



IMPACT OF THE COVID-19 CRISIS ON CORPORATE SOLVENCY :

ESTIMATIONS BASED ON GRAYDON MODEL

Persconferentie / Conférence de presse

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INTRODUCTIE / INTRODUCTION

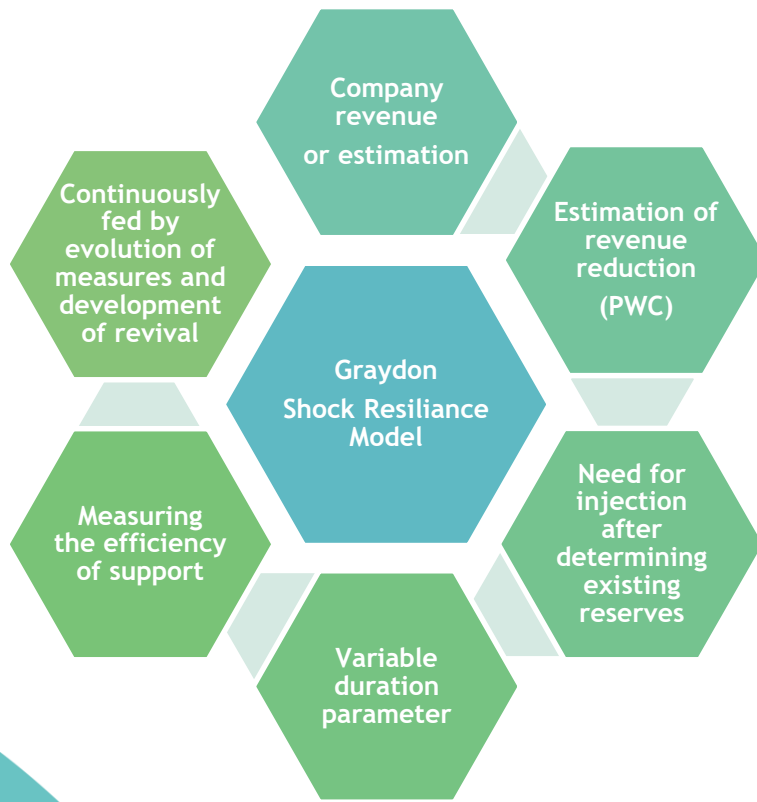
- Liquiditeitsproblemen op de korte termijn kunnen leiden tot solvabiliteitsproblemen op de lange termijn
- Partnerschap met GRAYDON om de huidige toestand te beoordelen
- L'objectif est de conscientiser le monde politique :
 - aux besoins nécessaires aux entreprises pour surmonter la crise
 - à l'urgence de former rapidement un gouvernement fort
 - à la nécessité d'un grand plan de relance

PLAN

- 1) Graydon model: building blocks
- 2) Selection of companies
- 3) Results:
 - i. Impact of the COVID-19 crisis and support measures
 - ii. Impact by firm size
 - iii. Impact by firm age
 - iv. Impact by sector
 - v. Geographic impact
- 4) Strategy: connecting the dots
- 5) Recommendations

1. GRAYDON MODEL

BUILDING BLOCKS



Taking into account:

- ✓ Capacity to secure loans
- ✓ Window dressing
- ✓ Fraud indicators
- ✓ Variable costs with regard to loss of revenue
- ✓ Evolution of defaults
- ✓ Activity level (phantom company)
- ✓ International ties
- ✓ Pre-subsidisation and profit export

