



## Analysis of the information and communication activities sector 2011-16

6 December 2016

Banco de Portugal updates today the [Central Balance Sheet Study | 16 – Analysis of the information and communication activities sector](#), with information on the economic and financial situation of enterprises in the information and communication activities sector<sup>1</sup> between 2011 and 2016.

This study was first published in 2014, with information for the 2008-13 period.

Results are broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and economic activity segment ('media', 'telecommunications' and 'information technologies') and compared with results for total enterprises.

### Structure and dynamics

#### Increase in the number of enterprises in the 2011-15 period

In 2015 the information and communication activities sector comprised 3 per cent of the enterprises in Portugal (11,000 enterprises) and represented 4 per cent of turnover and 3 per cent of the number of employees. Its importance remained relatively unchanged from 2011 regarding the representativeness in terms of number of enterprises and turnover, having increased 0.6 percentage points (p.p.) in terms of employees.

Between 2011 and 2015, the number of enterprises

that started operating in the sector was greater than the number of cessations, which implied an increase in the number of active enterprises (18 per cent compared with 2011). In 2015, 1.5 new enterprises were created for each enterprise that ceased activity in the sector, with a 4 per cent increase in the number of active enterprises operating in the sector. This value was higher than that observed for total enterprises, as was the case throughout the period analysed (this differential was of 2.8 p.p. in 2015) (Chart 1).

Of the economic activity segments that compose the information and communication activities sector, 'information technologies' stood out as it represented 62 per cent of the sector's enterprises and 56 per cent of the number of employees. However, 'telecommunications', representing 6 per cent of enterprises, had the largest turnover share in the sector (47 per cent) (Chart 2).

The information and communication activities sector was chiefly composed by microenterprises (90 per cent). However, large enterprises, representing 0.5 per cent of the sector, stood for the biggest share of turnover (63 per cent) and of the sector's number of employees (41 per cent). SMEs represented 9 per cent of the number of enterprises, 29 per cent of the turnover and 39 per cent of the number of employees in the sector (Chart 3).

Chart 1 • Demographic indicators

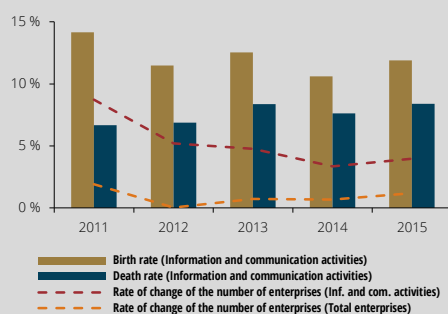
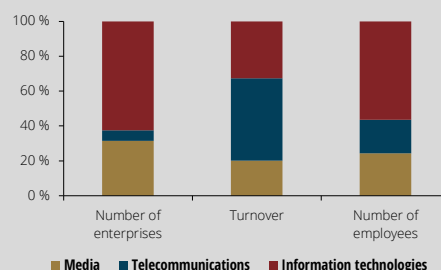


Chart 2 • Structure | By economic activity segment (2015)



The Lisbon district, with 47 per cent of the sector's enterprises headquartered in this district, accounted for 81 per cent of turnover and 67 per cent of employees in the information and communication activities sector.

### Activity and profitability

#### The external market has driven turnover developments in the sector

The sector's turnover increased by 0.3 per cent in 2015 (2 per cent for total enterprises). This growth contrasted with the reductions of the past few years (Chart 4).

The external market boosted the sector systematically over the analysed period, with increasing positive contributions to its turnover developments. In 2015, 17 per cent of the sector's turnover originated from the external market (22 per cent in total enterprises), 7 p.p. more than in 2011.

In that year, for the first time in the period under review, exports' positive contribution to the sector's turnover growth (2.2 p.p.) offset the contraction in the internal market (negative contribution of 1.9 p.p.). Internal market's contribution, while negative, shows a recovery trend over the 2011-15 period. In 2015, 11 per cent of the sector's enterprises were also included in the export sector<sup>2</sup> (6 per cent in total enterprises). These enterprises accounted for 37 per cent of employees and 26 per cent of turnover of the information and communication activities sector (24 per cent and 37 per cent respectively, in total enterprises).

