

# Analysis of enterprises in the manufacture of beverages sector

Central Balance Sheet Studies  
January | 2017



BANCO DE PORTUGAL  
EUROSYSTEM

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# Foreword

This analysis is based on data obtained from *Informação Empresarial Simplificada* – IES (Simplified Corporate Information) and held in the Central Balance Sheet Database of Banco de Portugal. Through IES, enterprises are able to meet their obligation to report their annual accounts simultaneously to the Ministries of Finance and Justice, Banco de Portugal and Portuguese National Statistical Institute (INE).

IES is usually reported within six and a half months from the financial year-end, which, for most enterprises resident in Portugal, corresponds to 15 July of the year following the reference year. This analysis used IES data for 2015, i.e. the most recent as at the date of this publication.

Data reported by enterprises through IES are subject to quality control by Banco de Portugal mainly to ensure that the accounting information for the economic year is coherent and complete and that the main aggregates are consistent throughout the years.

In addition to information obtained through IES, this publication features complementary data on the financing of enterprises in Portugal available in other databases managed by Banco de Portugal, namely the Central Credit Register. This information characterises a significant share of the liabilities of Portuguese enterprises, particularly loans granted by the resident financial sector.



# Summary

In this study, Banco de Portugal analyses the manufacture of beverages sector, considering for this purpose enterprises engaged in the production of wine, beer, soft drinks, waters, and other alcoholic and non-alcoholic beverages. This sector excludes the production of fruit and vegetable juices and milk-based drinks, as well as bottling, storage and distribution of beverages without transformation.

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

The wine segment encompassed the highest shares of the number of enterprises (88 per cent), turnover (52 per cent), and employees (64 per cent) in the manufacture of beverages sector.

Microenterprises accounted for 75 per cent of the sector's enterprises, but large enterprises were more relevant for turnover (50 per cent). Small and medium-sized enterprises (SMEs) accounted for 54 per cent of the number of employees of the sector.

The Porto district had the head offices of 13 per cent of the enterprises in the manufacture of beverages sector, as well as the highest share of the sector's turnover and number of employees (34 and 23 per cent respectively).

Turnover in the manufacture of beverages sector was mostly generated by enterprises established for more than 20 years (52 per cent), similar to total enterprises in Portugal (56 per cent).

The export sector accounted for 17 per cent of enterprises in the manufacture of beverages sector, 64 per cent of turnover and 53 per cent of employees of the sector's total.

The sector's turnover rose by 2 per cent in 2015, similarly to 2014. Operating expenses grew by 1 per cent.

EBITDA in the manufacture of beverages sector rose by 9 per cent in 2015, i.e. below the growth

observed for total enterprises (25 per cent). In the same year 53 per cent of the sector's enterprises recorded positive changes in EBITDA, slightly below the value observed for total enterprises (54 per cent). In spite of the positive developments in EBITDA, 31 per cent of the sector's enterprises presented negative EBITDA in 2015 (33 per cent for total enterprises).

Return on equity in the manufacture of beverages sector amounted to 5 per cent in 2015, i.e. below the value recorded in total enterprises (7 per cent). In the same year the operating margin reached 13 per cent and the net margin 5 per cent (10 and 3 per cent in total enterprises respectively).

The capital ratio in the manufacture of beverages sector stood on average at 45 per cent in 2015, i.e. above that observed in total enterprises (32 per cent). Interest-bearing debt accounted for 60 per cent of liabilities, i.e. more than the value recorded for total enterprises (58 per cent).

According to information from Banco de Portugal's Central Credit Register, the stock of loans granted by the resident financial sector to enterprises in the manufacture of beverages sector declined between 2011 and 2015, but increased by €26 million in the first half of 2016. The non-performing loans ratio in the manufacture of beverages sector was of 7.7 per cent in June 2016, i.e. below the value recorded for total enterprises (16.7 per cent).

In 2015 interest expenses absorbed 15 per cent of EBITDA in the manufacture of beverages sector, i.e. below the value for total enterprises (20 per cent). In addition, interest expenses for the manufacture of beverages declined by 23 per cent from 2014.

Trade credit in the manufacture of beverages sector accounted for 18 per cent of its liabilities in 2015 (16 per cent for total enterprises). However, net trade credit financing was negative, to an amount equivalent to 3 per cent of the respective turnover.





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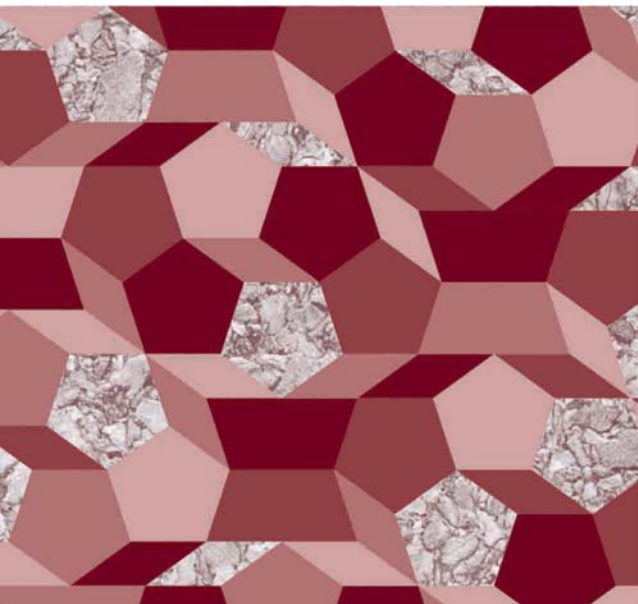
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# Analysis of enterprises in the manufacture of beverages sector

1. Introduction

2. Structure and dynamics

Box 1 | The relevance of the export sector

3. Economic and financial analysis

Box 2 | Loans granted by the resident  
financial system



# 1. Introduction

The *Analysis of enterprises in the manufacture of beverages sector* evaluates the economic and financial situation of enterprises<sup>1</sup> operating in the manufacture of beverages sector, based on information from the Central Balance Sheet Database of Banco de Portugal.<sup>2</sup>

For the purposes of this analysis, the manufacture of beverages sector covers enterprises labelled under Division 11 – Manufacture of beverages sector, which integrates Section C – Manufacturing of the Portuguese Classification of Economic Activities, Revision 3 (CAE-Rev.3).

The sector was divided into three economic activity segments, corresponding to classes or groups of classes included in Division 11 of CAE-Rev.3, as follows:

- **Wine:** includes the production of wine and alcoholic beverages, distilled or not, corresponding to classes 1101 – Distilling, rectifying and blending of spirits, 1102 – Manufacture of wine from grape and 1104 – Manufacture of other non-distilled fermented beverages;
- **Beer:** covers the production of cider, beer and malt. It comprises classes 1103 – Manufacture of cider and other fruit wines, 1105 – Manufacture of beer and 1106 – Manufacture of malt;
- **Soft drinks and waters:** corresponds to class 1107 – Manufacture of soft drinks; production of mineral waters and other bottled waters.

The analysis focuses chiefly on the 2011-15 period, on the basis of the Simplified Corporate Information (IES). The most recent data are also used on bank loans and non-performing loans for 2016, obtained from Banco de Portugal's Central Credit Register (CCR).

This study also sets out to characterise the manufacture of beverages sector for a range of selected indicators, as regards the structure of individual results of the enterprises forming the sector. For that purpose, the medians of the distribution of individual values are shown, giving the positioning of most sector's enterprises, while also providing measures that

are not conditioned by the presence of extreme values. In addition, enterprises are broken down by economic activity segment and size class.

The study starts in Chapter 2 with a characterisation of the manufacture of beverages sector, describing the sector's structure in terms of economic activity, size, geographical location, and maturity of the enterprises which are a part of it. Data are also presented on the proportion of turnover in larger enterprises and corporate dynamics. Finally, 'Box 1 | The relevance of the export sector' allows for a quantification of the relevance of external markets for the activity of the manufacture of beverages sector.

Chapter 3 reviews recent turnover developments to determine the extent to which these are reflected in profitability. This involves breaking down the effects on profitability into operating and financial components, while providing some information on the sector's enterprises' financing structure and solvency capacity. This information is complemented with data on bank loans available from the CCR ('Box 2 | Loans granted by the resident financial system').

The Annex contains a summary table with the main indicators and a methodological summary with the definition of the main concepts used throughout the study. The statistical series (in Excel format) under analysis can also be found on Banco de Portugal's website.

This publication compares the results obtained for the manufacture of beverages sector with total enterprises in Portugal and manufacturing. For greater detail on total enterprises see the Central Balance Sheet Study | 26 – *Sectoral analysis of non-financial corporations in Portugal 2011-2016*, of November 2016.

## 2. Structure and dynamics

### 2.1. Structure

In 2015 the manufacture of beverages sector was comprised of 1,000 enterprises, corresponding in number to 0.3 per cent of total enterprises and 2.6 per cent of manufacturing (Table 1). Turnover in the manufacture of beverages sector accounted for 1.0 and 3.8 per cent of turnover generated by total enterprises and manufacturing respectively. The sector accounted for 0.5 per cent of employees of total enterprises and 2.2 per cent of employees of manufacturing.

Compared to 2011 the weight of the manufacture of beverages sector in total enterprises increased slightly both in terms of number of enterprises and turnover, although not exceeding 1 per cent in any of the variables considered. The weight of this sector in manufacturing in terms of number of enterprises increased by 0.5 percentage points (p.p.) from 2011, although remaining relatively stable when considering turnover and the number of employees.