2. SELECTION OF COMPANIES

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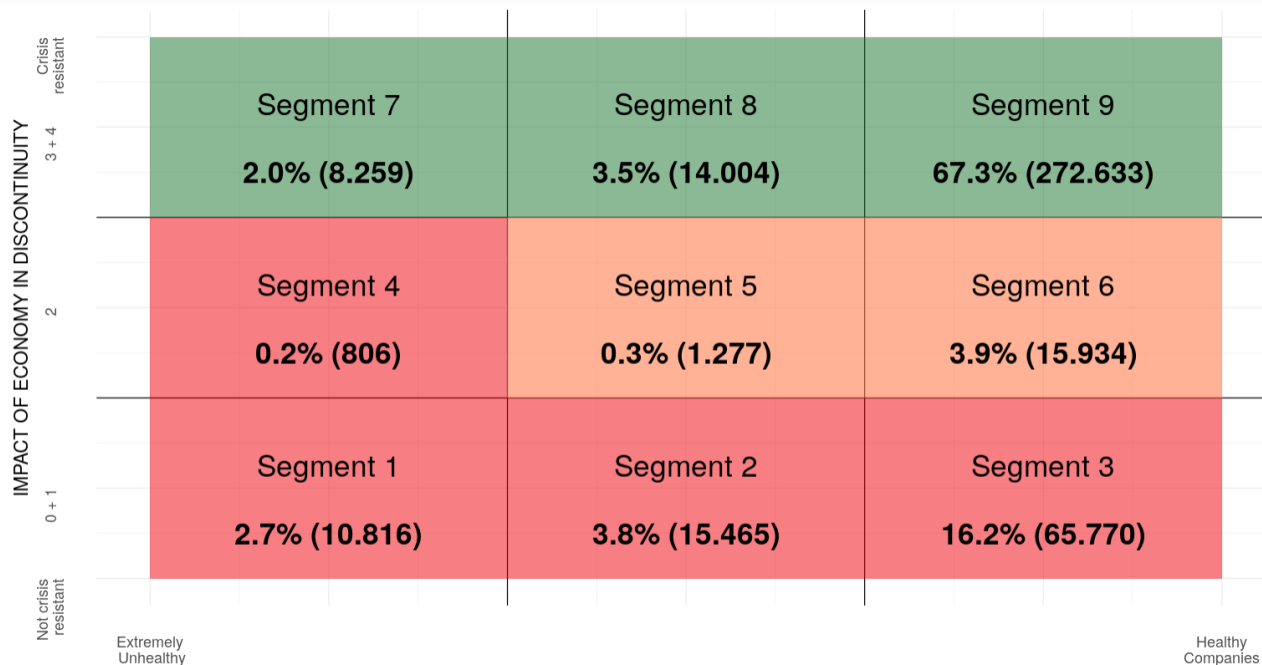
- Selection criteria :
 - All companies in Belgium with balance sheets and from all sectors
 - Companies with and without foreign parent
 - Only suspected active companies
 - Impact of Support Measures : Technical Unemployment, Loan Capacity (“bazooka”), Loss of Revenue and Business Closure
 - Simulation of the situation on September 8, 2020

➔ 404.964 companies

3. RESULTS

3.1 IMPACT OF THE COVID-19 CRISIS AND SUPPORT MEASURES

Impact of the COVID-19 crisis and support measures (9-grid results)

