STATISTICAL PRESS RELEASE 11|2017

Central Balance Sheet Study | 27 – Analysis of enterprises in the manufacture of beverages sector

26 January 2017

Banco de Portugal has published today the *Central Balance Sheet Study | 27*, with information on the economic and financial situation of enterprises in the manufacture of beverages sector between 2011 and 2016.

The results, essentially based on data from the Central Balance Sheet Database of Banco de Portugal, are broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and economic activity segment ('wine', 'beer' and 'soft drinks and waters') and compared with results for total enterprises and with manufacturing industries. They are also complemented with details on bank loans obtained by these enterprises with the resident financial system in Portugal.

Structure and dynamics

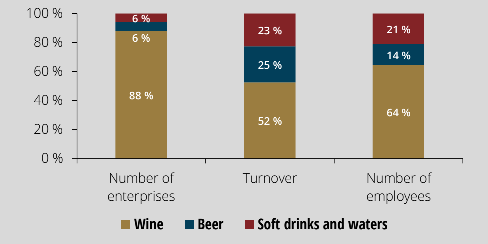
The sector had around 1,000 enterprises, especially microenterprises; 88 per cent belonged to the wine segment and 17 per cent integrated the export sector

In 2015 the manufacture of beverages sector comprised around 1,000 enterprises, i.e. 0.3 per cent of total enterprises in Portugal, accounting for 1 per cent of turnover and 0.5 per cent of the number of employees.

Wine accounted for the highest share of enterprises (88 per cent), turnover (52 per cent) and number of employees (64 per cent) in this sector. Beer and soft drinks and waters represented 25 and 23 per cent of turnover and 15 and 21 per cent of the number of employees respectively (Chart 1).

The sector was mostly composed of microenterprises (75 per cent). However, large enterprises were predominant in turnover (50 per cent), while SMEs accounted for the highest share of the number of employees (54 per cent).

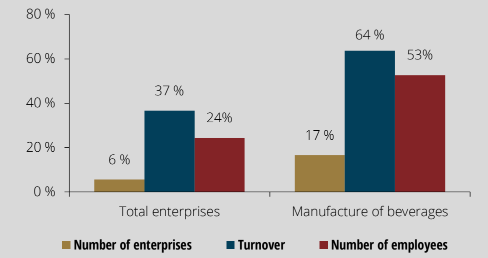
Chart 1 • Structures | By economic activity segment (2015)



In average terms, in 2015 enterprises in the manufacture of beverages sector generated four times more turnover and had two times more employees than the average enterprise in Portugal.

In the same year the export sector covered 17 per cent of enterprises in the manufacture of beverages sector, a proportion higher than the one observed for total enterprises (6 per cent). The export sector accounted for 64 per cent of the sector's turnover and 53 per cent of the number of employees (Chart 2).

Chart 2 • Share of the export sector (2015)



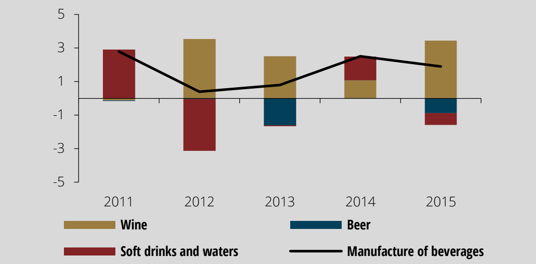
Activity and profitability

Turnover rose by 2 per cent in 2015. Return on equity reached 5 per cent

Turnover in the manufacture of beverages sector rose by 2 per cent in 2015, similarly to total enterprises.

By size class, SMEs made a 3 p.p. contribution to the rate of change in the sector's turnover, which was partially countered by large enterprises (-2 p.p.). Over the course of the 2011-15 period microenterprises made a residual contribution to the change in turnover for the manufacture of beverages sector. By economic activity segment, the increase in the sector's turnover was associated with the evolution of wine (3 p.p. contribution); beer and soft drinks and waters made a negative contribution to the change in the sector's turnover (-1 p.p. in both cases) (Chart 3).