**Table 1 • Weight of the manufacture of beverages sector in total enterprises and in manufacturing (2011 and 2015)**

		Number of enterprises	Turnover	Number of employees
Total enterprises	2011	0.2%	0.9%	0.5%
	2015	0.3%	1.0%	0.5%
Manufacturing	2011	2.1%	3.7%	2.1%
	2015	2.6%	3.8%	2.2%

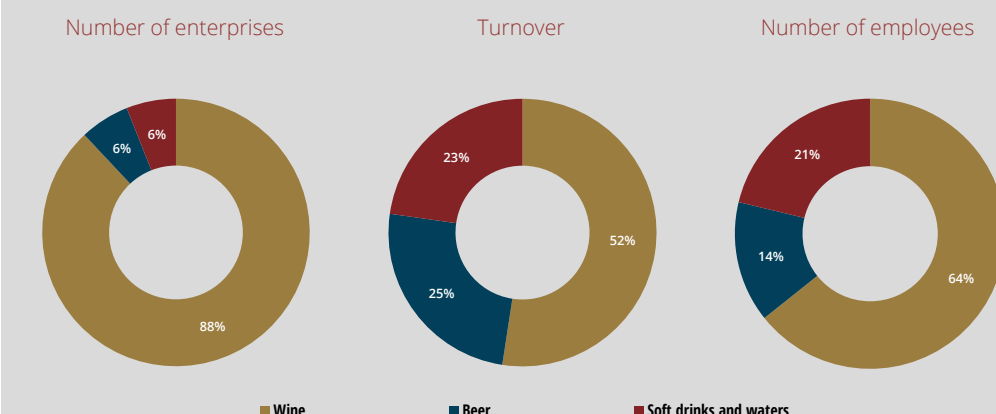
By **economic activity segment**, in 2015, 88 per cent of the enterprises in the manufacture of beverages sector pursued their business in the wine segment, which accounted for 52 per cent of turnover and 64 per cent of the number of employees of the sector as a whole (Chart 1).

In the year under review the beer and soft drinks and waters segments accounted for 6 per cent of the sector's enterprises in both

cases. However, they accounted for 25 and 23 per cent of turnover in the manufacture of beverages sector respectively. These segments were also relevant when considering the number of employees: 21 per cent in soft drinks and waters and 14 per cent in the beer segment.

By **size class**,<sup>4</sup> 75 per cent of enterprises in the manufacture of beverages sector were

**Chart 1 • Structures | By economic activity segment (2015)<sup>3</sup>**



microenterprises and accounted for only 4 per cent of turnover and 13 per cent of the number of employees in this sector. These contributions were lower than observed for total enterprises (16 and 27 per cent respectively), but similar to those recorded in manufacturing (5 and 13 per cent respectively) (Chart 2).

Small and medium-sized enterprises (SMEs) as well as large enterprises had a greater weight in this sector, compared with total enterprises (24 and 1 per cent of enterprises in the manufacture of beverages sector, compared to 11 and 0.3 per cent for total enterprises respectively). This structure is closer to that observed in manufacturing (28 and 1 per cent respectively).

SMEs accounted for 45 per cent of turnover in the manufacture of beverages sector, a value similar to that observed for total enterprises (43 per cent) and manufacturing (45 per cent). They also accounted for 54 per cent of the sector's number of employees, a higher share than in total enterprises (45 per cent), but lower

than the one observed in manufacturing (64 per cent).

Large enterprises totalled 50 per cent of turnover and 33 per cent of the number of employees of the manufacture of beverages sector, i.e. above the share observed for total enterprises (41 and 27 per cent respectively). The weight of large enterprises in the manufacture of beverages sector was similar to that of manufacturing in terms of turnover, but was higher when considering the number of employees (23 per cent of the number of employees in manufacturing).

A more detailed analysis of the structure by size class and economic activity segment (Chart 3) shows that in 2015 microenterprises accounted for most enterprises in any of the economic activity segments which are a part of the manufacture of beverages sector (90 per cent of beer enterprises, 75 per cent of wine enterprises, and 62 per cent of soft drinks and waters enterprises). However, SMEs were predominant in the wine segment in terms of turnover generated and the number of employees (69 per cent of the segment in both

Chart 2 • Structures | By size class (2015)

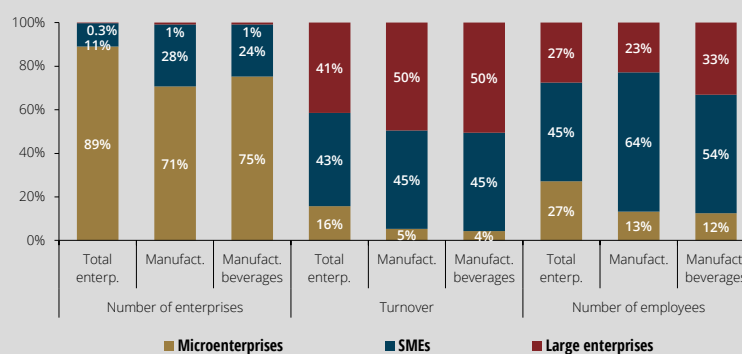
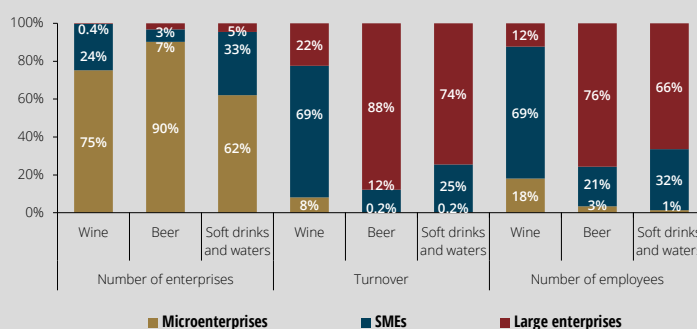


Chart 3 • Structures | By size class and economic activity segment (2015)



cases). As regards beer and soft drinks and waters, large enterprises (3 and 5 per cent of the number of enterprises respectively) accounted for the highest share of turnover (88 and 74 per cent respectively) and number of employees (76 and 66 per cent respectively).

In 2015 turnover generated by the average enterprise in the manufacture of beverages sector was four times the turnover generated by the average Portuguese enterprise (Chart 4). Assessed regarding the number of employees, the size of the average enterprise in the manufacture of beverages sector was twice the average Portuguese enterprise.

These differentials had a more significant contribution from the beer and soft drinks and waters segments, with an average turnover 16 and 14 times higher than the average Portuguese enterprise respectively. The same was recorded for the average number of employees, which in these segments was five and seven times higher than the average value of total enterprises respectively. In the wine segment the average enterprise was only twice the average for total enterprises in terms of turnover and similar to the Portuguese average in terms of the number of employees.

With regard to **geographical location**<sup>5</sup>, Porto had the highest number of enterprises in the manufacture of beverages sector (13 per cent); it was also the most significant district in terms of turnover (34 per cent) and number of employees (23 per cent) (Table 2). Lisboa, in turn, accounted for 11 per cent of the sector's enterprises, but 23 per cent of turnover and 21 per cent of the number of employees.

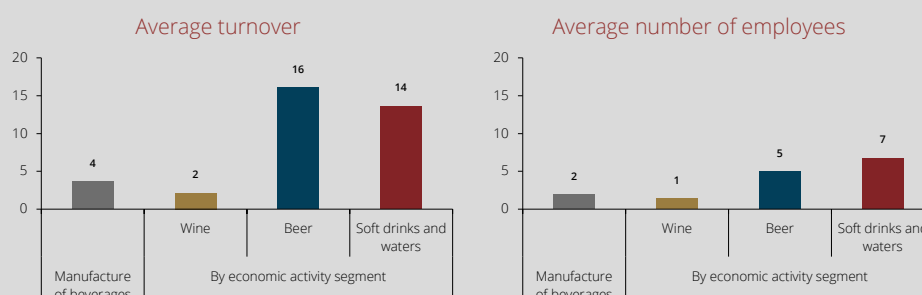
The greater relevance of Porto was related, in terms of activity segment, to its weight in the manufacture of wine, accounting for 14 per cent of enterprises and the highest share of the segment's turnover (39 per cent) and number of employees (25 per cent).

As regards beer, the Porto district also showed significant weights in terms of turnover (53 per cent) and number of employees (44 per cent), although Lisboa had the highest number of enterprises of the segment (25 per cent).

As for the soft drinks and waters segment, the Aveiro and Lisboa districts accounted for 14 per cent of enterprises (in each case), the latter with the highest share of turnover and number of employees (47 and 46 per cent respectively).

Figure 1 gives an assessment of the relative weight of the manufacture of beverages sector's turnover, as well as that of the segments of activity comprising it, in total enterprises with their head office in each district. In 2015 the importance of the manufacture of beverages sector was higher in Vila Real and Évora, accounting for 9 and 6 per cent of turnover generated in these districts respectively. In the Porto district these activities accounted for 2 per cent of turnover generated by enterprises headquartered there. In the remaining districts this weight was lower than 2 per cent. However, this sector played a more important role inland in northern Portugal and in the south.

**Chart 4 • Average turnover and average number of employees | Ratio to total enterprises (total enterprises = 1) (2015)**





**Table 2 • Geographical location | By economic activity segment (2015)**

	Number of enterprises		Turnover		Number of employees	
	District (Top 3)	% of total	District (Top 3)	% of total	District (Top 3)	% of total
Total enterprises	Lisboa	28%	Lisboa	43%	Lisboa	35%
	Porto	18%	Porto	16%	Porto	19%
	Braga	8%	Braga	6%	Braga	9%
Manufacturing	Porto	23%	Lisboa	23%	Porto	24%
	Braga	16%	Porto	17%	Braga	18%
	Lisboa	13%	Aveiro	14%	Aveiro	16%
Manufacture of beverages	Porto	13%	Porto	34%	Porto	23%
	Vila Real	11%	Lisboa	23%	Lisboa	21%
	Lisboa	11%	Setúbal	9%	Vila Real	9%
Wine	Porto	14%	Porto	39%	Porto	25%
	Vila Real	12%	Évora	9%	Lisboa	10%
	Viseu	11%	Vila Real	9%	Évora	9%
Beer	Lisboa	25%	Porto	53%	Porto	44%
	Porto	13%	Lisboa	35%	Lisboa	33%
	Aveiro	11%	Santarém	6%	Funchal	11%
Soft drinks and waters	Aveiro	14%	Lisboa	47%	Lisboa	46%
	Lisboa	14%	Setúbal	26%	Setúbal	14%
	Braga	9%	Vila Real	6%	Vila Real	14%

The wine segment showed a greater territorial dispersion, representing between 0.5 and 2 per cent of turnover of total enterprises in a high number of districts, particularly inland in northern Portugal and in the south. This segment had a higher weight in the turnover of enterprises with head office in the Vila Real (7 per cent) and Évora (6 per cent) districts.

The weight of the remaining segments in the turnover of enterprises with head office in each district was lower. Beer accounted for 1 per cent of turnover generated in the Porto and Santarém districts, with a weight below 0.5 per cent in the remaining districts. Soft drinks and waters accounted for 2 per cent of turnover generated in Vila Real and 1 per cent in Setúbal, with a marginal weight in the remaining districts.

