

Credit – Where it's Due?

Research findings

Roland Berger
Strategy Consultants

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Notice

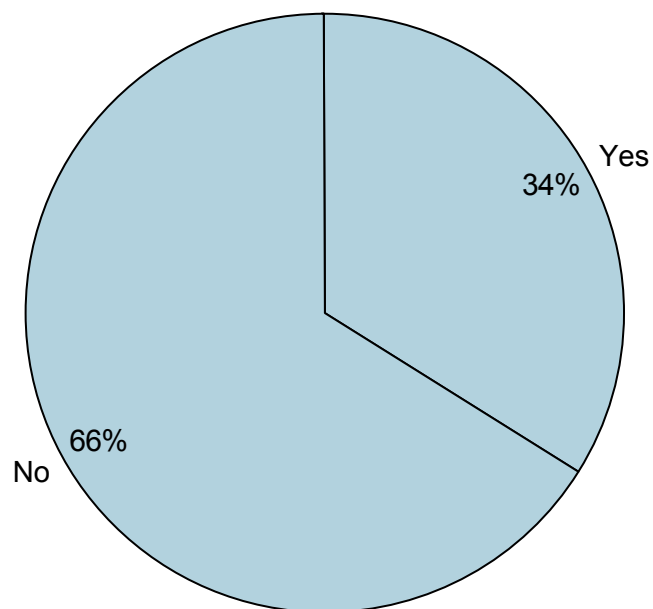
- This report has been produced by Roland Berger Strategy Consultants Limited ("Roland Berger") from interviews of finance managers at 137 of the UK top 1,000 companies by turnover. The survey was conducted in December 2008 and focused on 4 main sectors: Property and Construction, Consumer Goods and Retail, Manufacturing and non-bank financial services
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Executive summary

- 34% of large UK companies have seen their unused credit lines reduced over the last 12 months – on average by 33%
- Property & Construction companies have been most likely to have experienced a reduction in unused credit lines in the past 12 months with 44% affected
- The constraint on credit is expected to stiffen as only 52% of companies expect to renew their current credit lines in full in the next 12 months (37% believe it is uncertain, 11% believe they won't be able to). An indicative estimate of the expected credit line reduction for those unable to renew was put at 34%
- Only 26% of respondents have planned to put in place both operational and structural measures to limit short term financing requirements
- Companies have witnessed an increased cost of short term financing: currently 81 bps since June 08 – Manufacturers have been hardest hit with an increase of 122 bps
- On average the sampled companies expect the current difficult situation to last another 19 months, but believe their businesses can only last another 17 months without sustaining material damage

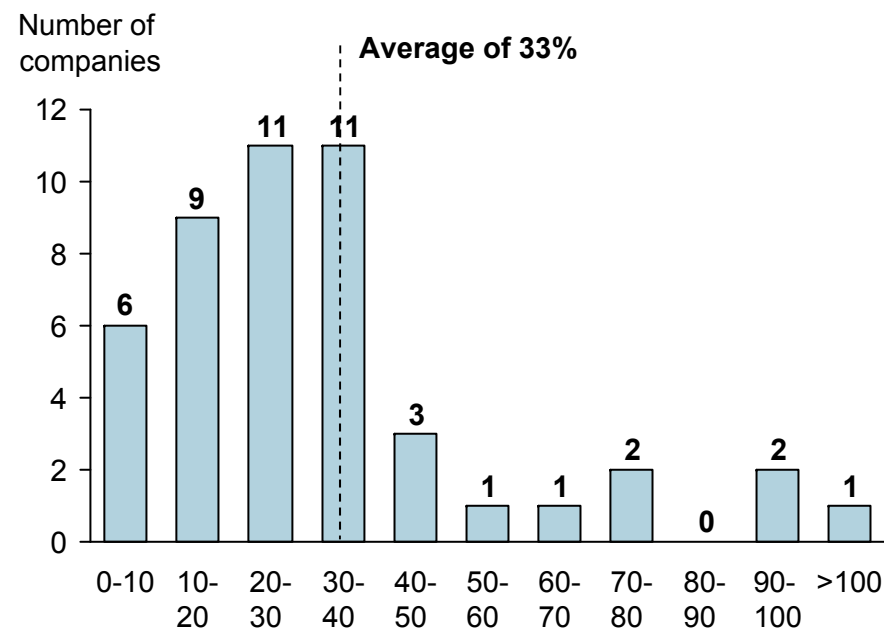
Over 34% of surveyed companies have seen a reduction in unused credit lines over the last 12 months, on average by 33%

Have your banks decreased your unused credit lines in the last 12 months?