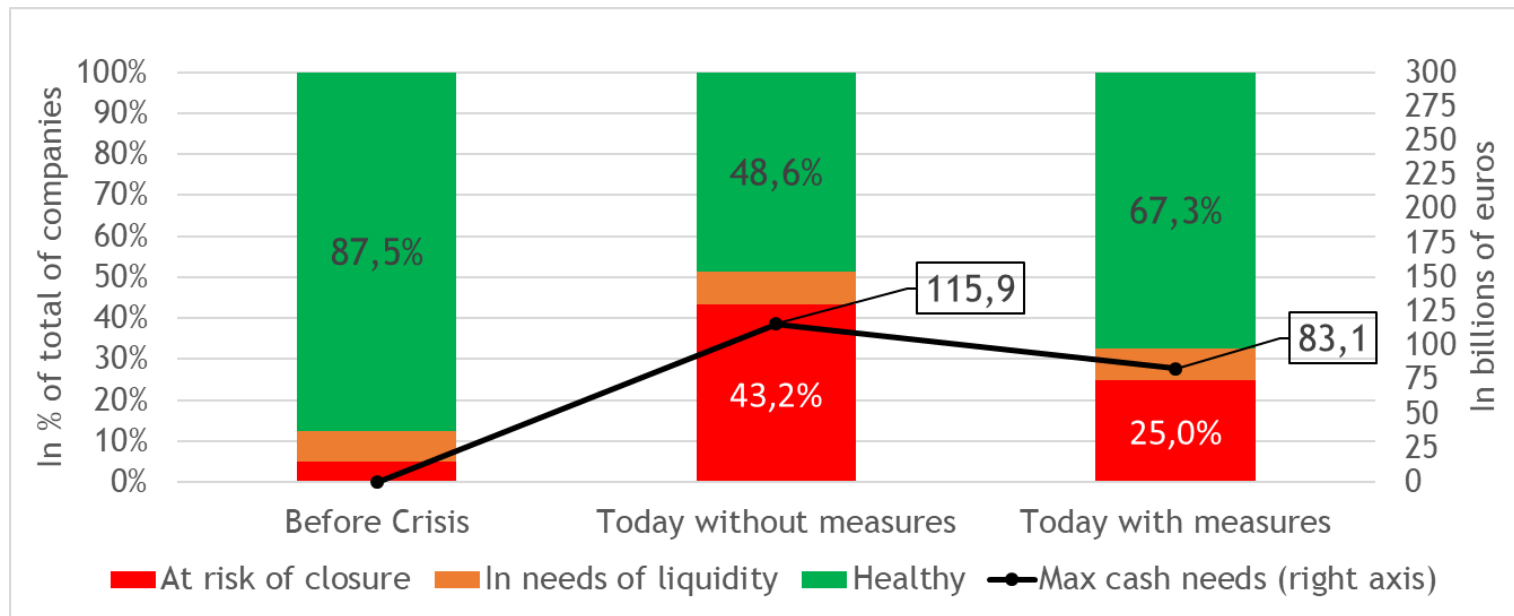


SITUATION BEFORE: ECONOMY IN CONTINUITY

* this includes registered offices which have branches in selection

Source : Graydon.

3.1 IMPACT OF THE CRISIS AND SUPPORT MEASURES

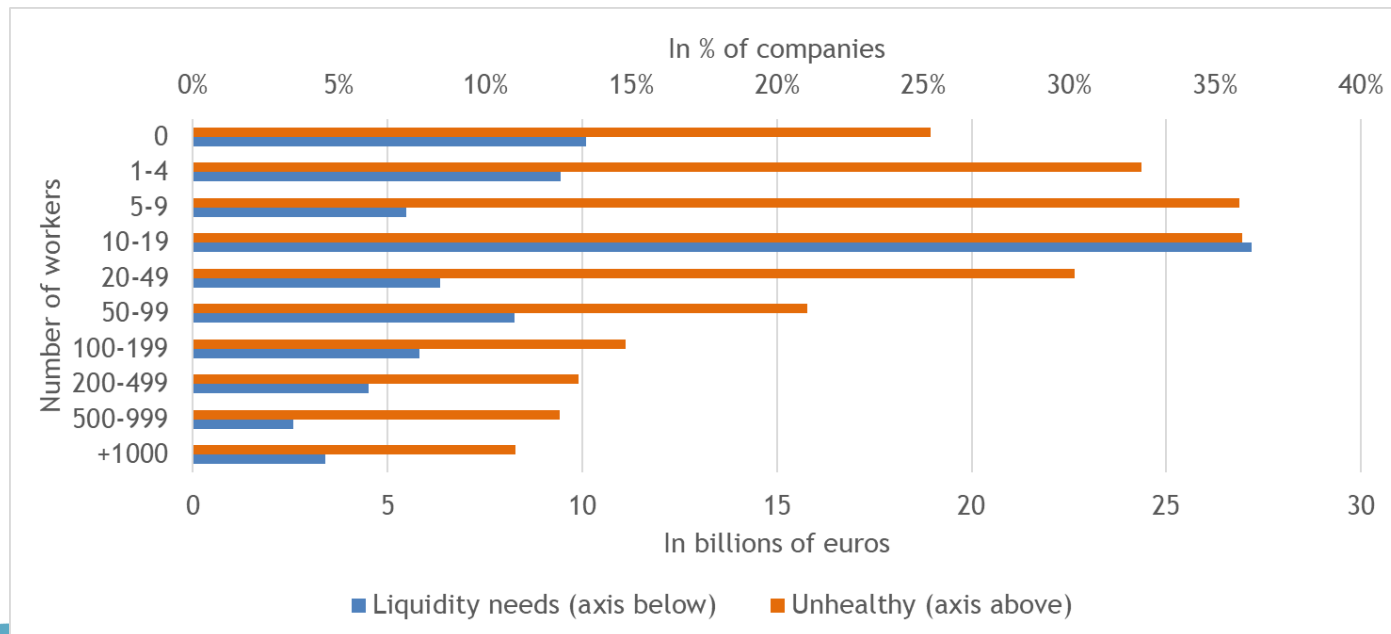


Sources : Graydon and FEB.

