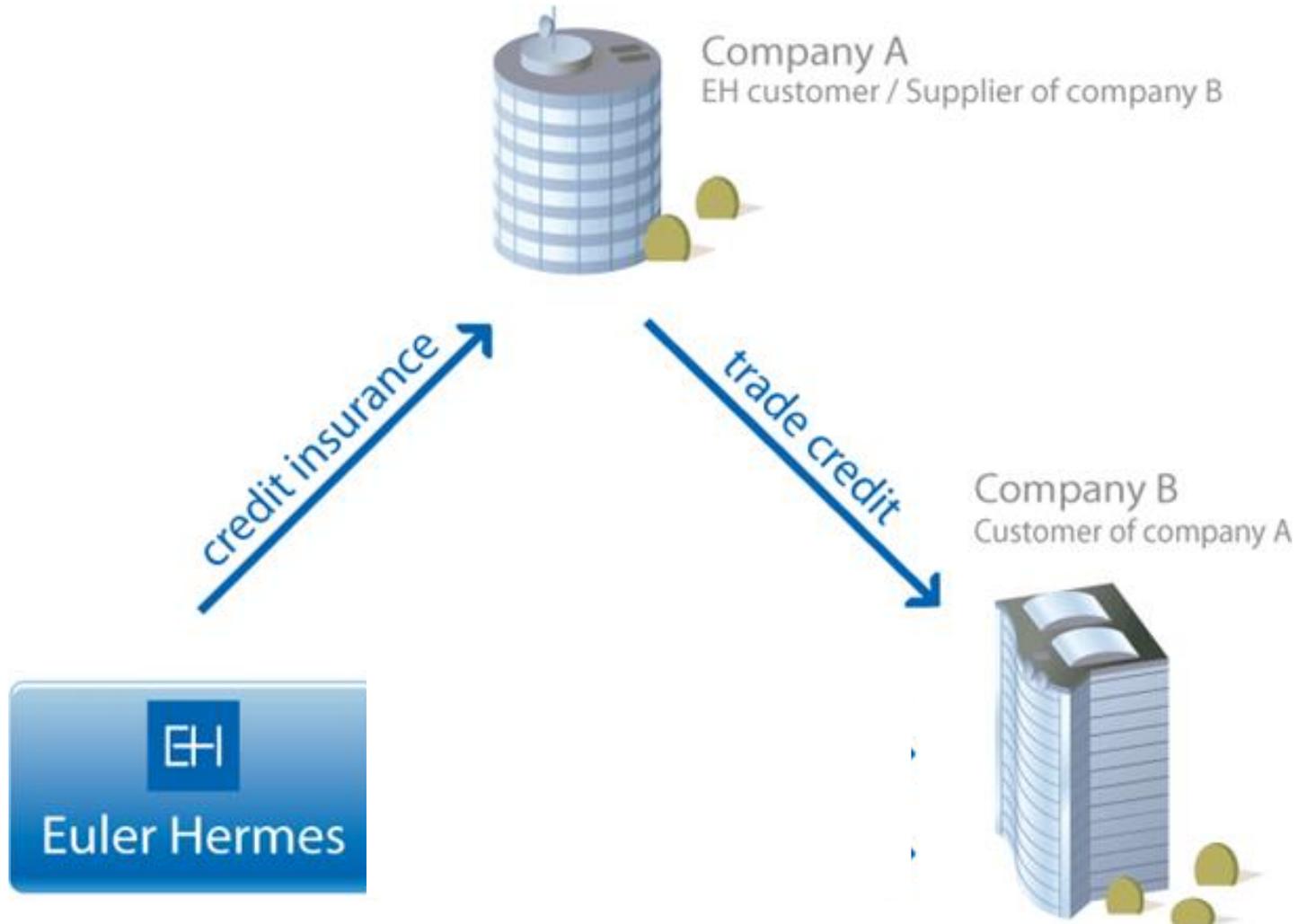


Sources: Bloomberg, Euler Hermes
Data takes into account listed companies only.

It's a risky world of trade.....

Don't go it alone.

Euler Hermes Secures Trade at Home and Abroad



Credit Insurance



Solutions for companies of all sizes

- **World Program**
 - Customized solutions for international groups
- **Excess of Loss (XoL)**
 - Customized policy for larger corporations with integrated credit
 - Management department; only large risks are underwritten
- **Policies for medium-sized to large companies**
 - Customized policies covering domestic and export business
- **Policies for SMEs**
 - A simple policy, easy to manage



Thank you for your attention

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Economic Outlook	Every month	Macro, sector, insolvencies, special report
WERO	Every week	Know what is happening worldwide with a short update
Country Report	Quarterly, 90+ a year	Operational and risk dimension
Economic Insight	20+ a year	Short analysis on specific topics
World Risk Map	Every Quarter	See country risks in seconds
Industry Reports	30+ a year	Produced by group economists or jointly with Euler Hermes local team, we are close to you