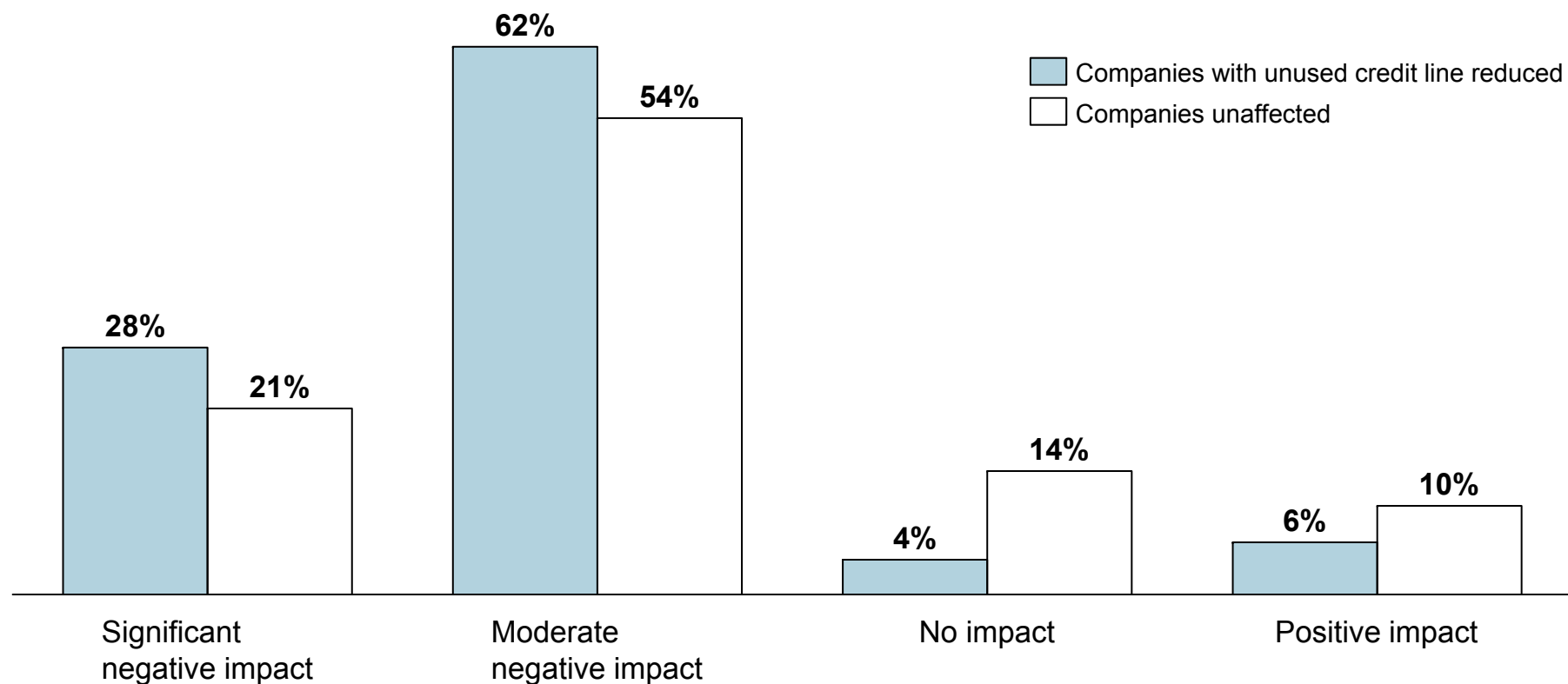
Proportion of unused credit lines cut over the last 6 months [%]

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Companies that have had their unused credit lines reduced have also felt more impacted by the recession