Considering the **maturity of enterprises**<sup>6</sup> in 2015, 52 per cent of turnover in the manufacture of beverages sector was generated by enterprises established for more than 20 years and 42 per cent by enterprises established for 10 to 20 years (Chart 5).

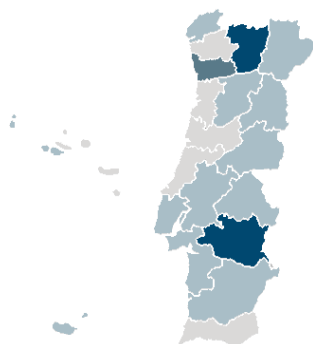
Conversely, only 6 per cent of turnover was generated in enterprises established for less than 10 years, in contrast to 20 per cent for enterprises with this maturity within total enterprises.

In the wine segment enterprises established for more than 20 years accounted for the highest share of turnover (74 per cent). In spite of the predominance of more mature enterprises, enterprises established for less than 10 years generated 7 per cent of turnover in the wine segment, a share similar to the one registered in the beer segment and higher than in the soft drinks and waters segment (4 per cent).

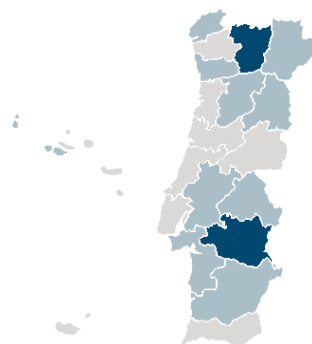
In the beer segment, 93 per cent of turnover was generated by enterprises established for more than 10 years; enterprises established for 10 to 20 years accounted for 88 per cent of turnover in the beer segment. The soft drinks and waters segment presented a breakdown similar to that of the sector's total; 96 per cent of turnover was generated by enterprises established for more than 10 years.

**Figure 1 • Geographical location by district | Weight in total enterprises (turnover - 2015)**

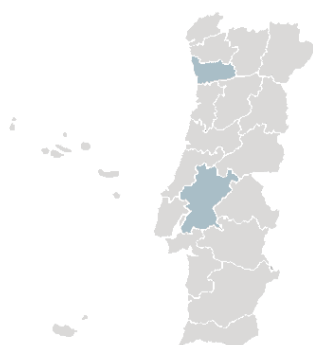
Manufacture of beverages sector



Wine



Beer

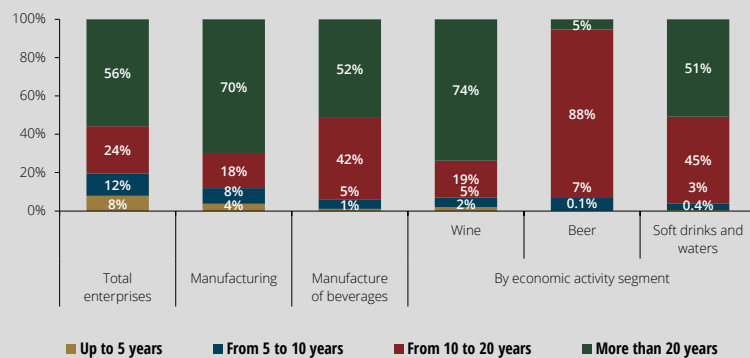


Soft drinks and waters



Key to the figure: [0 %; 0,5 %] [0,5 %; 2 %] [2 %; 5 %] [5 %; 10 %]

Note: Information on the manufacture of beverages sector reflects the sum of the values computed for its segments, shown individually in the other maps.

**Chart 5 • Structures | By maturity class (turnover - 2015)**

## 2.2. Concentration

In 2015 concentration of turnover in the manufacture of beverages sector was similar to that observed for total enterprises. One tenth of the sector's enterprises accounted for 88 per cent of turnover (Chart 6).

However, economic activity segments showed different degrees of concentration of turnover.

In the wine segment, where small and medium-sized enterprises were predominant, turnover generated by the largest 10 per cent of enterprises stood at 80 per cent.

In the beer segment, in turn, the largest 10 per cent of enterprises accounted for 99.8 per cent of turnover.

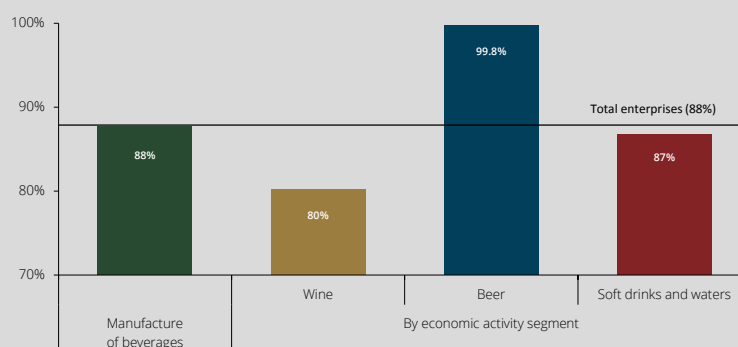
The soft drinks and waters segment were in an intermediate situation, with 87 per cent of turnover coming from 10 per cent of its largest enterprises, similarly to the manufacture of beverages sector and total enterprises.

## 2.3. Dynamics

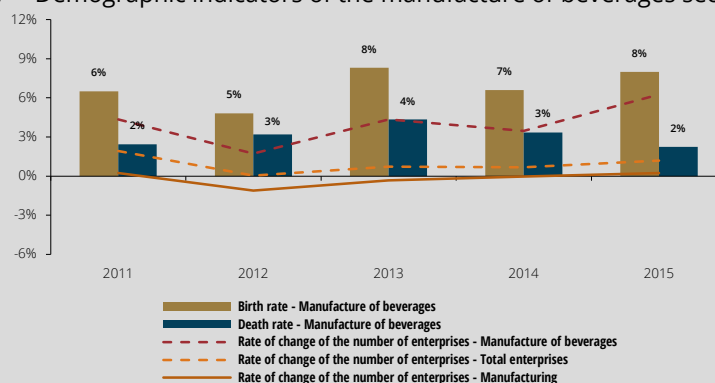
Between 2011 and 2015 the number of enterprises increased more in the manufacture of beverages sector than in total enterprises and particularly in manufacturing (Chart 7). In 2015 the number of enterprises grew by 6 per cent in the manufacture of beverages sector and 1 per cent in total enterprises; the number of enterprises in manufacturing did not change. In the 2011-15 period the differential between rates of change in the number of enterprises in the manufacture of beverages sector and total enterprises stood between 2 and 5 p.p.; the differential vis-à-vis manufacturing was more significant (3 to 6 p.p.).

The birth rate in the manufacture of beverages sector was always higher than 5 per cent in the 2011-15 period, reaching peaks in 2013 and 2015 (8 per cent). This sector's death rate was the highest in 2013 (4 per cent), but has been declining ever since (3 per cent in 2014 and 2 per cent in 2015).

**Chart 6 • Share of turnover held by 10 per cent of the enterprises (2015)**



**Chart 7 • Demographic indicators of the manufacture of beverages sector**



Dynamics in the manufacture of beverages sector translated into the cumulative growth of the number of the sector's enterprises between 2011 and 2015, which was more significant than the one observed for total enterprises (23 per cent increase compared to a 3 per cent change for total enterprises) (Chart 8).

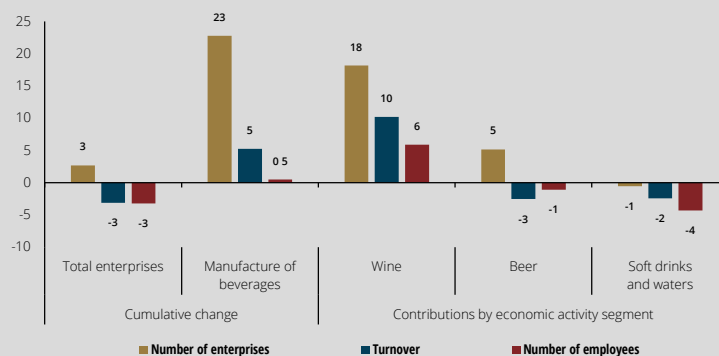
This industry's dynamics was also reflected in turnover: from 2011 to 2015 this indicator showed a 5 per cent cumulative growth, while for total enterprises it showed a 3 per cent cumulative decline.

Developments in the manufacture of beverages sector from 2011 to 2015 were largely accounted for by the evolution of the wine segment, with contributions of 18, 10 and

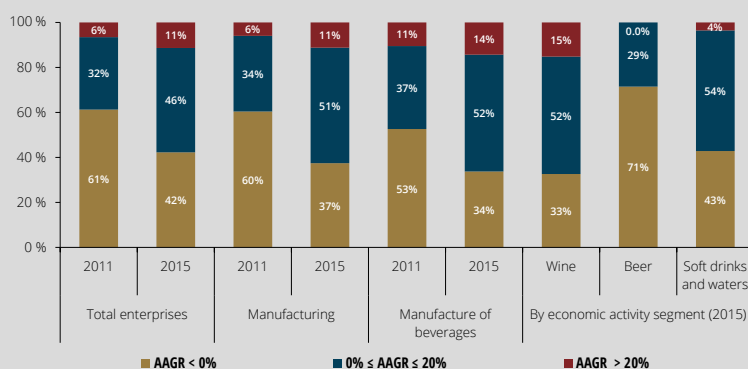
6 p.p. to the growth rates of the sector's number of enterprises, turnover and number of employees respectively.

In 2015 the share of high-growth enterprises (HGEs,<sup>7</sup> i.e. enterprises with an annual average growth rate of turnover in a period of three consecutive years of more than 20 per cent) was of 14 per cent in the manufacture of beverages sector (Chart 9). In the same year the share of HGEs in total enterprises and manufacturing was of 11 per cent. The differential between the manufacture of beverages sector and total enterprises and manufacturing was to a large extent due to the wine segment, which in 2015 showed the highest share of HGEs (15 per cent). The wine segment also presented the lowest share of enterprises with a negative annual average

**Chart 8 • Developments in the manufacture of beverages sector and in total enterprises (2015) | Cumulative change from 2011 (as a percentage) and contributions by economic activity segment (in p.p.)**



**Chart 9 • Potential population of high-growth enterprises | Annual average growth rate - AAGR (over a three-year period)**



growth rate in the same period of three consecutive years (33 per cent).

