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First results for non-financial corporations in the Central Balance-Sheet Database for 2014

Banco de Portugal's Statistical Bulletin of April 2015 discloses the first annual results for non-financial corporations in the Central Balance-Sheet Database for 2014. These results are computed using data from the Quarterly Survey of Non-Financial Corporations (ITENF) for the fourth quarter of 2014, and make it possible to anticipate the final annual results obtained through the Simplified Corporate Information (IES) scheduled for October this year.[1]

Funding structure

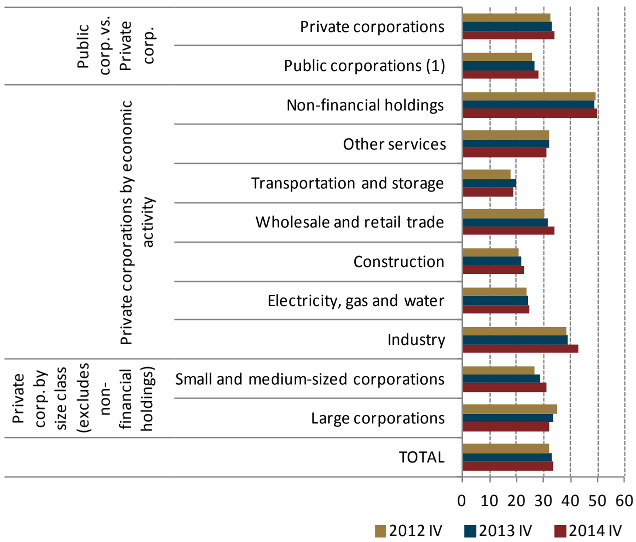
In 2014 the capital ratio (*equity / total assets*) increased from the previous year from 33.0% to 33.6% (Chart 1).

Developments were different by size class, with the capital ratio of ‘Small and medium-sized corporations’ increasing by 2.5 percentage points (p.p.) and that of ‘Large corporations’ declining, influenced by a restructuring in the telecommunication sector.

By activity sector, the capital ratio in ‘Other services’ and ‘Transportation and storage’ declined (by 1.3 p.p. in both sectors). The most significant increases were observed in ‘Industry’ (4.2 p.p.) and ‘Wholesale and retail trade’ (2.5 p.p.).

Chart 1

Equity / total assets – as a percentage



(1) Public corp. not included in general gov. sector

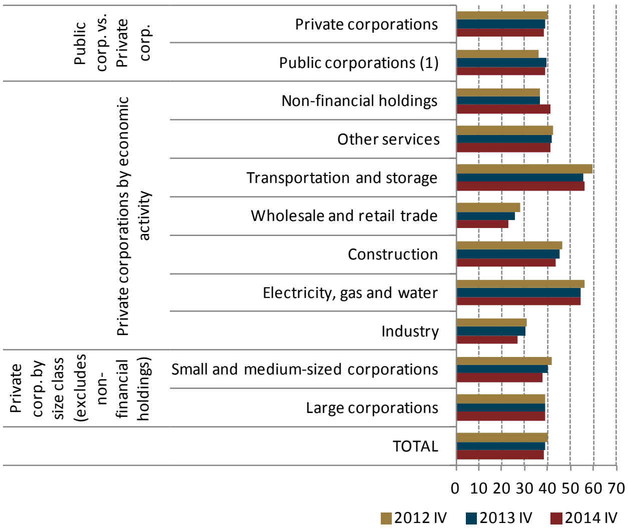
The *obtained funding / total assets* ratio decreased from 39.2% in 2013 to 38.6% in 2014 (Chart 2). In ‘Small and medium-sized corporations’ this ratio declined by 2.3 p.p. from 2013, to 37.7%.

By activity sectors, ‘Industry’ declined the most, from 30.3% to 26.7%, while ‘Non-financial holdings’ increased the most (4.9 p.p.).

[1] For further information on the compilation methodology used for this information, see Supplement 2/2013 to the Statistical Bulletin of October 2013, available at http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/Tumbnails%20List%20Template/Suplemento-2-2013-en.pdf.

Chart 2

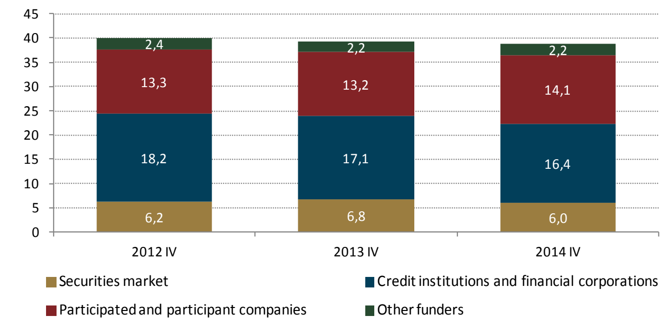
Obtained funding / total assets – as a percentage



As regards the composition of obtained funding (Chart 3), there was a decline in the components of the *securities market* and *credit institutions and financial corporations* (0.8 p.p. and 0.7 p.p. respectively). This reduction is partly offset by debt to *participated and participant companies* (0.9 p.p. increase).