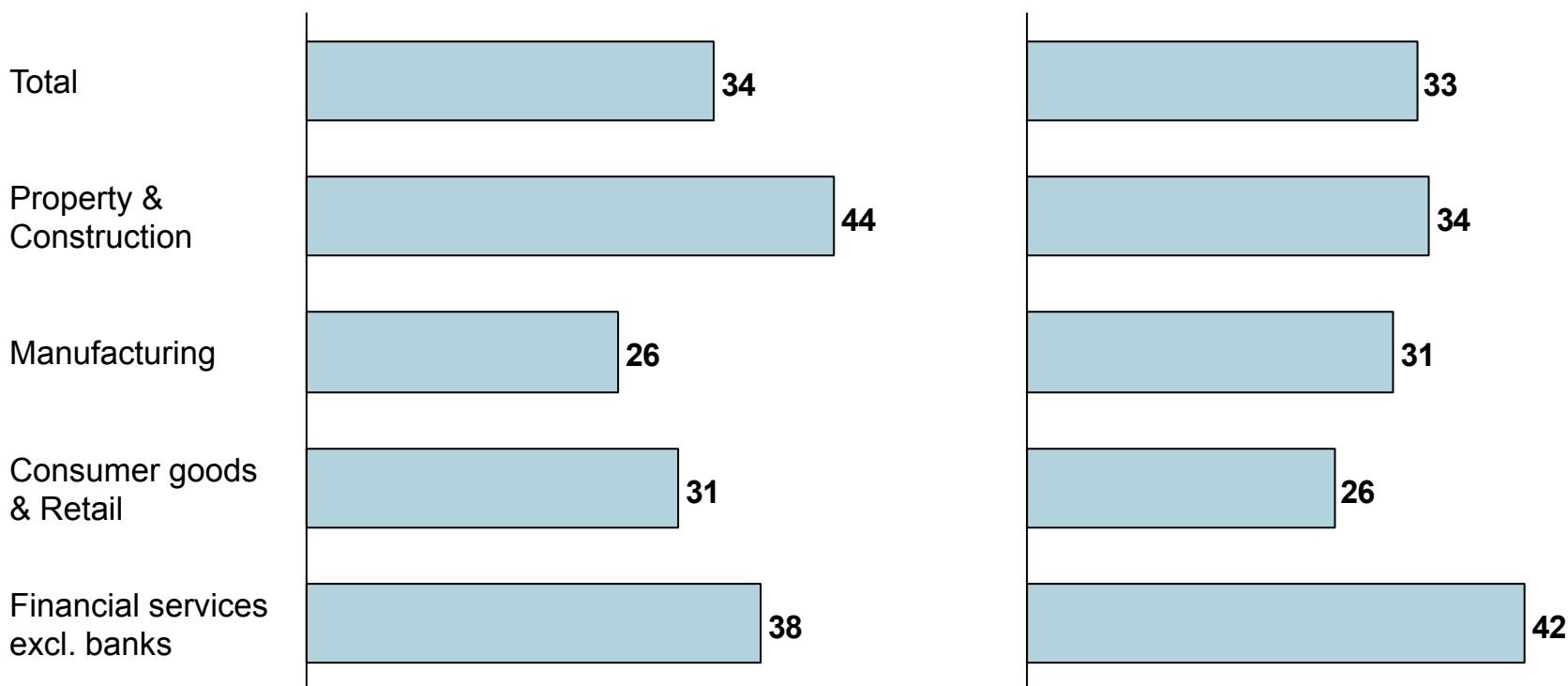
Impact of recession [% of companies]



Property & Construction companies have been most likely to have seen a reduction in their unused credit lines

Companies that have had their unused credit lines reduced in the last 12 months [%]

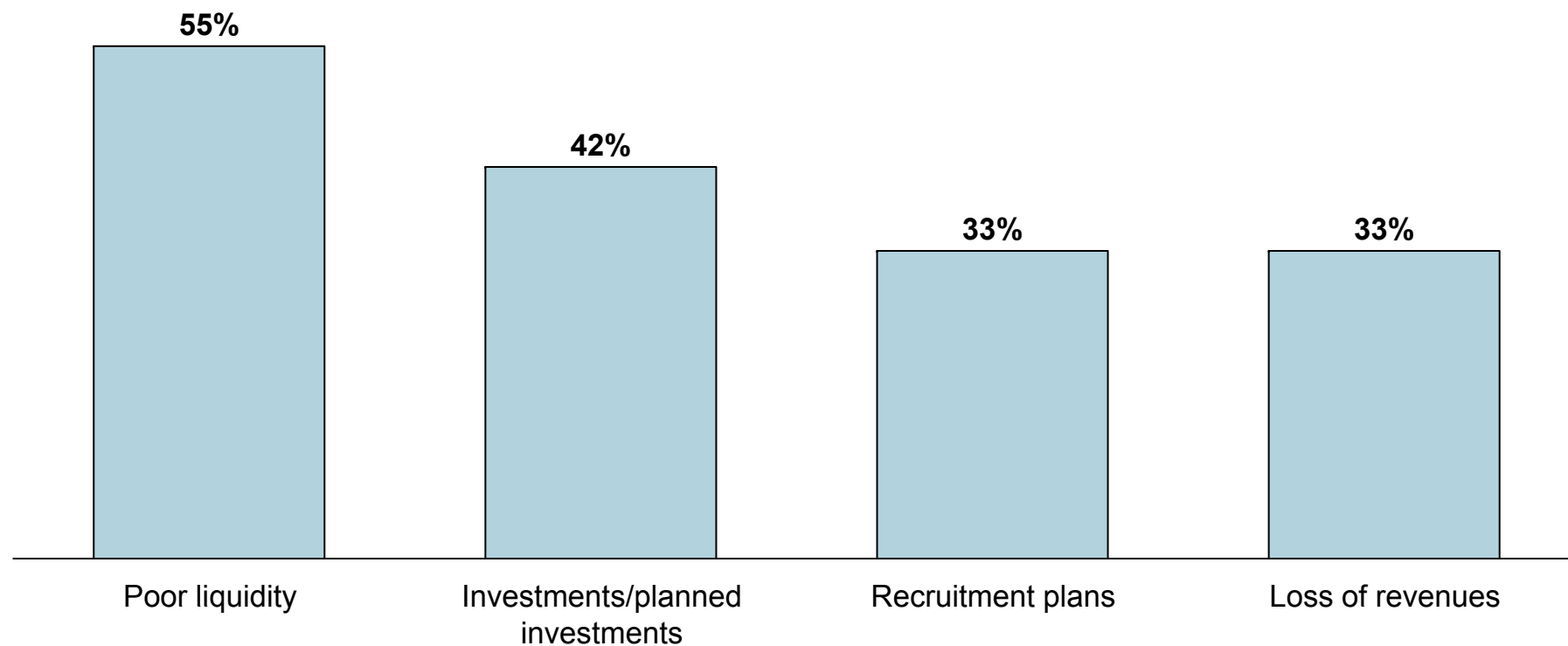
Average drop in unused credit lines for affected companies [%]