Chart 3 • Turnover | Annual growth rate (per cent) and contributions (in p.p.)

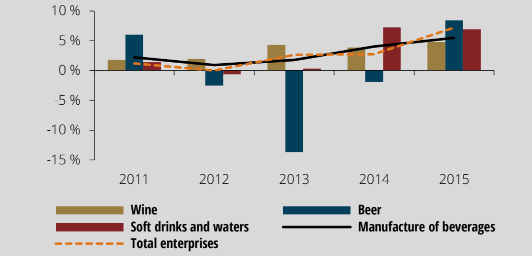


Operating expenses increased by 1 per cent in 2015, a lower change than that of turnover. This change was determined by supplies and external services and by employee expenses, since the cost of goods sold and materials consumed remained virtually unchanged from 2014.

The EBITDA of the manufacture of beverages sector grew by 9 per cent in 2015, below the 25 per cent increase in total enterprises. EBITDA grew in 53 per cent of enterprises, a slightly lower proportion than the one observed for total enterprises (54 per cent). In addition, the share of the sector's enterprises with negative EBITDA (31 per cent) was lower than the one recorded for total enterprises (33 per cent).

Return on equity of the manufacture of beverages sector amounted to 5 per cent in 2015, i.e. below the 7 per cent profitability observed for total enterprises (Chart 4). However, in the year under review, the manufacture of beverages sector showed an operating margin of 13 per cent and a net margin of 5 per cent, i.e. above the values recorded for total enterprises (10 and 3 per cent respectively).

Chart 4 • Return on equity

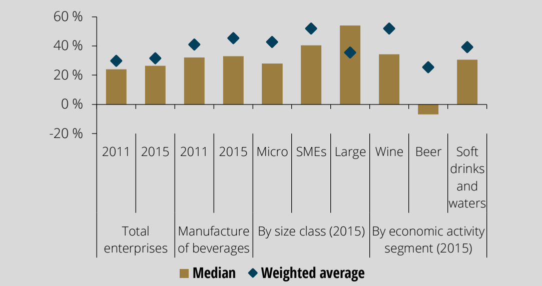


Financial structure

In 2015, 19 per cent of the sector's enterprises had negative equity. Bank loans and intra-group financing were the most relevant components of interest-bearing debt

The capital ratio of the manufacture of beverages sector was 45 per cent in 2015, i.e. higher than the 32 per cent recorded in total enterprises (Chart 5). Nevertheless, half of the sector's enterprises had a capital ratio of 33 per cent or lower.

Chart 5 • Capital ratio

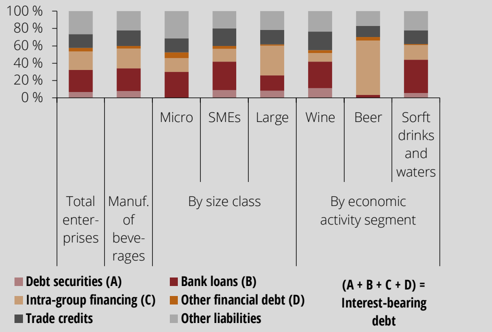


Approximately 19 per cent of enterprises in the manufacture of beverages sector had negative equity, i.e. below 29 per cent as recorded in total enterprises. The proportion of microenterprises with negative equity was higher than the sector's total (24 per cent); the same was true for the beer (53 per cent) and soft drinks and waters (23 per cent) segments.

In 2015 interest-bearing debt accounted for 60 per cent of the liabilities of the manufacture of beverages sector, i.e. slightly more than the weight observed for total enterprises (58 per cent) (Chart 6). Bank loans and intra-group financing were the most relevant components of the sector's interest-bearing debt (26 and 23 per cent of liabilities respectively).

Regarding beer, intra-group financing was the most relevant component of interest-bearing debt (63 per cent of liabilities). As for wine and soft drinks and waters, bank loans were the most relevant source of interest-bearing debt (31 and 38 per cent of liabilities respectively).