Note: At risk of closure = segments 1,2,3,4,7 ; In needs of liquidity = segments 5,6,8 ; Healthy = segment 9

3.2.1 IMPACT BY FIRM SIZE

Number of unhealthy companies and liquidity needs by firm size

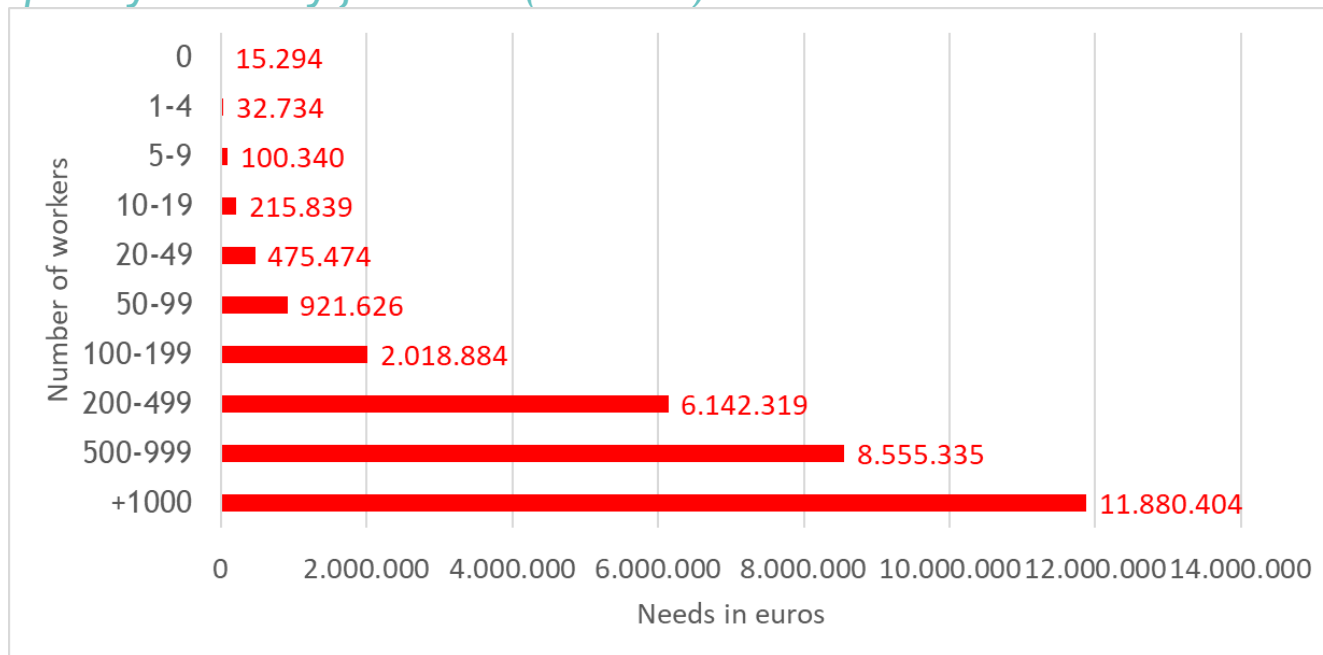


Workers	Total of companies
0	174.882
1-4	174.560
5-9	25.582
10-19	14.581
20-49	9.788
50-99	2.829
100-199	1.450
200-499	848
500-999	263
+1000	181
Total	404.964

Sources : Graydon and FEB.