Turnover growth in 2015 was driven by the positive

contribution of 'media' (1.3 p.p., associated to a 7 per cent growth). The contributions from the other activity segments were negative (1 per cent reductions of their turnover). By size class, SMEs' and microenterprises' turnover increased by 2 per cent and 1 per cent respectively in 2015. Large enterprises' turnover fell by 1 per cent.

The sector's EBITDA in 2015 was at a similar level to that of 2013, having fallen in 2014 (resulting from merger and acquisitions operations among enterprises in the sector). EBITDA of 52 per cent of the sector's enterprises presented an increase in 2015 from 2014 (4 p.p. more than in 2011 and 2 p.p. less than total enterprises) (Chart 5). The EBITDA increase in large enterprises was more comprehensive, with 61 per cent of enterprises benefitting. 30 per cent of enterprises had negative EBITDA, a figure lower than in 2011 and than the one observed for total enterprises (35 and 33 per cent respectively).

#### Negative profitability and lower than that of total enterprises

In 2015, return on equity for the information and communication activities sector was negative at 0.4 per cent (positive profitability of 7 per cent for total enterprises) (Chart 6). This result was due to the 'telecommunications' enterprises that presented negative return on equity of 8 per cent. The return on equity for 'media' and 'information technologies' was positive at 5 and 3 per cent respectively.

The sector's operating margin (EBITDA / Revenue) reached 19 per cent in 2015, 9 p.p. higher than that of total enterprises. However, the net margin (Net income / Revenue) stood at -0.1 per cent, below

Chart 3 • Structure | By size class (2015)

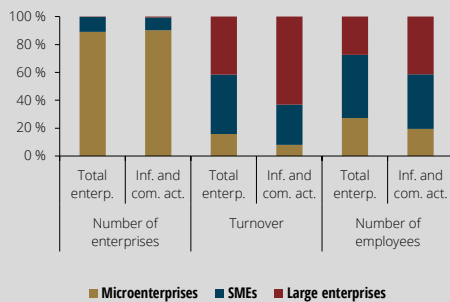


Chart 4 • Turnover | Contributions from the external and internal market (in p.p.) to the annual growth rate (per cent)

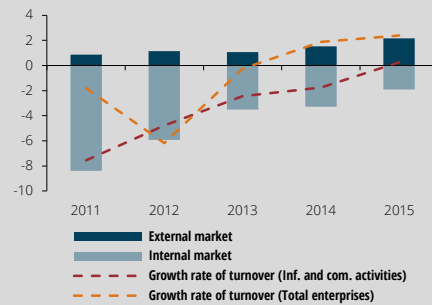


Chart 5 • Share of enterprises with EBITDA growth

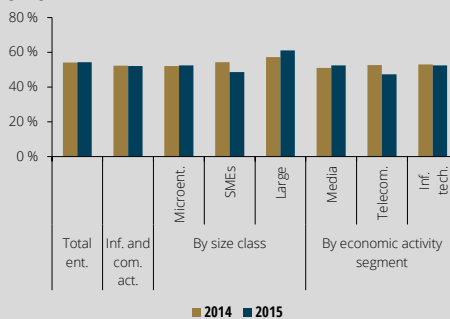
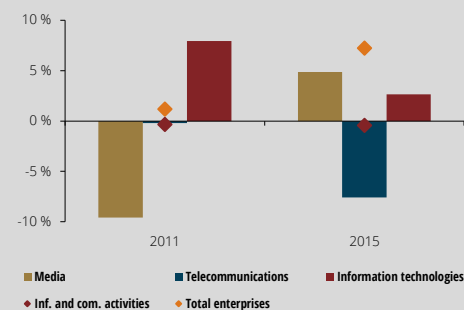


Chart 6 • Return on equity



that of total enterprises (3 per cent) (Chart 7). By economic activity segment, 'telecommunications' performed best in terms of operating margin (29 per cent). However, the segment's net margin was negative, standing at -2 per cent. 'Media' posted a 13 per cent operating margin and the highest net margin in the sector (2 per cent).