In 2015, 34 per cent of enterprises in the manufacture of beverages sector recorded a negative annual average growth rate in a period of three consecutive years. This was lower than in 2011 (53 per cent) and more favourable than the values recorded by total enterprises (42 per cent) and manufacturing (37 per cent) in 2015.

In the beer and soft drinks and waters segments, a significant share of enterprises of the potential HGE population recorded a negative annual average growth rate in a three-year period (71 and 43 per cent respectively). In the beer segment no enterprise was labelled as HGE in 2015. In soft drinks and waters the relevance of these enterprises was residual (4 per cent).

### Box 1 | The relevance of the export sector

In 2015, 17 per cent of enterprises in the manufacture of beverages sector were a part of the export sector<sup>8</sup>. These enterprises accounted for 64 per cent of turnover and 53 per cent of the number of employees in the manufacture of beverages sector (Chart 10). The export sector played a more significant role in the manufacture of beverages sector than in total enterprises (6 per cent of enterprises, 37 per cent of turnover and 24 per cent of the number of employees).

The weight of the export sector in the manufacture of beverages sector increased with the enterprise size class (Chart 11). Among large enterprises, 67 per cent belonged to the export sector; these accounted for 75 per cent of turnover and 71 per cent of the number of employees of large enterprises in the manufacture of beverages sector. Among SMEs, the weight of the export sector was nevertheless significant: 44 per cent of SMEs were comprised in the export sector, accounting for 55 per cent of turnover and 50 per cent of the number of employees of SMEs in the manufacture of beverages sector. The export sector covered only 7 per cent of microenterprises, playing a more important role when considering turnover (21 per cent) and the number of employees (15 per cent) associated with this size class.

Most turnover in the segments of activity under review originated in the export sector, which was also significant in terms of the number of employees (Chart 11). In the soft drinks and waters segment the weight of the export sector reached 73 per cent of turnover and 64 per cent of the number of employees. In turn, 18 per cent of enterprises in the wine segment were part of the export sector, a value higher than the one recorded in the other segments.

Chart 10 • Weight of the export sector (2015)

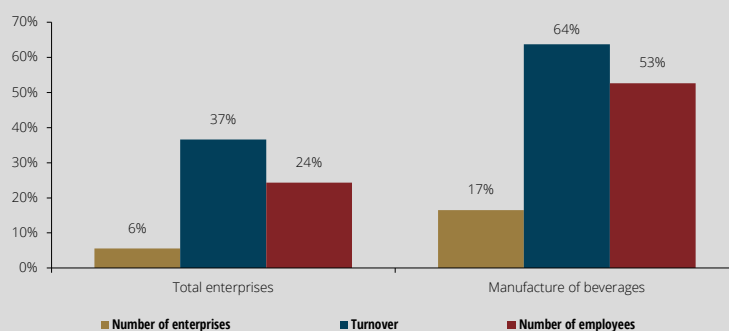
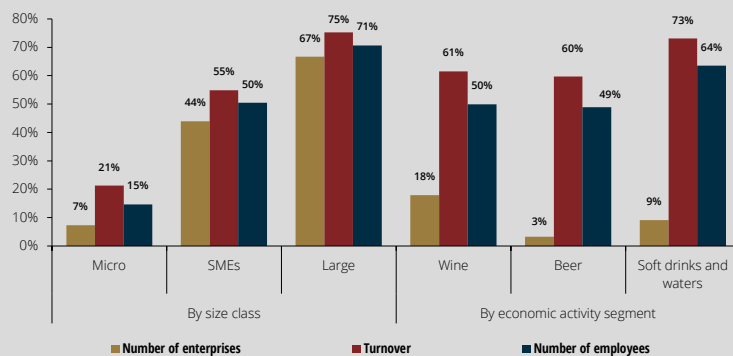


Chart 11 • Weight of the export sector | By economic activity segment and size class (2015)



In the manufacture of beverages sector, the export sector was mostly composed of SMEs (64 per cent), followed by microenterprises (33 per cent) and large enterprises (3 per cent) (Chart 12). Other enterprises not included in the export sector were mostly microenterprises (84 per cent); the weight of large enterprises was residual (below 0.5 per cent).

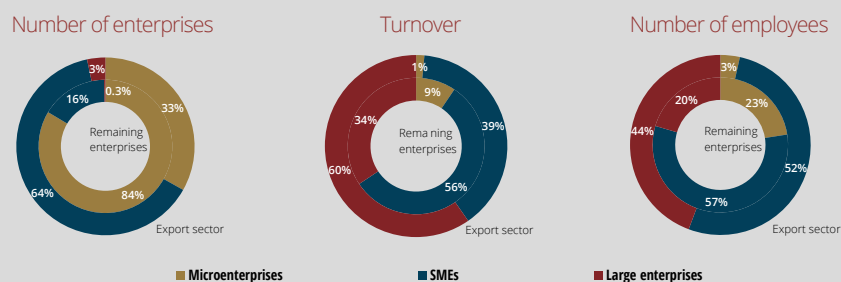
In spite of the SMEs' predominance in number, large enterprises accounted for the highest share of turnover of the manufacture of beverages export sector (60 per cent), also covering 44 per cent of the number of employees. SMEs accounted for 39 per cent of turnover and 52 per cent of the number of employees. Microenterprises represented a negligible share of turnover (1 per cent) and of the number of employees (3 per cent) associated with the sector's exporting enterprises.

In the manufacture of beverages sector the wine segment encompassed most of the export sector's enterprises (96 per cent), turnover (51 per cent) and number of employees (61 per cent) (Chart 13). The soft drinks and waters segment assumed a greater importance in the manufacture of beverages export sector than in the total manufacture of beverages sector, accounting for 26 per cent of the export sector's turnover and number of employees.

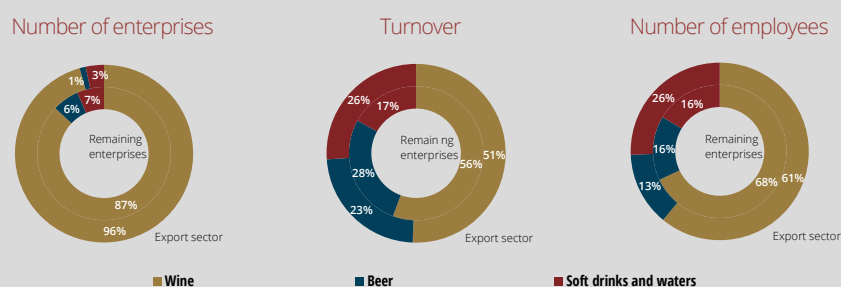
The importance of the external market in the manufacture of beverages sector is confirmed by the external trade balance (Chart 14). In 2015 this differential was equivalent to 15 per cent of turnover in the manufacture of beverages sector, higher than the one recorded for total enterprises (1 per cent). This difference was due not only to a higher weight of the export component of turnover (28 per cent, above the 22 per cent for total enterprises), but also to a lower importance of the import component of purchases and supplies and external services (SES) (13 per cent of turnover, 21 per cent for total enterprises).

By size class this balance accounted for similar shares of turnover in 2015 (between 13 and 18 per cent). However, exports and imports as a percentage of turnover were less

**Chart 12 • Structure considering the inclusion in the export sector | By size class (2015)**



**Chart 13 • Structure considering the inclusion in the export sector | By economic activity segment (2015)**

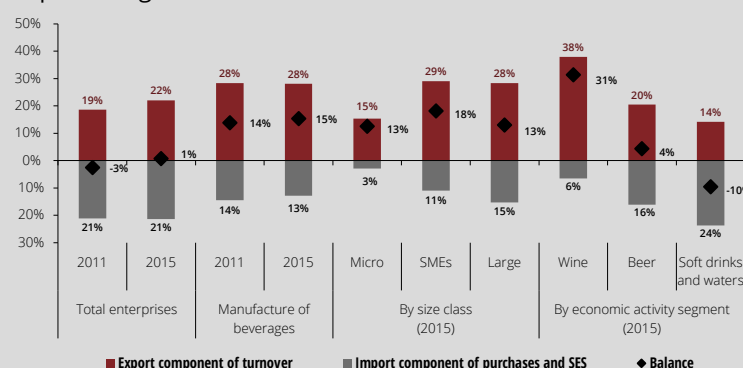


significant among microenterprises. The activity segments that composed the manufacture of beverages sector had different profiles: regarding wine, this balance was equivalent to 31 per cent of turnover, with a notable weight of exports in this segment's turnover (38 per cent). The soft drinks and waters segment, in turn, diverged from the others by presenting a negative external trade balance equivalent to 10 per cent of its turnover.

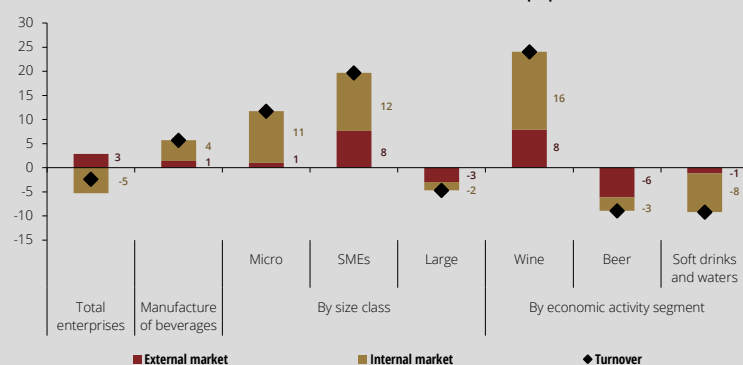
In spite of the external market's importance for turnover in the manufacture of beverages sector, the growth of this indicator from 2011 to 2015 was boosted by the internal market (4 p.p. contribution to a 6 per cent cumulative change) (Chart 15). This differs from the situation observed for total enterprises, for which the increase in sales to the external market partly offset the reduction in the internal market over this period.

The contribution from the external market to the sector's turnover growth was more significant in SMEs and the wine segment (8 p.p. contributions in both cases), but was also positive among microenterprises (1 p.p.). In large enterprises and the beer and soft drinks and waters segments, both the external and internal markets contributed to the reduction in turnover observed from 2011 to 2015.