The drop in unused credit lines had an impact on liquidity for 55% of sampled companies

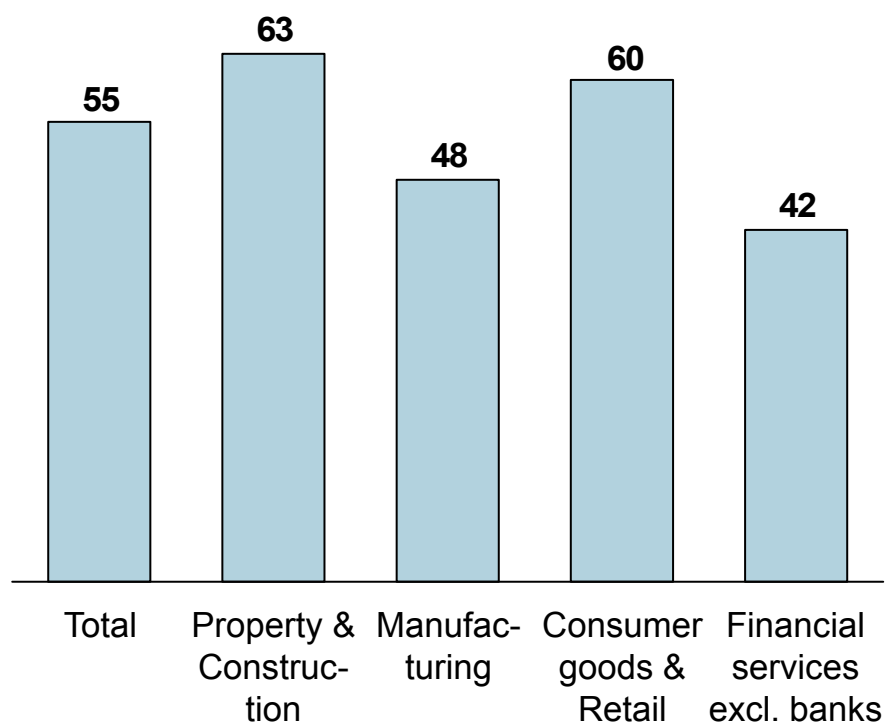
Selected impact of reduction of unused credit lines on sampled companies [% yes]

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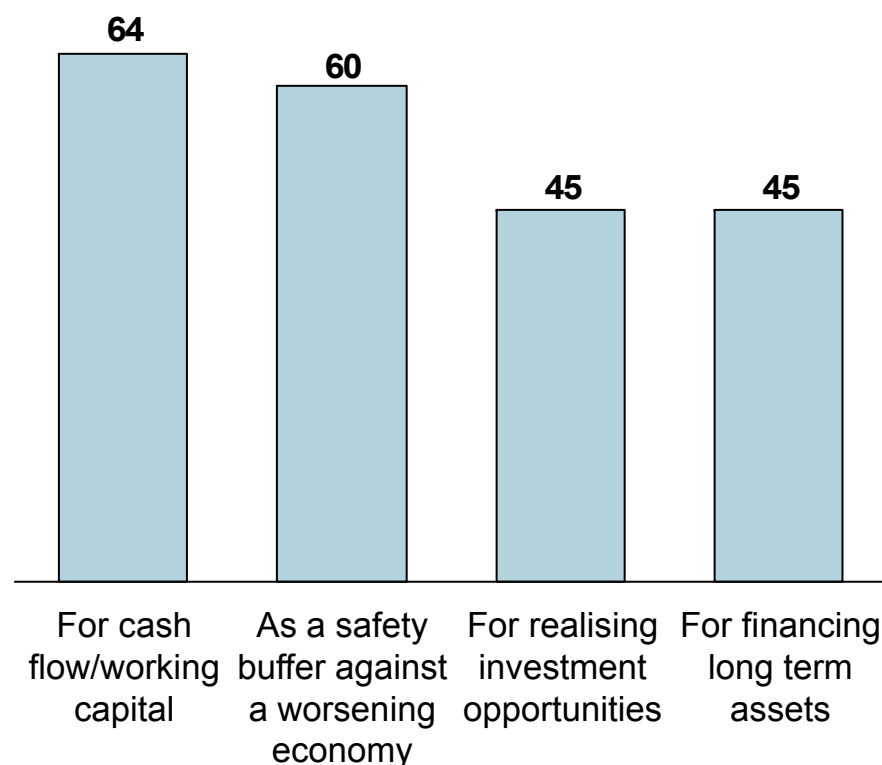