### Financial situation

#### Lower capital ratio with liabilities decreasing in 2015

In 2015 the capital ratio of information and communication activities amounted to 19 per cent (32 per cent in total enterprises), lower than that of 2011 (45 per cent) (Chart 8). The change registered regarding 2011 was due to the aforementioned merger and acquisitions operations in the sector in 2014.

Half of the enterprises in the sector had capital ratios in 2015 of more than 32 per cent, above that seen in 2011 for the same share of enterprises (26 per cent). The average capital ratio was lower in large enterprises (14 per cent), although half of those had capital ratios of more than 31 per cent. By activity segment, 'telecommunications' stands out with the lowest capital ratio (11 per cent, compared with 31 per cent in 'media' and 33 per cent in 'information technologies').

The sector's liabilities declined by 7 per cent in 2015, following, more markedly, the trend of total enterprises (3 per cent decrease). Debt securities (7 p.p.) and intra-group financing (6 p.p.) made negative contributions to this change, which were

partly offset by other liabilities components (Chart 9).

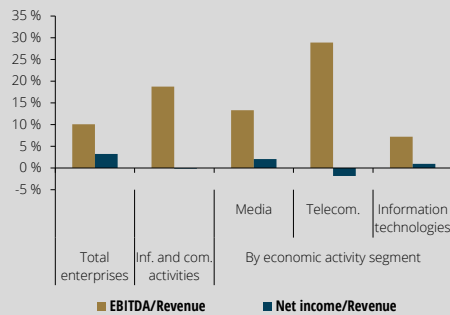
#### Lower importance of bank loans to the sector

Interest-bearing debt accounted for 59 per cent of the sector's liabilities, a share similar to the one for total enterprises (58 per cent). Bank loans, however, played a smaller role: in 2015 they accounted for 7 per cent of the sector's liabilities (25 per cent in total enterprises), while intra-group financing represented 46 per cent of the sector's liabilities (21 per cent in total enterprises). Interest-bearing debt was particularly relevant in 'telecommunications' (70 per cent of the segment's liabilities), by contrast with 'media' and 'information technologies' (36 and 34 per cent of the segment's liabilities respectively).

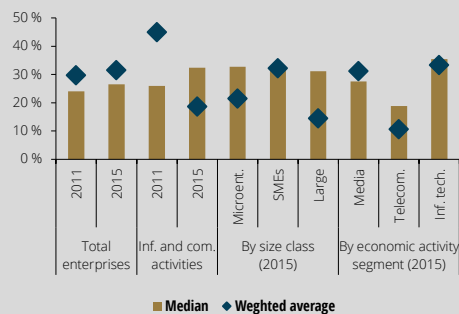
Interest expenses borne by the information and communication activities sector decreased for the second consecutive year. In 2015, that reduction was, on average, 10 per cent, i.e. lower than that of total enterprises (12 per cent). However, half of the sector's enterprises posted declines of more than 22 per cent (Chart 10).

The reduction in interest expenses was broadly based across size classes and economic activity segments. Interest expenses declined, on average, by 22 per cent in microenterprises, 13 per cent in SMEs and 9 per cent in large enterprises. However, in SMEs, the median suggested less substantial decreases in interest expenses. For half of the SMEs, interest expenses declined by less than 8 per cent or actually increased in 2015. Conversely, half of large enterprises posted reductions of more than

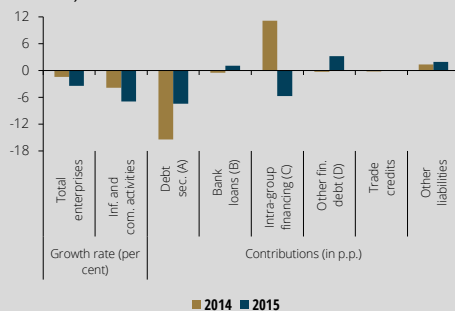
**Chart 7 • Profitability by segment | Operating margin and net margin (2015)**