3.2.2 IMPACT BY FIRM SIZE

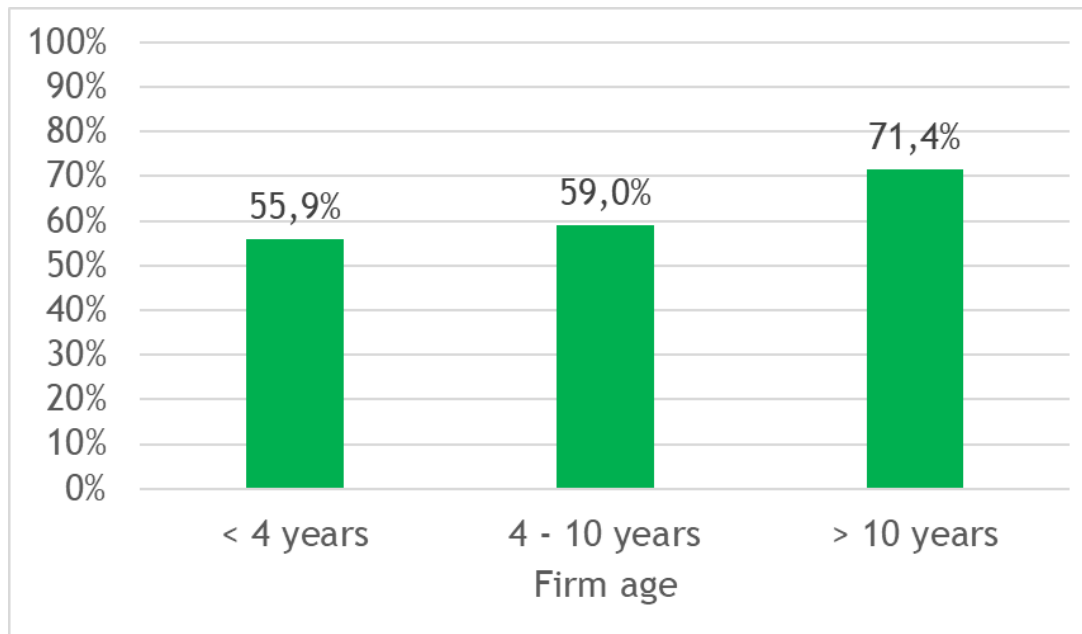
Median liquidity needs by firm size (in euros)



Sources : Graydon and FEB.

3.3 IMPACT BY FIRM AGE

Percentage of healthy companies by firm age



Sources : Graydon and FEB.

3.4.1 IMPACT BY SECTOR

Percentage of companies with liquidity needs by sector

Secteur	NACE	% en difficultés	Secteur	NACE	% en difficultés
Hébergement et restauration	I	50,9%	Industrie chimique	CE	31,9%
Transports	H	42,9%	Industries du bois et du papier	CC	31,3%
Activités récréatives et autres activités	R+S+T	41,6%	Cokéfaction et raffinage	CD	31,0%
Industries extractives	B	39,3%	Activités spécialisées	M+N	30,7%
Construction	F	39,1%	Métallurgie	CH	30,2%
Industrie automobile	CL	36,5%	Activités immobilières	L	29,8%
Commerce	G	35,2%	Activités financières	K(64)	29,6%
Industries textiles	CB	34,4%	Industrie pharmaceutique	CF	28,9%
Production d'électricité et d'eau	D+E	34,4%	Agriculture, sylviculture et pêche	A	27,4%
Industries alimentaires	CA	33,2%	Information et communication	J	25,8%
Industries du plastique	CG	32,7%	Activités d'assurance	K(65-66)	21,7%
Autres industries	CJ+CK+CM	32,2%	Santé et actions sociales	Q	20,5%

Sources : Graydon and FEB.