**Chart 14 • Export component of turnover and import component of purchases and SES | As a percentage of turnover**



**Chart 15 • Turnover (2015) | Cumulative change from 2011 (as a percentage) and contributions from the external and internal markets (p.p.)**





### 3. Economic and financial analysis

#### 3.1. Economic environment

Portuguese GDP grew by 1.6 per cent in 2015, 0.7 p.p. above the rate of change recorded in the previous year. All GDP components posted positive changes in 2015 (Table 3).

Private consumption increased more than public consumption (2.6 and 0.8 per cent respectively), which marked a reversal of a series of decreases since 2009. Gross fixed capital formation increased by 4.5 per cent in 2015, i.e. growing more than in 2014.

Although import growth (8.2 per cent) was higher than that of exports (6.1 per cent), the acceleration from the previous year was higher

for exports (1.8 p.p., compared with 0.4 p.p. in the case of imports), notwithstanding the deceleration in external demand for Portuguese goods and services (whose year-on-year rate of change moved from 4.8 per cent in 2014 to 4.2 per cent in 2015).

Data published by the Portuguese National Statistical Institute for the third quarter of 2016 point to 1.1 per cent GDP growth compared with the same period in the previous year, with a decline in gross fixed capital formation and a deceleration of export and import growth.<sup>9</sup>

**Table 3 • GDP and main expenditure components | Real year-on-year rate of change**

	2011	2012	2013	2014	2015 (p)	2016 (Q3) (p)
GDP	-1.8%	-4.0%	-1.1%	0.9%	1.6%	1.1%
Private consumption	-3.6%	-5.5%	-1.2%	2.3%	2.6%	2.0%
Public consumption	-3.8%	-3.3%	-2.0%	-0.5%	0.8%	0.8%
Gross fixed capital formation	-12.5%	-16.6%	-5.1%	2.3%	4.5%	-2.0%
Exports	7.0%	3.4%	7.0%	4.3%	6.1%	3.5%
Imports	-5.8%	-6.3%	4.7%	7.8%	8.2%	3.2%

Sources: Portuguese National Statistical Institute and Banco de Portugal.

Note: (p) – preliminary data

#### 3.2. Activity and profitability

##### 3.2.1. Turnover

Turnover in the manufacture of beverages sector rose by 2 per cent in 2015 (Chart 16). The differential between the sector's turnover growth rate and that recorded by total enterprises, which was positive up to 2014, turned marginally negative. The rate of change in turnover in the manufacture of beverages sector was similar to that recorded by manufacturing, after three years of favourable developments in the sector's turnover.

By size class, developments in turnover in the manufacture of beverages sector from 2011 to 2015 were chiefly associated with the performance of SMEs and large enterprises; the contribution from microenterprises was residual (Chart 17). Large enterprises, which in 2014 had contributed more significantly to the sector's turnover growth, made a negative contribution of 2 p.p. in 2015.

SME turnover has been increasing since 2012; these enterprises made a 3 p.p. contribution to the rate of change of turnover in 2015.

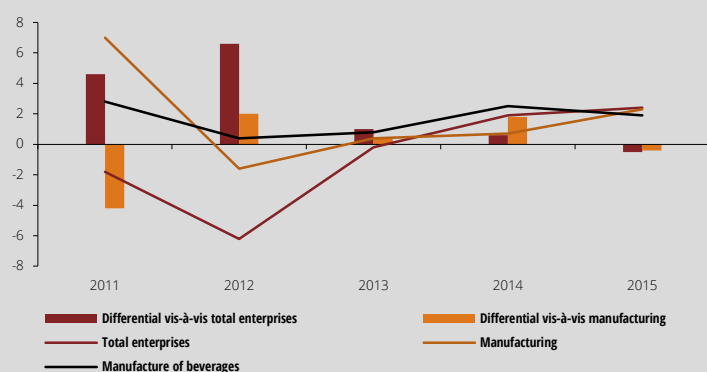
By economic activity segment, wine had a positive impact in the rate of change in the

sector's turnover since 2012. In 2015 it was the only segment that recorded turnover growth, contributing with 3 p.p. to the total rate of change in the manufacture of beverages sector.

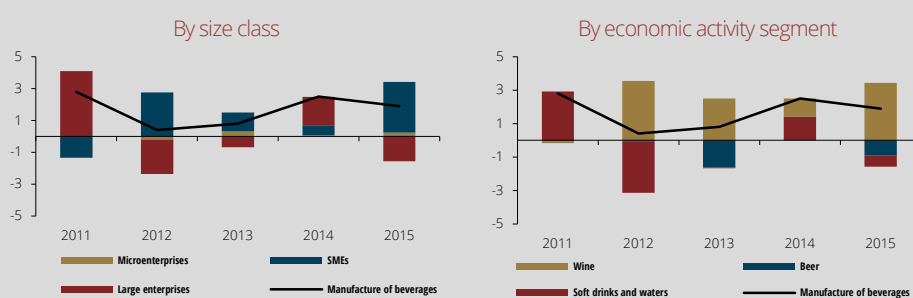
The effect of soft drinks and waters on the evolution of turnover in the manufacture of beverages sector was more irregular over the period under review, totalling -1 p.p. in 2015. In turn, the beer segment made, over the course of the 2011-15 period, zero or negative contributions to developments in the sector's turnover (-1 p.p. in 2015).

The reduction in turnover observed in the beer and soft drinks and waters segments (3 per cent in both cases) was associated with a limited set of large enterprises, and as such did not represent the situation of most enterprises in these segments (Chart 18). In the beer segment, the median value for the turnover growth rate stood at 39 per cent; in the case of soft drinks and waters, at least half of the segment's enterprises presented a zero or positive rate of change in turnover.

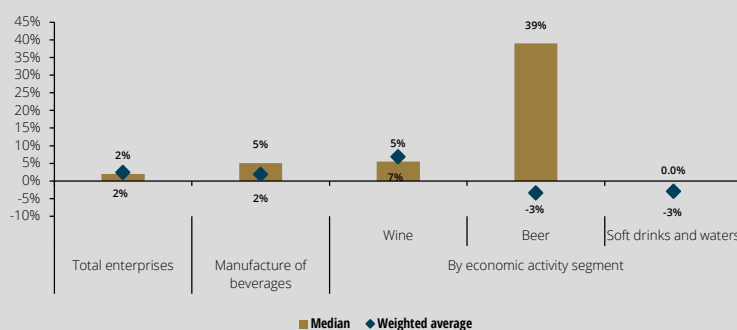
**Chart 16 • Turnover | Annual growth rate (as a percentage) and differential of annual growth rates (p.p.)**



**Chart 17 • Turnover | Contributions (p.p.) to the annual growth rate (%)**



**Chart 18 • Turnover | Weighted average and median of the annual growth rate (2015)**



### 3.2.2. Operating expenses<sup>10</sup>

In 2015, 58 per cent of operating expenses in the manufacture of beverages sector were associated with the costs of goods sold and material consumed (CoGS), a weight similar to the one observed for total enterprises (59 per cent), but lower than the one observed in manufacturing (65 per cent) (Chart 19).

SES and employee expenses accounted for 30 and 12 per cent respectively of operating expenses in the manufacture of beverages sector. The weight of employee expenses was lower than in total enterprises (16 per cent) and manufacturing (15 per cent).

Employee expenses absorbed a similar share of operating expenses in the different economic activity segments (12 per cent in wine and soft drinks and waters and 13 per cent in beer). In turn, CoGS accounted for the highest share of operating expenses in the wine and soft drinks and waters segments (64 and 53 per cent respectively), while in the beer segment it

accounted for only 47 per cent of operating expenses, due to the higher relative weight of SES (40 per cent).

In 2015 the sector's operating expenses increased by 1 per cent, a change 1 p.p. below the one observed for turnover (Chart 20). The rise in operating expenses was to a larger extent due to SES and employee expenses; CoGS recorded no change from the previous year.

Between 2012 and 2014 developments in operating expenses were chiefly determined by CoGS. SES, which in 2011 made the greatest contribution to the 3 per cent rate of change in operating expenses, made less significant or even negative contributions ever since. Employee expenses, which were the smallest component of operating expenses in 2015, also made a lower contribution to its evolution over the course of the period under review.

Chart 19 • Operating expenses | Structure (2015)

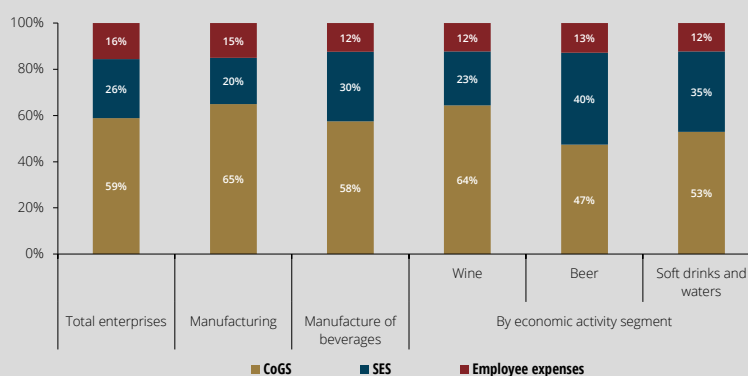
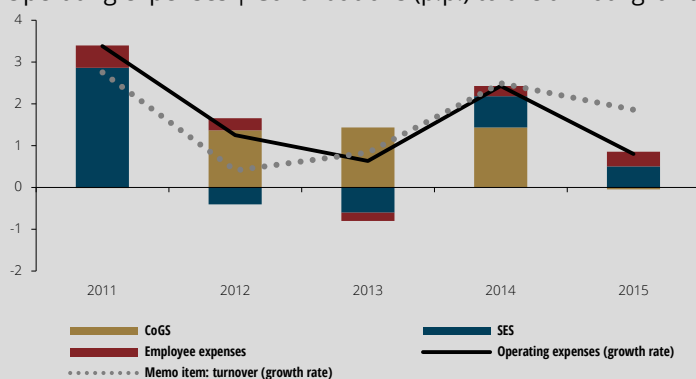


Chart 20 • Operating expenses | Contributions (p.p.) to the annual growth rate (%)



3.2.3. EBITDA<sup>11</sup>

In 2015 EBITDA in the manufacture of beverages sector increased by 9 per cent, a lower growth rate than the ones observed for total enterprises (25 per cent) and manufacturing (37 per cent) (Chart 21). This represented a slowdown in the growth observed in 2013 and 2014 (11 and 23 per cent respectively).