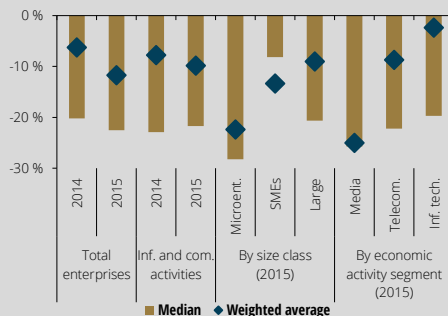
**Chart 8 • Capital ratio | Weighted average and distribution median**



**Chart 9 • Liabilities | Contributions from components (p.p.) to the annual growth rate (per cent)**



**Chart 10 • Interest expenses | Weighted average and median of the annual growth rate**



Interest-bearing debt = A + B + C + D

21 per cent (12 p.p. more than their average value). 'Media' posted, on average, the largest decrease in interest expenses (25 per cent), followed by 'telecommunications' (9 per cent) and 'information technologies' (2 per cent). However, half of the enterprises in 'telecommunications' and 'information technologies' posted declines of more than 22 and 20 per cent respectively.

The financial pressure ratio in the information and communication activities sector, assessed by the weight of interest expenses in EBITDA, was similar to that of total enterprises in 2015 (20 per cent) (Chart 11). Financial pressure was higher for larger enterprises: 21 per cent in large enterprises, 15 per cent in SMEs and 14 per cent in microenterprises. In 'telecommunications', interest expenses consumed 23 per cent of the segment's EBITDA, more than in the other segments (12 per cent in 'information technologies' and 11 per cent in 'media').

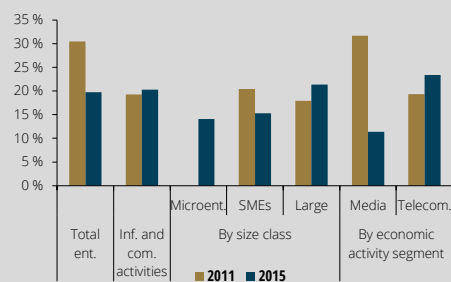
According to information from Banco de Portugal's Central Credit Register, loans granted to the information and communication activities sector by the resident financial sector increased by 6 per cent in 2015, from 2014, contrasting with the 3.7 per cent decline in total enterprises. Up to the end of the first half of 2016, loans granted to the sector increased by 6.4 per cent from the end of 2015 (2.1 per cent decrease in total enterprises).

Regarding default indicators, the non-performing loans ratio stood, in the period under review, below the one of total enterprises (Chart 12). In June 2016, 8.9 per cent of loans granted to the sector were non-performing (16.7 per cent in total enterprises), 0.8 p.p. less than at the end of 2015. This reduction was broadly based across economic activity segments, but more marked in 'media' (1.5 p.p., to 9.2 per cent in June 2016). At the end of the first half of 2016, 'information technologies' posted the highest non-performing loans ratio (11.1 per cent), by contrast with 'telecommunications' (2.1 per cent).

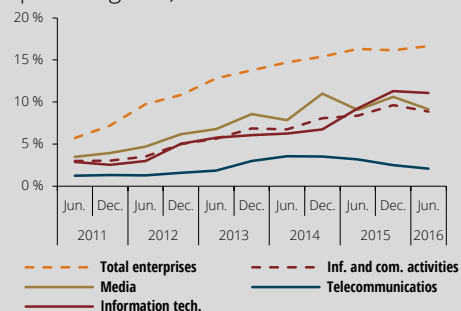
In 2015 trade credits corresponded to 15 per cent of liabilities in the information and communication activities sector, similarly to total enterprises (16 per cent). This type of financing was more relevant in 'media' (25 per cent) and 'information technologies' (24 per cent) than in 'telecommunications' (11 per cent).

Similarly to most economic activity sectors, this sector was unable to obtain net trade credit financing. The differential between accounts payable and accounts receivable was negative, standing in 2015 for 8 per cent of its turnover. This was broadly based across size classes and activity segments, with the most negative differentials being posted in SMEs and 'information technologies' (17 and 19 per cent respectively).