3.4.2 IMPACT BY SECTOR

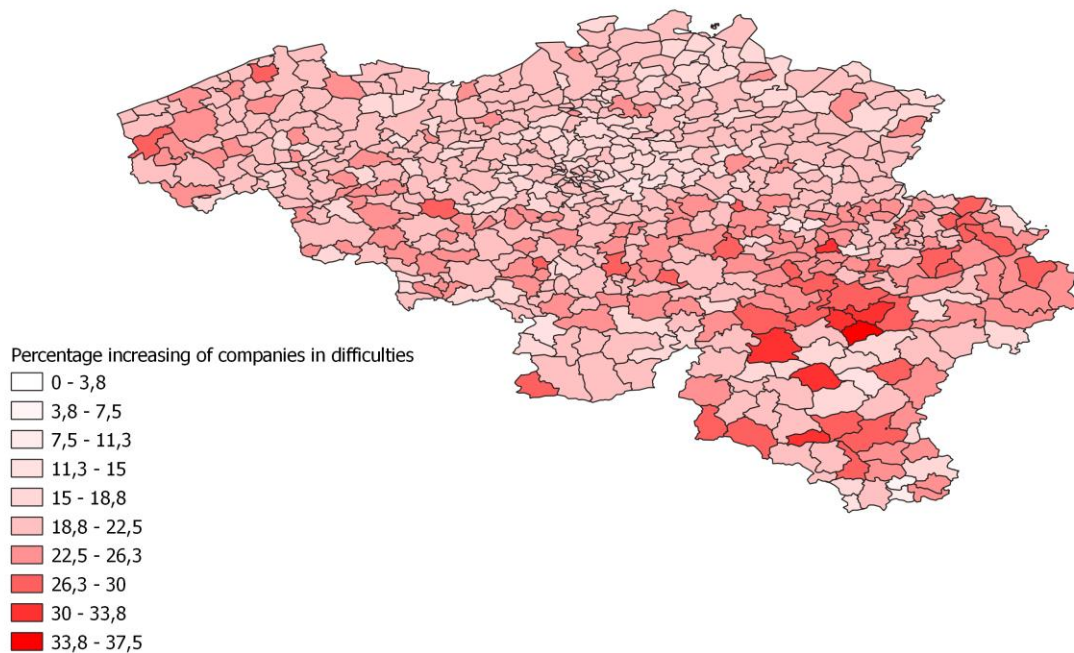
Median and average needs by sector (in euro)

Sector	NACE	Mediane behoeften	Gemiddelde behoeften	Sector	NACE	Mediane behoeften	Gemiddelde behoeften
Cokesvorming en geraffineerde aardolieproducten	CD	257.104	99.450.096	Andere industrieën	CJ+CK+CM	46.778	474.635
Winning van delfstoffen	B	214.092	703.635	Handel	G	44.533	485.276
Farmaceutische industrie	CF	159.522	707.196	Landbouw, bosbouw en visserij	A	41.191	164.327
Chemische industrie	CE	138.225	17.067.599	Vastgoedactiviteiten	L	37.221	637.215
Elektriciteits- en waterproductie	D+E	117.183	4.953.906	Verzekeringsactiviteiten	K(65-66)	34.862	186.247
Kunststofindustrieën	CG	99.236	1.941.483	Houtindustrie en papierindustrie	CC	34.765	258.626
Vervaardiging van voedingsmiddelen	CA	79.653	587.890	Gespecialiseerde activiteiten	M+N	26.245	315.034
Auto industrie	CL	72.786	4.149.605	Recreatieve en andere activiteiten	R+S+T	22.307	136.228
Metallurgie	CH	59.888	21.900.025	Financiële activiteiten	K(64)	21.776	6.258.156
Vervaardiging tekst van	CB	58.611	794.745	Gezondheid en sociale acties	Q	21.434	197.485
Vervoer	H	53.763	334.520	HORECA	I	21.258	94.632
Bouw	F	47.069	252.570	Informatie en communicatie	J	19.389	160.190

Sources : Graydon and FEB.

3.5.1 GEOGRAPHIC IMPACT

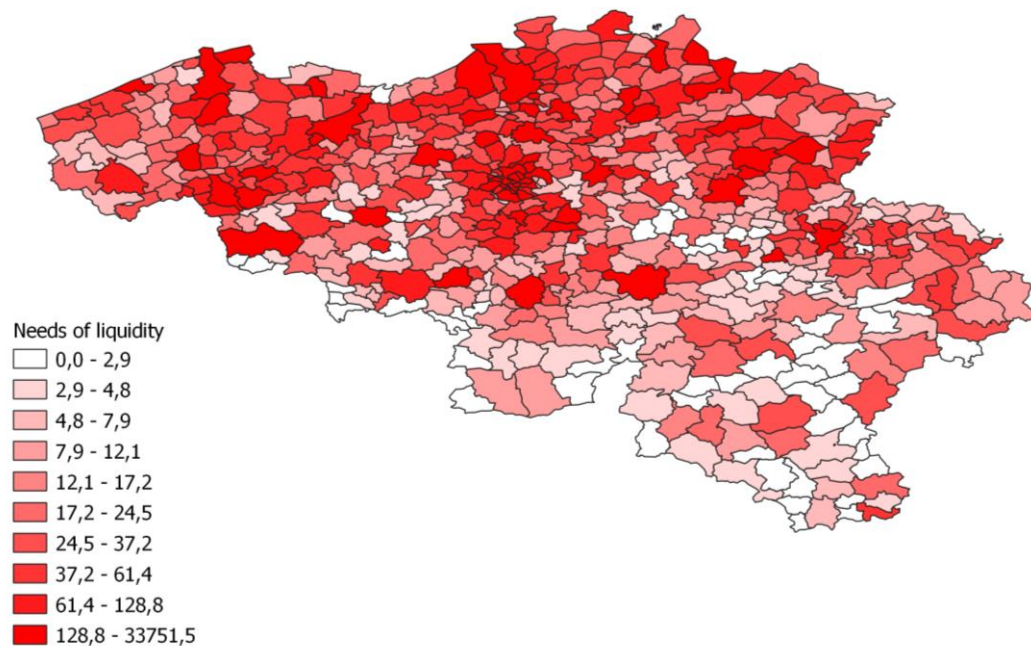
Percentage increasing of companies in difficulties since start of crisis by municipality