EBITDA growth in 2015 was due to the wine segment (6 p.p.), a trend observed since 2012. The beer segment also made a positive contribution to developments in the sector's EBITDA in 2015, although less than in 2014 (4 p.p. in 2015; 11 p.p. in the previous year). Soft drinks and waters made a marginally negative contribution to developments in the sector's EBITDA.

In 2015, 53 per cent of the enterprises in the manufacture of beverages sector had a higher EBITDA than in the previous year, i.e. a slightly lower share than the ones observed for total enterprises and manufacturing (54 and 55 per cent respectively) (Chart 22).

The share of enterprises with EBITDA growth was higher among the sector's large enterprises (67 per cent), compared with the proportions observed among SMEs and microenterprises (51 and 54 per cent respectively).

In wine and soft drinks and waters, most enterprises had a positive EBITDA growth rate (53 and 60 per cent respectively), in contrast to the beer segment (44 per cent).

Despite the increase in the sector's EBITDA in 2015, 31 per cent of active enterprises in the manufacture of beverages sector recorded negative EBITDA, i.e. below the value recorded when considering total enterprises (33 per cent).

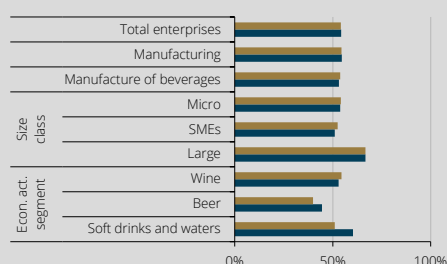
The share of enterprises with negative EBITDA was higher in microenterprises (37 per cent). In the sector's SMEs it totalled 15 per cent and was zero for large enterprises. By economic activity segment, 66 per cent of enterprises in the beer segment had negative EBITDA in 2015. This share was lower for soft drinks and waters (38 per cent) and wine (29 per cent).

**Chart 21 • EBITDA | Contributions (p.p.) to the annual growth rate (%)**

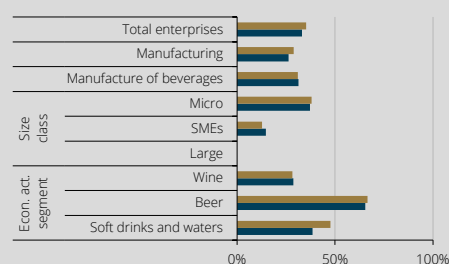


**Chart 22 • EBITDA | Share of enterprises with positive EBITDA growth rate and negative EBITDA**

## Enterprises with positive EBITDA growth rate



## Enterprises with negative EBITDA



### 3.2.4. Profitability

The operating margin (EBITDA / income)<sup>12</sup> in the manufacture of beverages sector amounted to 13 per cent in 2015 (Chart 23). The ratio of EBITDA to income was more favourable in this sector than in total enterprises and manufacturing (10 per cent in both cases). The same could be observed when considering the net margin (net income for the period (NIP) / income), which in 2015 was 5 per cent in the manufacture of beverages sector, higher than the 3 and 4 per cent in total enterprises and manufacturing respectively.

Over the whole period under review the operating margin of the manufacture of beverages sector showed a positive differential vis-à-vis that of total enterprises and manufacturing. From 2011 to 2015 the manufacture of beverages sector value stood between 9 and 13 per cent, while in total enterprises and manufacturing this ratio ranged between 7 and 10 per cent.

The wine and soft drinks and waters segments recorded operating margins of 14 per cent in both cases and net margins of 6 and 5 per cent respectively in 2015. In the beer segment the

operating margin stood at 10 per cent and the net margin at 3 per cent.

The higher margins in the sector did not translate, however, into a higher return on equity. In 2015 this profitability amounted to 5 per cent in the manufacture of beverages sector (7 per cent in total enterprises and 10 per cent in manufacturing) (Chart 24).

From 2011 to 2015 return on equity in the manufacture of beverages sector reached a minimum of 1 per cent in 2012, recovering ever since. Over the course of the period under review, this sector's profitability showed a differential versus that of total enterprises between -2 and 1 p.p.; however, compared to manufacturing, the manufacture of beverages sector showed a systematically lower return on equity.

The beer segment recorded the sector's highest return on equity in 2015 (8 per cent), following three years of negative profitability. In the soft drinks and waters segment, this profitability was of 7 per cent in 2015, similarly to the previous year. In turn, the wine segment's profitability stood at 5 per cent, increasing slightly vis-à-vis 2013 and 2014 (4 per cent in both cases).

Chart 23 • Profit | Weight in income (2015)

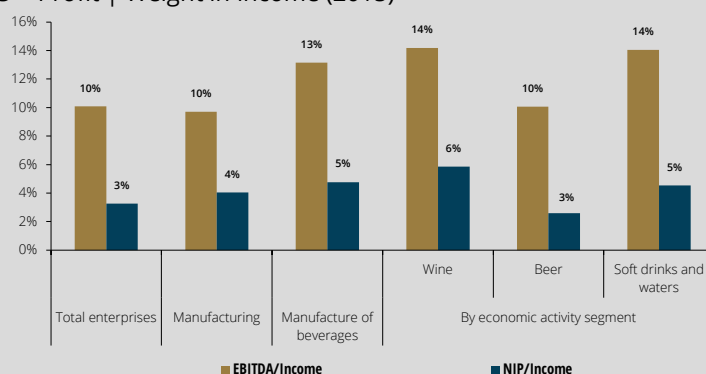
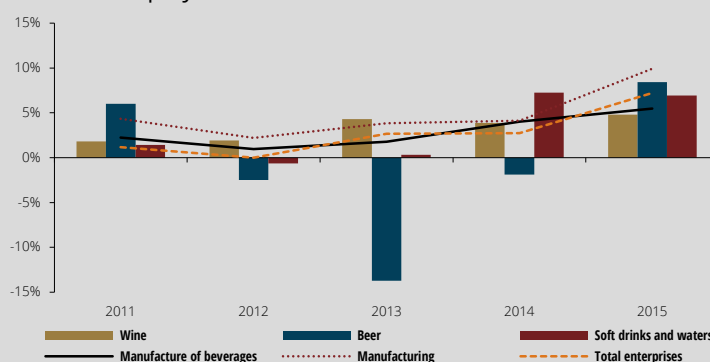


Chart 24 • Return on equity



### 3.3. Financial situation

#### 3.3.1. Financial structure

In 2015 the capital ratio in the manufacture of beverages sector was of 45 per cent, i.e. higher than the ones observed for manufacturing (41 per cent) and total enterprises (32 per cent) (Chart 25). The capital ratio increased by 4 p.p. from 2011, accompanying developments in total enterprises (2 p.p.) and manufacturing (5 p.p.).

The sector's average capital ratio, however, did not represent the situation experienced by most of its enterprises, given that in 2015 half of the sector's enterprises had a capital ratio equal to or below 33 per cent.

By size class, SMEs resorted more to equity (52 per cent capital ratio in 2015) than microenterprises (43 per cent) and large enterprises (35 per cent). In large enterprises, although the aggregate value for the capital ratio was lower than that of the other size classes, half of the enterprises had a capital ratio equal to or above 54 per cent, i.e. above the median of the distribution of individual capital ratios of SMEs (41 per cent) and microenterprises (28 per cent).

Regardless of the economic activity segment, the average capital ratio in 2015 was higher than that of most of the respective enterprises. This was due to the fact that larger enterprises in each segment had capital ratio levels in general higher than the other enterprises. As regards wine, most assets were financed by

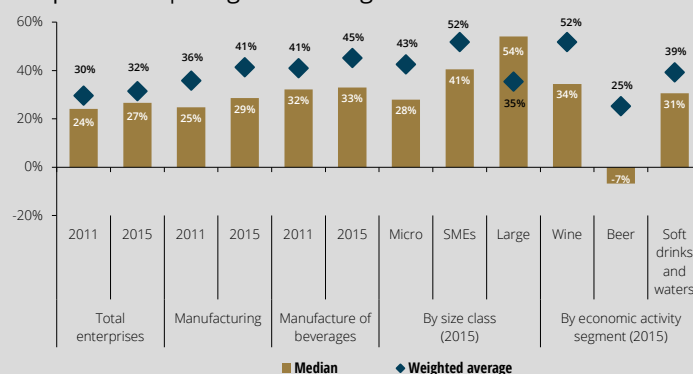
equity (52 per cent capital ratio), although half of the enterprises had a capital ratio equal to or below 34 per cent. As for soft drinks and waters, the average capital ratio was 39 per cent and the median 31 per cent. The beer segment showed the lowest value for the capital ratio (25 per cent), with half of the segment's enterprises recording a negative capital ratio of 7 per cent or lower.

In 2015, 19 per cent of the sector's enterprises had negative equity (Table 4). This value was lower than the ones observed for total enterprises (29 per cent) and manufacturing (24 per cent). The proportion of enterprises with negative equity increased vis-à-vis 2011 (4 p.p., compared with a 2 p.p. increase for total enterprises; in manufacturing, the proportion remained the same).

Enterprises with negative equity were more prevalent among the sector's microenterprises (24 per cent). Among SMEs, 5 per cent had negative equity. Similarly to 2011, none of the sector's large enterprises had negative equity in 2015.

In 2015, 53 per cent of enterprises in the beer segment showed negative equity, a share which more than doubled since 2011. In the soft drinks and waters segment 23 per cent of enterprises had negative equity in 2015, a share that declined by 1 p.p. from 2011. The wine segment, in turn, showed the lowest share of enterprises with negative equity (17 per cent) in 2015, although it had increased by 3 p.p. from 2011.