**Chart 11 • Weight of interest expenses in EBITDA**



**Chart 12 • Non-performing loans ratios (end-of-period figures)**



<sup>1</sup> For the purposes of this analysis, the information and communication activities sector includes the production and distribution of information and cultural products, the provision of the means to transmit or distribute these products, as well as data or communications, information technology activities and the processing of data and other information service activities. Therefore, this sector covers enterprises classified under CAE-Rev.3 Divisions 58, 59 and 60 ('media'), 61 ('telecommunications'), 62 and 63 ('information technologies'), economic activities that are part of Section J – Information and communication activities.

<sup>2</sup> The definition of export sector is detailed in [Central Balance Sheet Study | 22 – Analysis of enterprises in the export sector in Portugal](#), June 2015.

For more information, see:

[Statistical domain of Central Balance Sheet Database statistics in BPstat | Statistics online](#)

[Supplement to the Statistical Bulletin 2/2013 on statistics on non-financial corporations of the Central Balance Sheet Database](#)

[Central Balance Sheet Study No 26 on non-financial corporations \(in Portuguese only\)](#)

[Central Balance Sheet Study No 16 on enterprises in the information and communication activities sector](#)

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## Annex – Main indicators of the information and communication activities sector

Chart	Series	2011	2012	2013	2014	2015	2016
1 Demographic indicators	Information and communication activities						
	Birth rate	14.2	11.5	12.5	10.6	11.9	
	Death rate	6.7	6.9	8.4	7.6	8.4	
	Rate of change of the number of enterprises	8.7	5.2	4.8	3.3	4.0	
	Rate of change of the number of enterprises / Total enterprises	1.9	0.0	0.7	0.7	1.2	
2 Structure   By economic activity segment	Media						
	Number of enterprises	36.6	35.0	33.8	32.8	31.5	
	Turnover	19.7	18.6	18.2	18.8	20.1	
	Number of employees	27.0	24.5	22.6	24.3	24.4	
	Telecommunications						
	Number of enterprises	5.8	6.1	6.1	6.1	6.1	
	Turnover	52.8	52.4	51.1	48.2	47.4	
	Number of employees	18.8	19.4	19.0	17.9	19.2	
	Information technologies						
	Number of enterprises	57.6	59.0	60.1	61.1	62.5	
	Turnover	27.5	29.0	30.7	33.0	32.6	
	Number of employees	54.2	56.1	58.4	57.8	56.4	
3 Structure   By size class	Share of microenterprises in the number of enterprises in the aggregate						
	Total enterprises	88.0	88.9	89.4	89.4	89.1	
	Information and communication activities	89.5	90.0	90.4	90.4	90.1	
	Share of microenterprises in the aggregate's turnover						
	Total enterprises	15.4	15.5	15.6	15.7	15.8	
	Information and communication activities	6.9	7.2	7.4	7.8	8.1	
	Share of microenterprises in the number of employees in the aggregate						
	Total enterprises	27.5	28.1	28.1	27.8	27.2	
	Information and communication activities	20.4	20.1	20.3	19.5	19.4	
	Share of small and medium-sized enterprises in the number of enterprises in the aggregate						
	Total enterprises	11.7	10.9	10.4	10.3	10.6	
	Information and communication activities	10.0	9.5	9.1	9.1	9.4	
	Share of small and medium-sized enterprises in the aggregate's turnover						
	Total enterprises	42.6	42.1	42.0	42.1	42.7	
	Information and communication activities	25.8	25.8	27.9	28.4	28.9	
	Share of small and medium-sized enterprises in the number of employees in the aggregate						
	Total enterprises	46.6	46.1	45.6	45.4	45.4	
	Information and communication activities	42.6	40.8	42.4	39.2	39.2	
	Share of large enterprises in the number of enterprises in the aggregate						
	Total enterprises	0.3	0.2	0.2	0.2	0.3	
	Information and communication activities	0.5	0.5	0.4	0.5	0.5	
	Share of large enterprises in the aggregate's turnover						
	Total enterprises	42.0	42.4	42.3	42.2	41.5	
	Information and communication activities	67.3	67.0	64.8	63.7	63.1	
Share of large enterprises in the number of employees in the aggregate							
Total enterprises	25.8	25.8	26.3	26.8	27.5		
Information and communication activities	37.1	39.1	37.4	41.3	41.4		
4 Turnover   Contributions from the external and internal market (in p.p.) to the annual growth rate (per cent)	Growth rate of turnover / Information and communication activities	-7.5	-4.8	-2.4	-1.8	0.3	
	Contribution from the external market	0.8	1.1	1.1	1.5	2.2	
	Contribution from the internal market	-8.4	-5.9	-3.5	-3.3	-1.9	
	Growth rate of turnover / Total enterprises	-1.8	-6.2	-0.2	1.9	2.4	
5 Share of enterprises with EBITDA growth	Total enterprises	45.4	44.6	53.7	54.2	54.4	
	Information and communication activities	48.6	48.0	54.6	52.3	52.2	
	Microenterprises	48.8	47.9	54.5	52.0	52.5	
	Small and medium-sized enterprises	48.0	47.6	54.8	54.3	48.7	
	Large enterprises	31.9	62.5	63.6	57.1	61.1	
	Media	46.6	47.2	53.2	51.0	52.4	
	Telecommunications	53.7	48.9	54.3	52.7	47.2	
Information technologies	49.5	48.4	55.4	53.0	52.5		
6 Return on equity	Total enterprises	1.2	0.0	2.7	2.7	7.2	
	Information and communication activities	-0.3	3.3	1.3	-56.6	-0.4	
	Media	-9.6	-5.2	-4.7	-5.5	4.9	
	Telecommunications	-0.2	3.5	1.1	-164.5	-7.6	
	Information technologies	7.9	8.2	8.4	9.8	2.6	