Property & Construction companies feel most strongly that unused credit lines are significant to the running of their businesses

Importance of unused credit lines to the effective running of the business
[% saying important or very important]

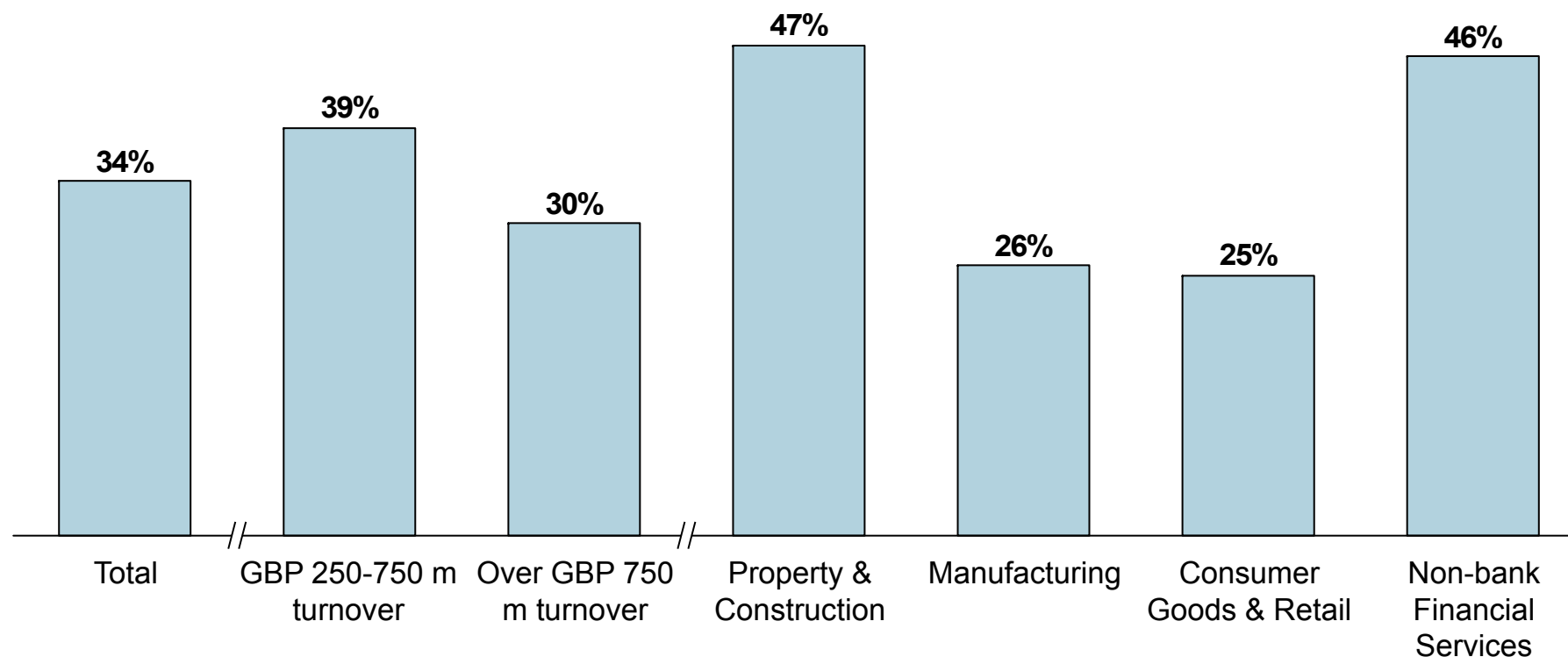


Areas where unused credit lines are most important
[% saying important or very important]