**Chart 25 • Capital ratio | Weighted average and median of the distribution**



**Table 4 • Capital ratio | Share of enterprises with negative equity**

		2011	2015
Total enterprises		27%	29%
Manufacturing		24%	24%
Manufacture of beverages		15%	19%
By size class	Microenterprises	20%	24%
	SMEs	3%	5%
	Large enterprises	0%	0%
By economic activity segment	Wine	15%	17%
	Beer	21%	53%
	Soft drinks and waters	24%	23%

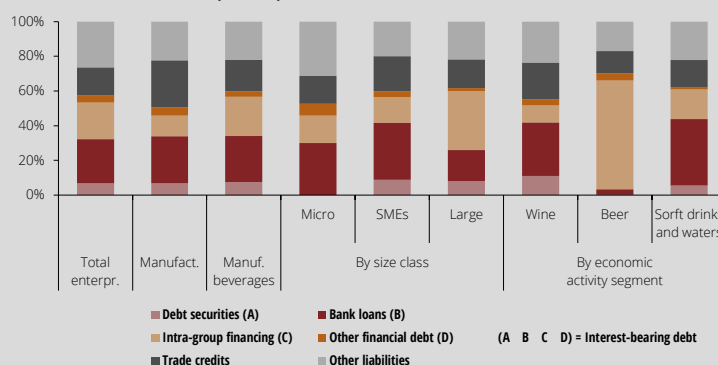
In 2015 interest-bearing debt<sup>13</sup> accounted for 60 per cent of liabilities in the manufacture of beverages sector, a higher value than the ones observed for total enterprises (58 per cent) and manufacturing (51 per cent) (Chart 26). Bank loans<sup>14</sup> represented the highest share of interest-bearing debt (26 per cent of liabilities), followed by intra-group financing (23 per cent).

Interest-bearing debt in microenterprises accounted for 53 per cent of the liabilities, chiefly associated to bank loans and intra-group financing (30 and 16 per cent of liabilities respectively). Interest-bearing debt corresponded to 60 per cent of the liabilities of SMEs (33 per cent associated to bank loans and 15 per cent to intra-group financing). The weight of interest-bearing debt was similar in large enterprises (62 per cent); however, there was a significant difference in its composition, with intra-group financing accounting for more than half of that value (34 per cent of liabilities), followed by bank loans (18 per cent).

Interest-bearing debt was more significant in the beer segment (70 per cent of liabilities), which stood out from the other segments due to the greater relevance of intra-group financing (63 per cent of liabilities).

Intra-group financing in the soft drinks and waters segment was also significant (17 per cent), although bank loans were the most relevant source of external financing (38 per cent). In the wine segment 55 per cent of liabilities corresponded to interest-bearing debt, this being the lowest value among the segments considered. Even so, bank loans in this segment accounted for 31 per cent of liabilities.

Trade credits had a lower weight in the liabilities of the manufacture of beverages sector (18 per cent) than in manufacturing (27 per cent), but slightly more than in total enterprises (16 per cent). This component, however, was more significant in the wine segment (21 per cent of liabilities).

**Chart 26 • Liabilities structure (2015)**

In 2015 liabilities in the manufacture of beverages sector declined by 1.9 per cent, less than in total enterprises (3.4 per cent) but more than what was observed for manufacturing (1.4 per cent) (Table 5). The reduction in the sector's liabilities was chiefly due to bank loans (-0.8 p.p.) and intra-group financing (-0.7 p.p.). The other financial debt and trade credits components made a positive contribution to the rate of change in the sector's liabilities in 2015 (0.2 and 0.3 p.p. respectively).

The decline in liabilities in 2015 was similar to that observed in 2014. However, in 2014 developments in the sector's liabilities were determined by the contributions of bank loans (-1.4 p.p.) and other liabilities (-1.5 p.p.), partly offset by the evolution of trade credits (1.0 p.p.).

**Table 5 • Liabilities | Contributions (p.p.) to the annual growth rate (%)**

	2014	2015
Total enterprises	-1.4	-3.4
Manufacturing	-5.2	-1.4
Manufacture of beverages	-1.9	-1.9
Components (contributions in p.p.)	Debt securities	-0.3
	Bank loans	-1.4
	Intra-group financing	0.2
	Other financial debt	0.1
	Trade credits	1.0
	Other liabilities	-1.5



## Box 2 | Loans granted by the resident financial system<sup>15</sup>

In 2015 bank loans accounted for 26 per cent of liabilities in the manufacture of beverages sector.

According to data available in the Central Credit Register, in December 2015, 60 per cent of enterprises in the manufacture of beverages sector had taken on loans from the resident financial sector in Portugal<sup>16</sup>, i.e. a higher share than that observed for total enterprises (54 per cent).

Loans granted to enterprises in the manufacture of beverages sector have been declining since 2011, but increased by €26 million in the first half of 2016 (Chart 27). The downward trend observed over the years and the recent increase in the first half of 2016 were broadly based across all three segments of the sector.

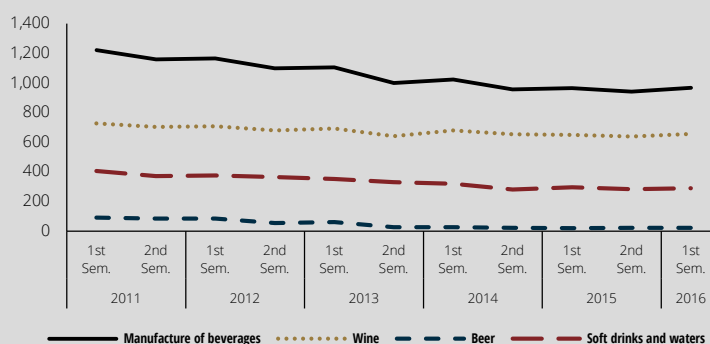
At the end of the first half of 2016 the wine, beer, and soft drinks and waters segments accounted for 68, 2 and 30 per cent respectively of loans granted by the financial sector to the manufacture of beverages sector (Chart 28).

Considering the enterprise size class, in the first half of 2016 SMEs held 58 per cent of loans granted by the financial sector to the sector under review, while microenterprises and large enterprises held 15 and 27 per cent respectively. Vis-à-vis 2011 the relative weight of microenterprises and large enterprises in credit granted to the sector increased by 2.4 and 1.8 p.p. respectively; although the relative weight of SMEs declined by 4.2 p.p., these enterprises continued to be the size class that contributed the most to such mode of the sector's indebtedness.

In June 2016 the non-performing loans ratio<sup>17</sup> in the manufacture of beverages sector stood at 7.7 per cent. This indicator stood at 10.6 per cent in the wine segment and 1.4 per cent in the soft drinks and waters segment; the beer segment recorded a zero non-performing loans ratio (Chart 29).

The share of debtors with non-performing loans in the manufacture of beverages sector amounted to 20.7 per cent at the end of the first half of 2016. The soft drinks and waters

**Chart 27 • Loans granted by the resident financial system to the manufacture of beverages sector (€ millions)**

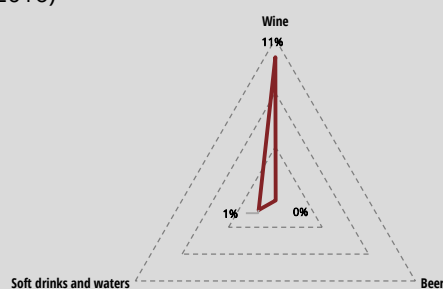


segment showed the highest share of debtors with non-performing loans in the manufacture of beverages sector (37.5 per cent). In the wine and beer segments this indicator totalled 20.2 and 7.1 per cent respectively (Chart 30).

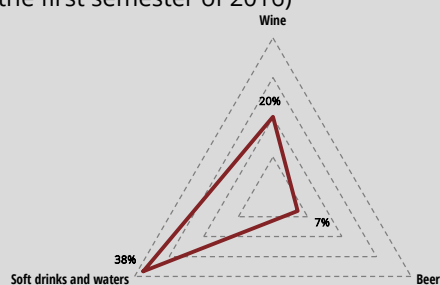
**Chart 28 • Structure of funds obtained by the manufacture of beverages sector from the resident financial system**



**Chart 29 • Non-performing loans ratio by economic activity segment (end of the first semester of 2016)**



**Chart 30 • Percentage of non-performing enterprises by economic activity segment (end of the first semester of 2016)**



### 3.3.2. Financial costs and solvency

In 2015 the weight of interest expenses in EBITDA in the manufacture of beverages sector was of 15 per cent (Chart 31). This indicator, which can be interpreted as the degree of financial pressure on enterprises, was lower than the one recorded for total enterprises (20 per cent), but above that observed in manufacturing (11 per cent).

Interest expenses' weight in EBITDA in the manufacture of beverages sector was lower than observed in 2014 (21 per cent), accompanying the trend observed for total enterprises and manufacturing (8 and 7 p.p. declines respectively). The reduction was broadly based across all size classes and economic activity segments under review.

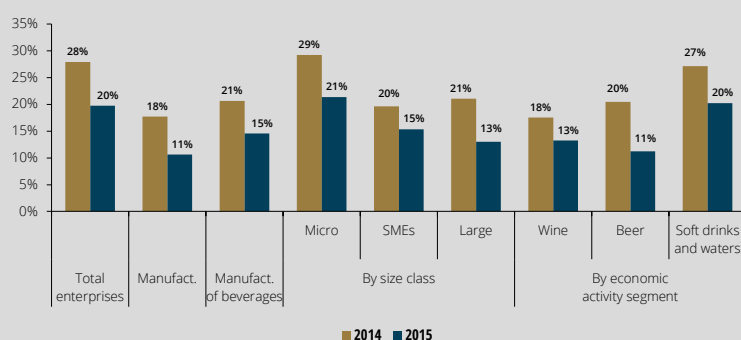
In microenterprises 21 per cent of EBITDA generated in 2015 was absorbed by interest expenses, a value higher than observed for the sector's SMEs and large enterprises (15 and 13 per cent respectively). In soft drinks and waters, interest expenses absorbed 20 per cent of EBITDA, i.e. more than in the beer (11 per cent) and wine (13 per cent) segments.

In 2015, 25 per cent of enterprises in the manufacture of beverages sector did not generate sufficient EBITDA to cover interest expenses; this share was higher among microenterprises (32 per cent) and in the beer (39 per cent) and soft drinks and waters (30 per cent) segments (Table 6).

**Table 6 • Financial pressure | Distribution of enterprises by performance levels (2015)**

Financial pressure (Interest/EBITDA)		Up to 0.5	0.5 to 1	Above 1
Total enterprises		66%	4%	30%
Manufacturing		72%	4%	24%
Manufacture of beverages		70%	5%	25%
By size class	Microenterprises	62%	5%	32%
	SMEs	81%	6%	14%
	Large enterprises	100%	0%	0%
By economic activity segment	Wine	70%	5%	24%
	Beer	55%	5%	41%
	Soft drinks and waters	63%	7%	30%

**Chart 31 • Weight of interest expenses in EBITDA | By size class and economic activity segment (2014 and 2015)**



In 2015 most of the sector's enterprises bore an amount of interest below half of EBITDA (70 per cent of enterprises). All the sector's large enterprises were in this situation, as well as 81 per cent of SMEs and 62 per cent of microenterprises.