*Sources : Graydon
and FEB.*

3.5.2 GEOGRAPHIC IMPACT

Needs of liquidity by municipality (in millions of euro)



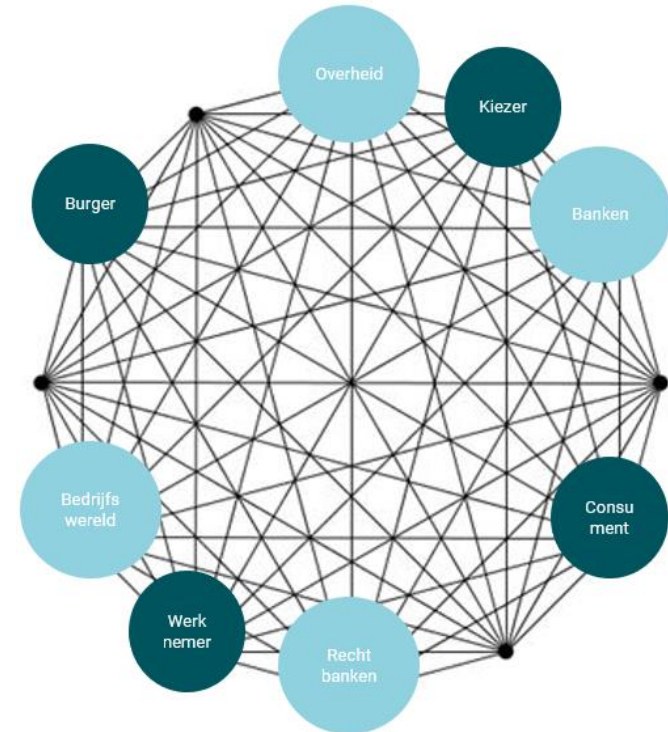
*Sources : Graydon
and FEB.*

4. STRATEGY: CONNECTING THE DOTS

THE POWER OF GOVERNANCE IN POLICY DEVELOPMENT

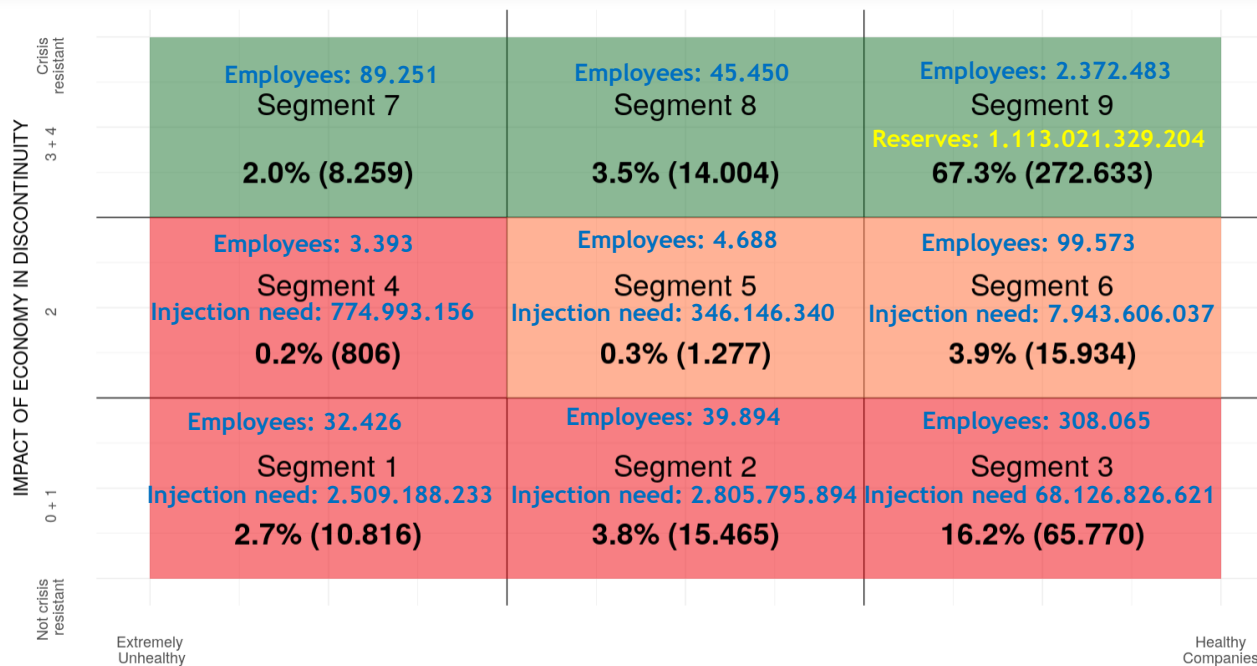
Exponential forces & accelerated revival

- ✓ Avoid contradictions: such as providing support measures and then declaring bankruptcy only a few weeks later.
- ✓ Government offers subsidies where the courts provide opportunities
- ✓ Banks make efforts where support measures limit the risk of damages
- ✓ Companies segment their activities in line with government, court & bank logic, to efficiently protect their revenue
- ✓ Courts are consistent with regard to the scarce resources that are being made available across the board for support
- ✓ In general: taxes and efforts made by companies are utilised optimally in support of revival



IMPACT OF THE COVID-19 CRISIS AND SUPPORT MEASURES

Impact of the COVID-19 crisis and support measures (9-grid results)



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THE ADVANTAGES

Government



- ✓ Insight into which companies/sectors are shock-resilient and how severely they are impacted
- ✓ Proactive simulation of planned support measures
- ✓ Just and socially responsible policy, uniform policy, minimising political risk
- ✓ Modulating policy motivation based on the audience
- ✓ Keeping Belgian support within Belgium

Courts



- ✓ Correct and uniform insight with regard to in what segment what type of protection is required (in the short term)
- ✓ Efficient use of public resources