Chart	Series	2011	2012	2013	2014	2015	2016	
7 Profitability by segment   Operating margin and net margin	EBITDA / Revenue							
	Total enterprises	7.9	7.6	8.4	8.3	10.1		
	Information and communication activities	19.5	21.7	20.1	1.4	18.7		
	Media	7.9	9.6	10.2	9.9	13.3		
	Telecommunications	29.6	33.1	30.0	-8.0	28.9		
	Information technologies	8.2	8.3	8.9	9.9	7.2		
	Net income / Revenue							
	Total enterprises	0.5	0.0	1.2	1.2	3.3		
	Information and communication activities	-0.4	3.8	1.5	-18.1	-0.1		
	Media	-3.9	-2.2	-2.4	-2.5	2.1		
	Telecommunications	-0.4	6.6	2.0	-39.4	-1.8		
	Information technologies	2.2	2.7	2.9	3.4	0.9		
	8 Capital ratio   Weighted average and distribution median	Capital ratio (weighted average)						
Total enterprises		29.7	29.3	29.8	29.6	31.5		
Information and communication activities		44.9	44.5	43.3	17.7	18.6		
Microenterprises		7.5	22.3	19.9	18.0	21.4		
Small and medium-sized enterprises		25.9	27.5	32.7	32.4	32.2		
Large enterprises		49.5	48.2	46.6	13.9	14.4		
Media		27.7	27.0	30.9	31.4	31.1		
Telecommunications		49.4	48.6	46.6	9.6	10.6		
Information technologies		29.2	33.3	34.7	33.8	33.3		
Capital ratio (median)								
Total enterprises		24.1	23.3	23.6	25.0	26.6		
Information and communication activities		26.0	25.5	26.9	29.1	32.4		
Microenterprises		25.9	24.9	26.3	28.7	32.7		
Small and medium-sized enterprises		25.9	28.0	29.8	31.0	32.1		
Large enterprises		35.8	33.1	31.9	35.8	31.1		
Media		23.3	23.1	23.1	25.1	27.5		
Telecommunications		18.0	17.1	17.6	18.8	18.8		
Information technologies		28.4	27.1	30.0	31.7	35.4		
9 Liabilities   Contributions from components (p.p.) to the annual growth rate (per cent)		Growth rate of liabilities / Total enterprises	1.4	-1.9	-1.8	-1.4	-3.4	
		Growth rate of liabilities / Information and communication activities	-2.0	-1.6	-2.8	-3.8	-6.9	
	Contribution from debt securities	-2.6	7.9	-1.7	-15.4	-7.4		
	Contribution from bank loans	-0.4	-1.4	-0.7	-0.5	1.1		
	Contribution from intra-group financing	-0.3	-1.6	-0.4	11.2	-5.7		
	Contribution from other financial debt	0.8	-3.2	-0.4	-0.3	3.2		
	Contribution from trade credit	0.6	0.4	0.3	-0.2	-0.1		
	Contribution from other liabilities	0.0	-3.9	0.1	1.4	1.9		
10 Interest expenses   Weighted average and median of the annual growth rate	Growth rate of interest expenses (weighted average)							