Chart 3

Breakdown of obtained funding – as a percentage of assets



Gross return on investment

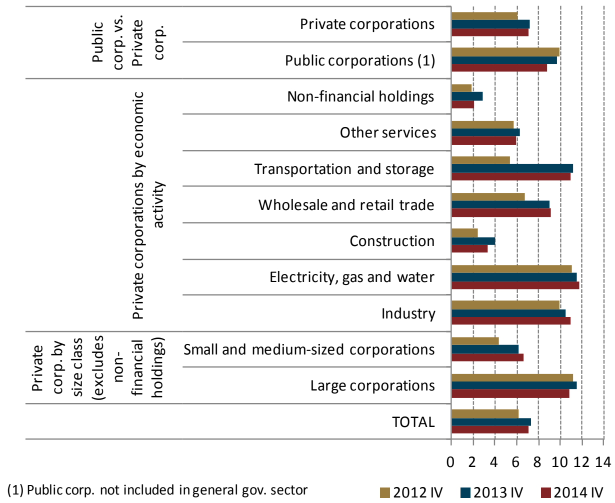
In 2014 gross return on investment (*EBITDA*[2] / *capital invested*[3]) was 7.1%, accounting for a 0.2 p.p. reduction from 2013 (Chart 4). The trend of return was influenced by the effects of a restructuring in the telecommunication sector in 2014, which impacted on 'Large corporations' and on the 'Non-financial holdings' and 'Other services' activity sectors.

By activity sector, there were declines in gross return on investment in 'Non-financial holdings' (0.8 p.p.), 'Construction' (0.7 p.p.), and 'Other services' (0.4 p.p.). 'Industry' increased by 0.4 p.p. from 2013.

Gross return on investment in 'Small and medium-sized corporations' stood at 6.6% in 2014, accounting for a 0.4 p.p. increase from the previous year. 'Large corporations' saw a 0.7 p.p. decline in this ratio. However, the figure was higher than that observed for 'Small and medium-sized corporations' (10.8%).

Chart 4

EBITDA / (equity + obtained funding) – as a percentage

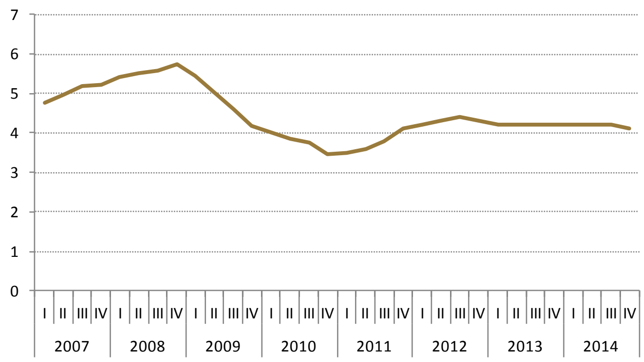


Cost of obtained funding and financial pressure

The cost of obtained funding (*interest expenses / obtained funding*) stood at 4.1% in 2014, which corresponds to a 0.1 p.p. reduction from the previous year (Chart 5).

Chart 5

Interest expenses / obtained funding (total corporations) - as a percentage

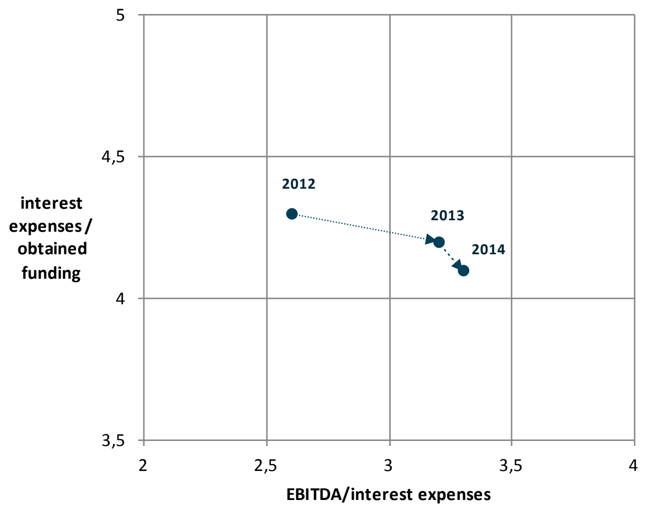


[2] *EBITDA* stands for earnings before interest, tax, depreciation and amortisation.
[3] Capital invested is the sum of equity and obtained funding.