- ✓ Aligning with support measures
- ✓ Consistent judgments and guidance with regard to optimal opportunities for revival

Banks



- ✓ Provide companies and entrepreneurs with financial breathing space and avoid bankruptcies
- ✓ Keep the economy going
- ✓ Maintain profitability
- ✓ Free competition in keeping with the spirit of the banking accord

Companies



- ✓ Maintain own liquidity position
- ✓ Protecting (good) clients, effective receivables management
- ✓ Maintaining/improving future revenue, identifying risks and opportunities
- ✓ Anticipation of exceptional circumstances and failures, forecasting & planning

5. FINDINGS & RECOMMENDATIONS

5.1 FINDINGS

- Some 16% of companies (healthy before crisis) suffer heavily from the crisis, despite the support measures, especially:
 - The small ones (particularly those with 10-19 employees)
 - The younger ones (less equity and no reserves built yet)
 - But also big liquidity needs (+/- 15 bln) in 50-250 employees-segment despite « bazooka »
- The focus should be on segment 3 (about 66.000 companies, healthy before crisis, with risk of insolvency)

5.2 RECOMMENDATIONS

- The notional interest deduction could be reinforced and focused on the small enterprises only (less than 50 employees)
- The Tax shelter should be further strengthened, conform with the proposals of the ERMG (increase of the thresholds)
- Public savings should be mobilized through adequate incentives
- Reserves from segment 9 could be also mobilized by facilitating (quasi-) equity investments



Creating value for society

Verbond van Belgische Ondernemingen vzw
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