Chart 6 • Liabilities structure (2015)

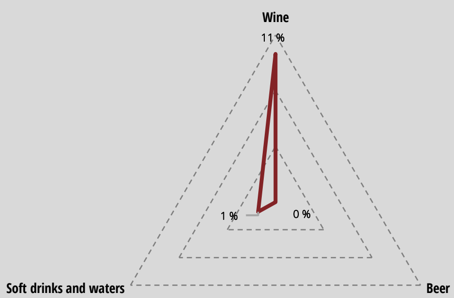


The information compiled by the Central Credit Register of Banco de Portugal shows that credit granted by the resident financial system to enterprises in the manufacture of beverages sector declined between 2011 and 2015, but increased by €26 million in the first half of 2016.

In June 2016 the wine segment accounted for the highest share of loans granted to the sector (68 per cent). By size class, the highest share of loans was granted to SMEs (58 per cent), followed by large enterprises (27 per cent) and microenterprises (15 per cent).

At the end of June 2016 the sector's non-performing loan ratio stood at 7.7 per cent. In the wine segment the non-performing loans ratio totalled 10.6 per cent (Chart 7).

Chart 7 • Non-performing loans ratio (end of first semester 2016)

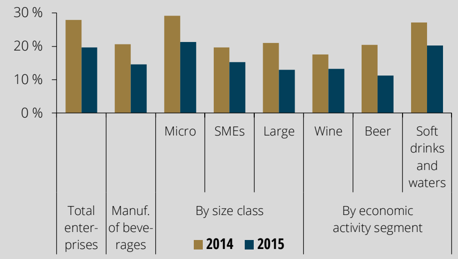


Financial costs and solvency

Financial pressure declined in 2015, as a result of a decrease in interest expenses and a rise in EBITDA

The financial pressure ratio of the manufacture of beverages sector, assessed by the weight of interest expenses in EBITDA, stood at 15 per cent in 2015, i.e. below the 20 per cent ratio of total enterprises (Chart 8). Financial pressure declined by 6 p.p. from 2014; this reduction was broadly based across all size classes and economic activity segments.

Chart 8 • Weight of interest expenses in EBITDA (2014 and 2015)



Despite the reduction in financial pressure in the manufacture of beverages sector, individual information shows that in 2015, 25 per cent of the sector's enterprises did not generate sufficient EBITDA to bear the interest resulting from their interest-bearing debt. Nevertheless, this proportion was lower than the one seen in total enterprises (30 per cent). Conversely, 70 per cent of enterprises in the manufacture of beverages sector recorded financial pressure levels below 0.5 (66 per cent in total enterprises).

The reduction in financial pressure in 2015 was due not only to EBITDA growth but also to a reduction in interest expenses of the manufacture of beverages sector (23 per cent). This was broadly based across all size classes and economic activity segments.

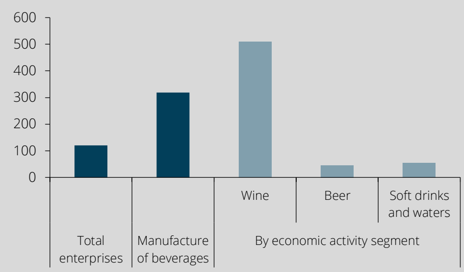
Trade credit financing

Negative net trade credit financing

In 2015, 18 per cent of liabilities of the manufacture of beverages sector corresponded to trade credits, a value close to that observed for total enterprises (16 per cent).

The indicator of net trade credit financing, as a percentage of turnover, was - 3 per cent in 2015, showing that the manufacture of beverages sector did not obtain net financing in this manner. This value was similar to that observed for total enterprises in the year under review.

Chart 9 • Cash conversion cycle (number of days, 2015)



According to data for 2015, enterprises in the manufacture of beverages sector waited, on average, 319 days to convert payments from the purchase of goods and materials into inflows from sales, a period 2.7 times higher than the one observed for total enterprises and 3.4 times higher than the one observed for manufacturing industries (cash conversion cycles of 120 and 94 days respectively) (Chart 9). This result was due to the wine segment, which in 2015 showed a cash conversion cycle of 509 days.

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 27 on enterprises in the manufacture of beverages sector (in Portuguese only)

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