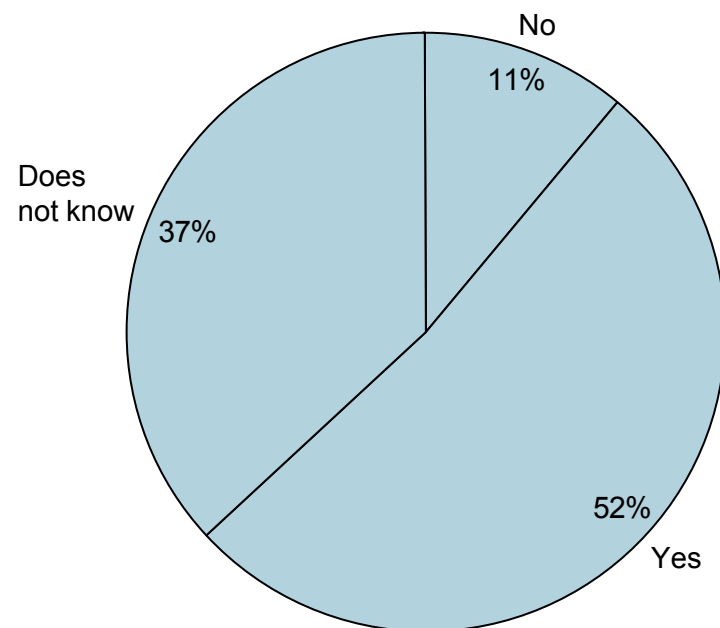
34% of surveyed companies felt compelled to use their credit lines unnecessarily to avoid losing them – most common for smaller companies, Property & Construction and Financial Services

% of companies that felt pressure to use their credit lines unnecessarily



Only 52% of companies think they will be able to renew their credit lines in 2009 without a problem, there are indications of a 34% cut for those that can't

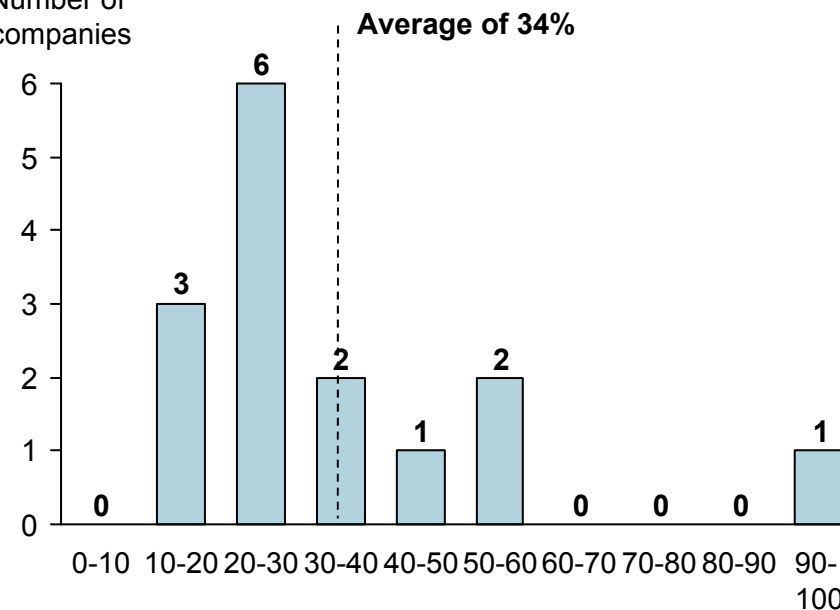
Do you expect to be able to renew your current lines of credit in the next 12 months with current banks?



Estimated shortfall in credit lines of those that answered "No" [% fall from current credit lines]