In line with the trend of the cost of obtained funding, financial pressure[4] declined from 2013 to 2014 (Chart 6). In 2014 *EBITDA* was 3.3 times higher than the amount of *interest expenses* in the same period, compared with 3.2 in 2013.

Chart 6

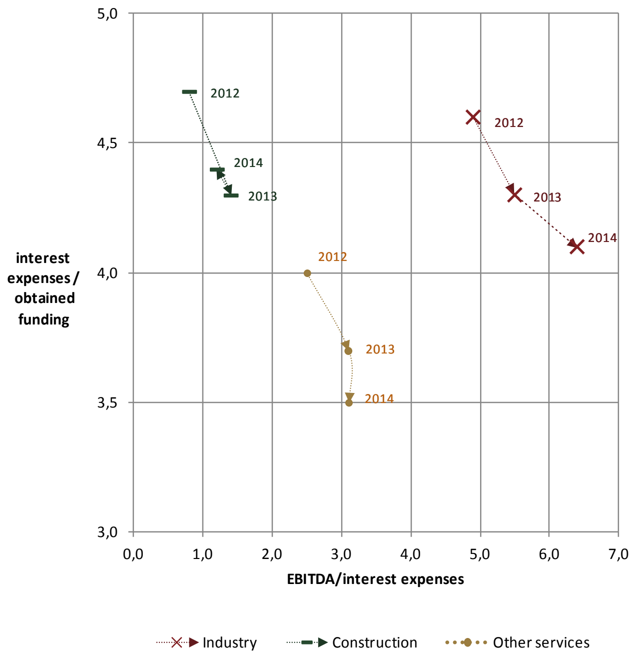
Interest expenses / obtained funding (as a percentage) and EBITDA / interest expenses (number of times) – total corporations



For 'Industry' and 'Other services' the cost of obtained funding followed a downward trend, accompanied by a reduction of financial pressure (Chart 7). For 'Construction', this trend was reversed in 2014, with a rise in the cost of funding and financial pressure.

Chart 7

Interest expenses / obtained funding (as a percentage) and EBITDA / interest expenses (number of times) – by activity sector



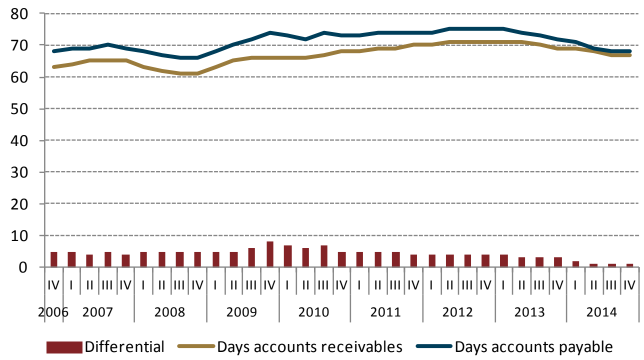
Days accounts payable and days accounts receivables

In 2014 *days accounts payable* stood at 68 and *days accounts receivables* at 67, which corresponds to a decline by 4 and 2 days respectively from 2013 (Chart 8).

This trend determined a decline in the differential between *days accounts payable* and *days accounts receivables*, which was 1 day in 2014.

Chart 8

Days accounts payable and days accounts receivables – number of days

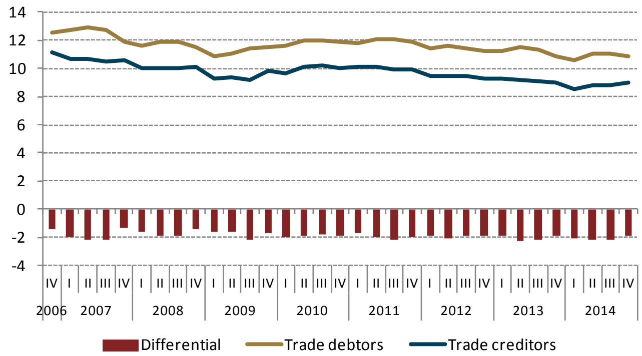


[4] Percentage of *EBITDA* absorbed by interest expenses, the reverse of the *EBITDA / interest expenses* ratio.

Although the differential between days accounts payable and days accounts receivable narrowed, net financing by trade creditors[5] stabilised as a percentage of *total assets* at around −2% (Chart 9).

Chart 9

Share of trade debtors and trade creditors in total assets – as a percentage



[5] This corresponds to the differential between the *trade creditors* balance and the *trade debtors* balance.