	Total enterprises	26.2	4.7	-6.4	-6.3	-11.8		
	Information and communication activities	111.7	3.5	7.9	-7.8	-9.9		
	Microenterprises	25.6	-34.9	-26.5	2.9	-22.4		
	Small and medium-sized enterprises	40.9	30.3	-4.6	-7.8	-13.4		
	Large enterprises	134.4	3.0	11.0	-8.1	-9.1		
	Media	50.2	9.8	-19.0	-15.0	-25.0		
	Telecommunications	143.6	3.6	12.9	-9.2	-8.7		
	Information technologies	13.3	-11.2	2.4	32.9	-2.4		
	Growth rate of interest expenses (median)							
	Total enterprises	-9.3	-22.4	-31.5	-20.2	-22.5		
	Information and communication activities	-15.8	-21.7	-33.7	-22.9	-21.7		
	Microenterprises	-26.5	-29.0	-39.7	-30.6	-28.2		
	Small and medium-sized enterprises	17.5	8.9	-16.4	-1.0	-8.2		
	Large enterprises	34.7	2.5	-1.0	-12.6	-20.7		
	Media	-22.1	-22.9	-35.7	-23.0	-25.7		
Telecommunications	-9.9	-14.8	-35.3	-20.7	-22.2			
Information technologies	-12.0	-22.2	-32.3	-23.1	-19.7			
11 Weight of interest expenses in EBITDA	Total enterprises	30.5	35.5	30.0	27.9	19.7		
	Information and communication activities	19.3	18.5	21.9	306.0	20.3		
	Microenterprises	N.A.	19.3	N.A.	48.2	14.1		
	Small and medium-sized enterprises	20.4	26.4	21.1	16.3	15.3		
	Large enterprises	17.9	17.8	21.0	N.A.	21.3		
	Media	31.7	31.2	24.9	21.6	11.4		
	Telecommunications	19.3	18.5	23.8	N.A.	23.4		
	Information technologies	10.2	8.9	8.2	9.1	12.4		
12 Non-performing loans ratios (end-of-period figures)	Total enterprises	7.2	10.8	13.8	15.4	16.2	16.7	
	Information and communication activities	3.0	5.0	6.8	8.1	9.6	8.9	
	Media	3.9	6.2	8.6	11.0	10.6	9.2	
	Telecommunications	1.3	1.6	3.0	3.5	2.5	2.1	
	Information technologies	2.6	5.0	6.1	6.8	11.3	11.1	

## NOTES:

The aggregates 'Microenterprises', 'Small and medium-sized enterprises', 'Large enterprises', 'Media', 'Telecommunications' and 'Information technologies' are components of the information and communication activities sector, unless where indicated. Similarly, contributions shown always relate to contributions to the total of the sector under review. All values are shown as a percentage, except where the indicator relates to contributions (p.p.). Shaded cells are not represented in the charts. Non-calculated indicators are shown as 'N.A.'. Figures for Chart 12 refer to December of each period, except for the last figure shown, which refers to June.