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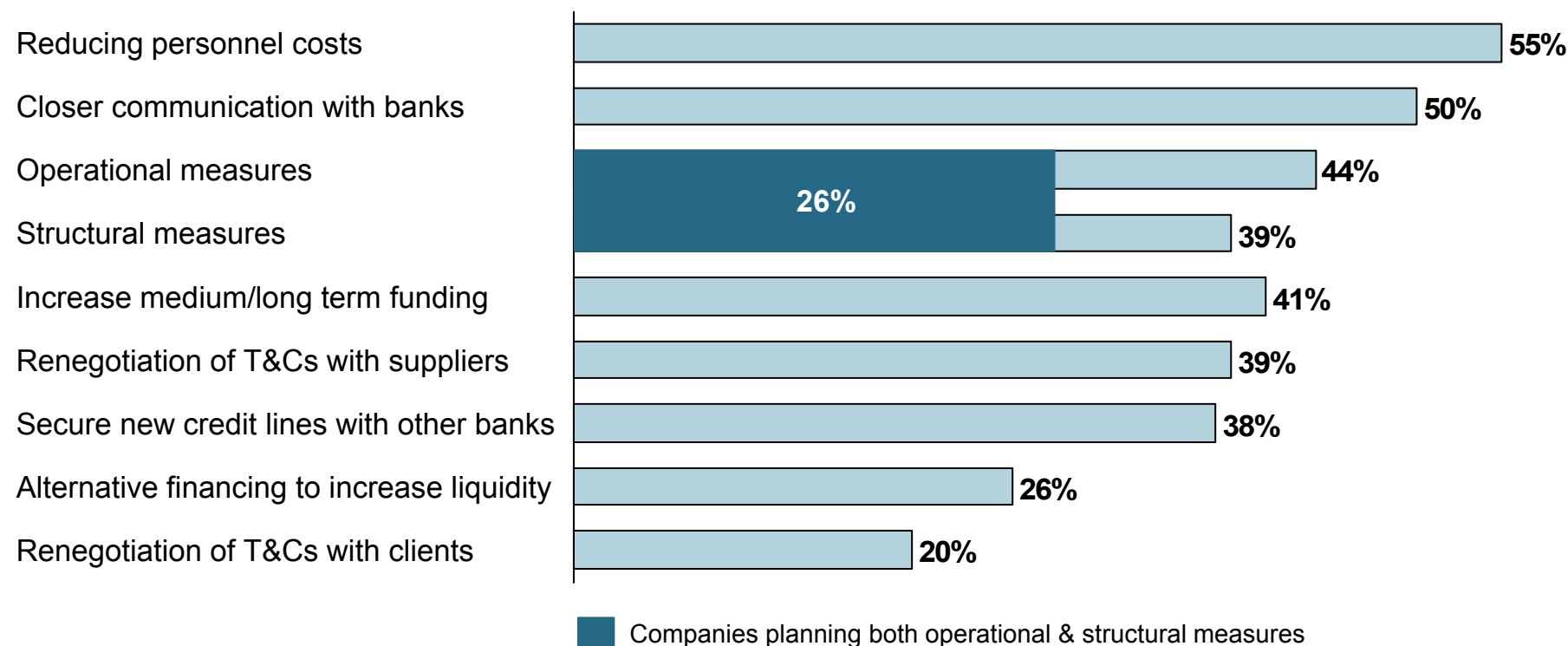
Number of companies



Most companies plan to reduce staff costs to mitigate the effects of the credit crunch, while 26% of companies plan to put operational or structural actions in place

How do you plan to respond to the credit crunch? [%]¹⁾

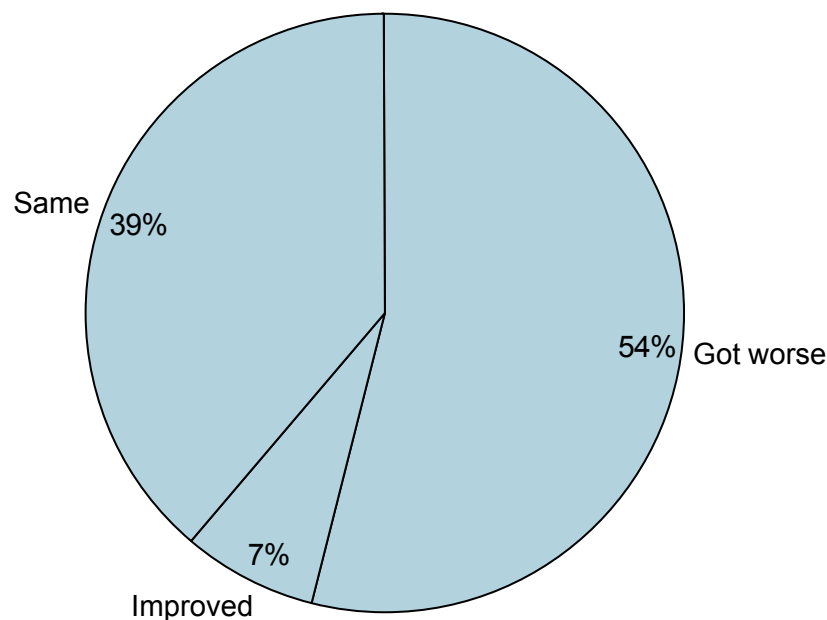
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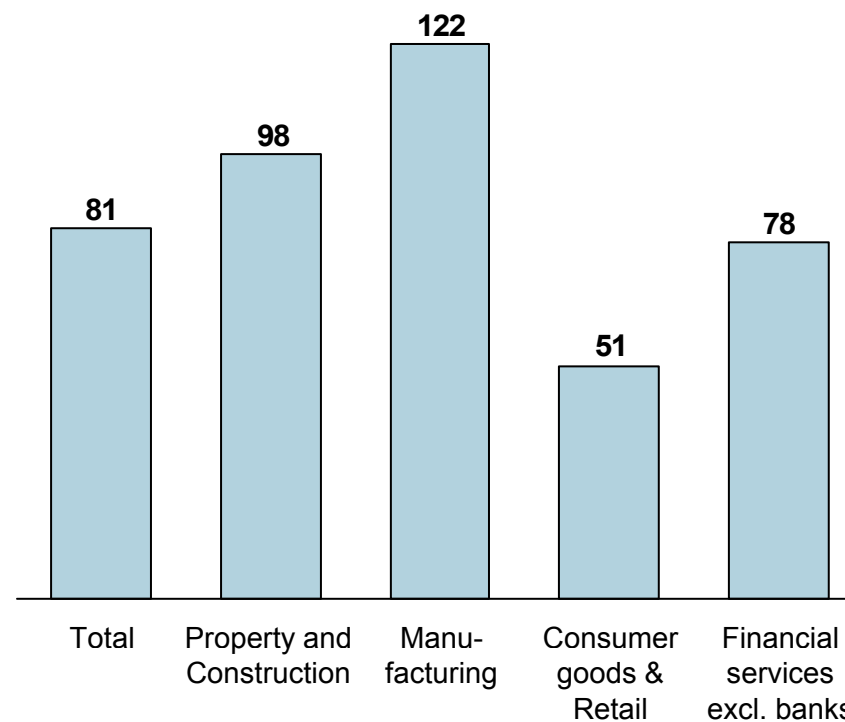
1) Multiple answers possible

Cost of short term credit has increased on average by 81 basis points over the last 6 months

Since June 2008, how have your overall short term financing conditions evolved?

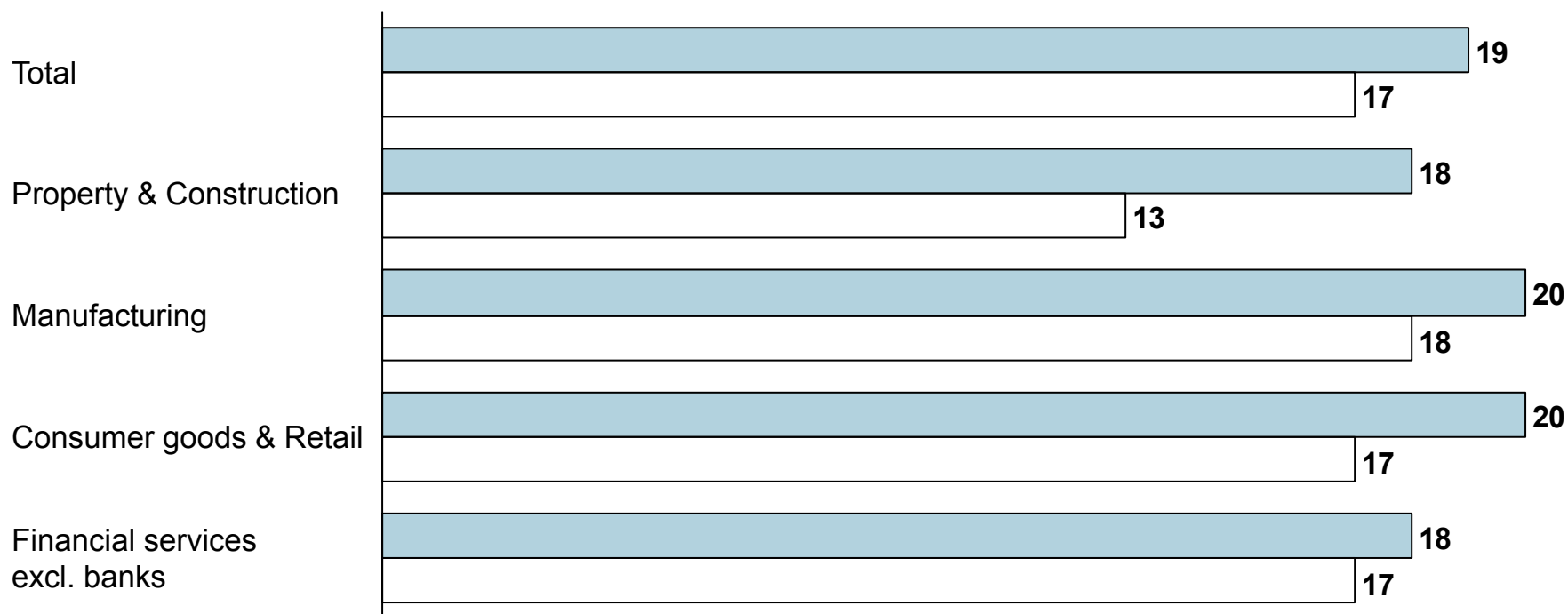


Increase in interest rates in short term financing since June 2008 [basis points]



Companies don't expect on average to last the credit crunch without material damage to their business

Average expected duration of credit crisis vs. how long companies can cope [months]



- How long will the tight availability of credit last?
- How long could your company operate in a tightening credit environment without material damage to the business?

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