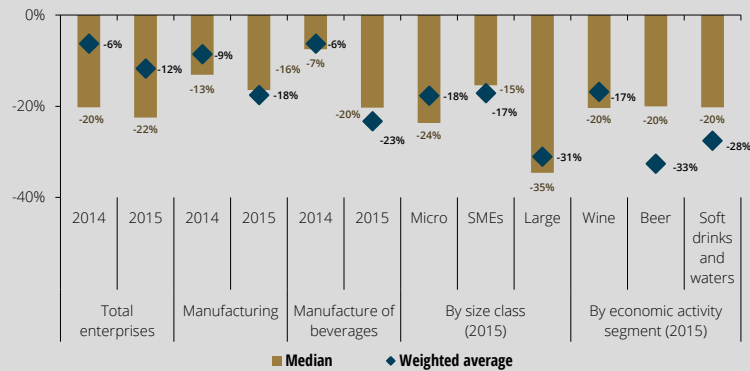
By economic activity segment, the highest share of enterprises with EBITDA above interest expenses was recorded in the wine segment (75 per cent; in this segment 70 per cent of enterprises recorded a ratio below 0.5).

The reduction in interest expenses' weight on the sector's EBITDA was due not only to EBITDA

growth in 2015, but also to a 23 per cent reduction in interest expenses (12 per cent for total enterprises) (Chart 32).

The reduction in interest expenses was broadly based across all size classes, totalling 18 per cent for microenterprises, 17 per cent for SMEs, and 31 per cent for the sector's large enterprises. Among economic activity segments, this reduction was more marked in beer (33 per cent on average), although half of the enterprises recorded a reduction in interest expenses of at least 20 per cent in any of the segments under review.

**Chart 32 • Interest expenses | Weighted average and median of the annual growth rate**



### 3.3.3. Trade credit financing

In 2015 trade credit financing in the manufacture of beverages sector corresponded to 18 per cent of liabilities, i.e. a share higher than the one recorded for total enterprises (16 per cent).

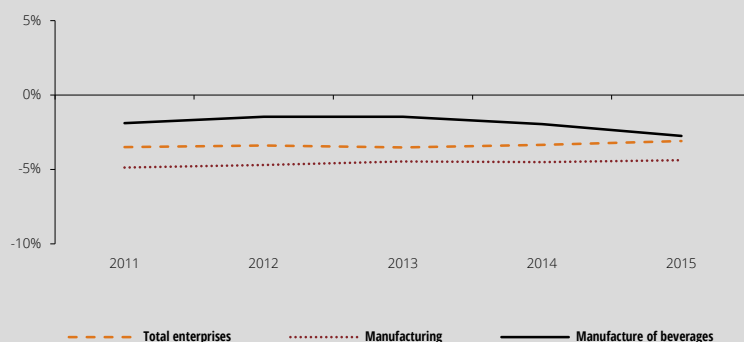
In net terms<sup>18</sup>, however, the manufacture of beverages sector has not been able to obtain trade credit financing: enterprises have been financing their customers at a higher value than the financing obtained from their suppliers. Net trade credit financing in this sector recorded a negative value from 2011 to 2015, which in the last year corresponded to 3 per cent of the sector's turnover (Chart 33). This shows that in net terms trade credits are not a financing source for the sector, but rather an investment of the sector's enterprises in the financing of their customers, the same being true for total enterprises and manufacturing over the course of the considered period. However, in relative terms, this differential was less significant in the manufacture of beverages sector than in those

aggregates, corresponding, generally, to a share equivalent to 1 to 3 per cent of the sector's turnover, while ranging between 4 per cent of turnover of total enterprises and 5 per cent of turnover in manufacturing.

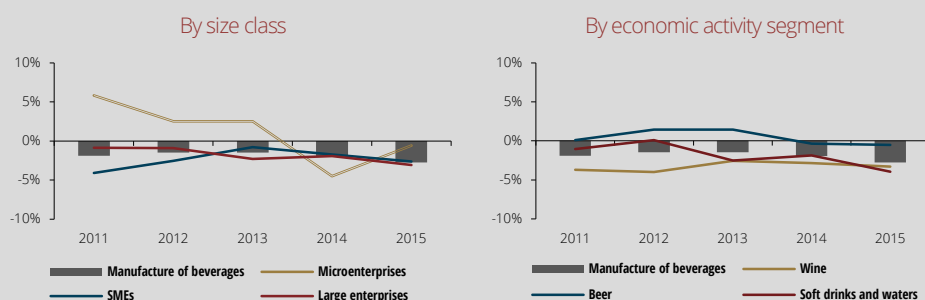
Between 2011 and 2013 microenterprises showed positive net trade credit financing; this was reversed in 2014, and in 2015 it reached a negative value equivalent to 1 per cent of turnover (Chart 34). With regard to SMEs and large enterprises, net trade credit financing was always negative in the period under review, corresponding to 3 per cent of turnover in both cases in 2015.

The wine and soft drinks and waters segments also provided net financing for their customers over the course of the period under review; it corresponded to 3 and 4 per cent of the respective turnover in 2015. In turn, in 2012 and 2013 the beer segment obtained net trade credit financing corresponding to 1 per cent of turnover. In 2014, however, this situation was reversed, and in 2015 enterprises

**Chart 33 • Net trade credit financing | As a percentage of turnover**



**Chart 34 • Net trade credit financing (as a percentage of turnover) | By size class and economic activity segment**



in the beer segment recorded negative net trade credit financing corresponding to 1 per cent of turnover.

Although the balance on the customer account has been systematically higher than the balance on the supplier account, not allowing enterprises in the manufacture of beverages sector to obtain net financing in this manner, the average duration of credit obtained from suppliers was higher than the average duration of credit granted to their customers.

In 2015 days payable outstanding in the manufacture of beverages sector stood at 91, i.e. higher than days sales outstanding (82 days), similar to that observed for total enterprises (75 and 70 days payable and sales outstanding respectively) (Chart 35). Days payable outstanding exceeded days sales outstanding in all economic activity segments. Wine presented a significant differential between the two maturities (11 days) and also recorded the most extended days payable and sales outstanding (102 and 113 days respectively).

The cash conversion cycle shows the average number of days elapsed between the payment for the purchase of goods and materials needed for the enterprises' activity and the inflow of the associated profits. Hence, this indicator reflects the time that enterprises wait,

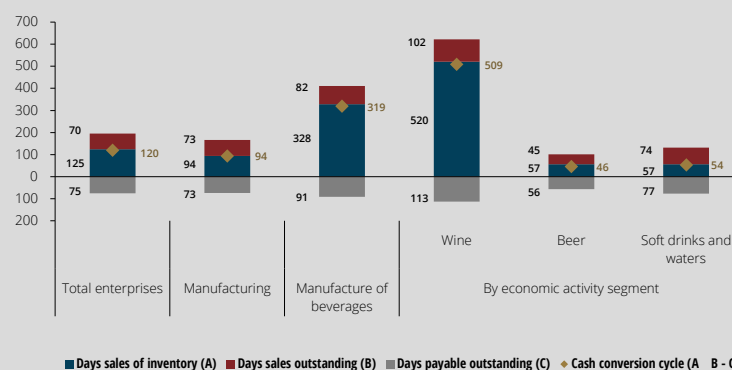
on average, to convert outflows of financial resources resulting from the purchase of goods into inflows of financial resources stemming from the respective sales.

The cash conversion cycle is obtained from the days sales of inventory, which shows the average duration of the production and/or storage of goods for sale. Days sales outstanding is added to this and days payable outstanding is subtracted, so as to include in the calculation the average number of days during which there are outstanding amounts of purchases and sales.

In 2015 the manufacture of beverages sector had a cash conversion cycle of 319 days, i.e. higher than the cash conversion cycle observed for total enterprises (120 days) and manufacturing (94 days). This means that enterprises in the manufacture of beverages sector took, on average, longer to recover the value invested in purchases of goods and materials than the average enterprise in Portugal.

This profile was largely associated with the wine segment, which had a production and storage period of products for sale substantially higher than observed in the other segments (days sales of inventory of 520 days, compared to 57 days in the beer and soft drinks and waters segments).

Chart 35 • Average maturities (number of days) | By economic activity segment (2015)

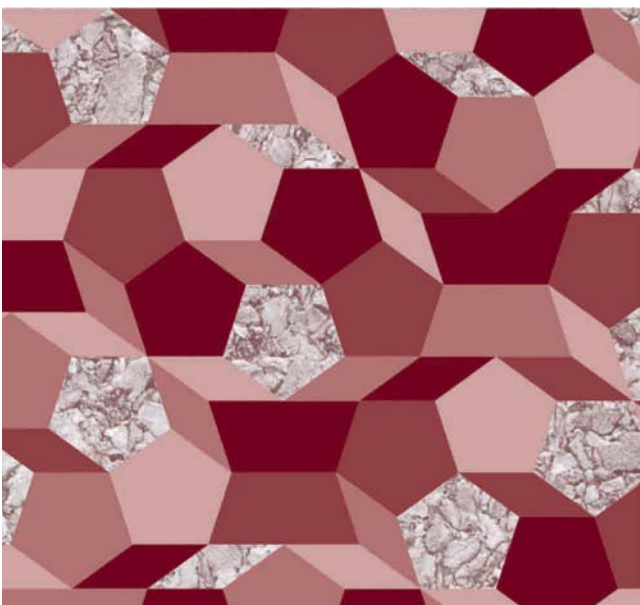


## Notes

1. For the sake of simplicity, this study refers to 'enterprise' and 'corporation' interchangeably. Both refer to enterprises that comprise the institutional non-financial corporations (NFCs) sector. The NFC sector is one of the economy's institutional sectors. The institutional sectorisation of economic agents is carried out in accordance with the 2010 European System of National and Regional Accounts (ESA 2010), approved by Council Regulation (EC) No 549/2013 of 25 May 2013. ESA 2010 is a harmonised reference on the compilation methodology and deadline for release of the national accounts of EU countries, including statistics under Banco de Portugal's responsibility. Underlying the series under analysis is a definition of the ESA 2010 population. Based on the national accounts standard, sole proprietors are included in the households' institutional sector. Hence, all data on the NFC sector throughout this study exclude sole proprietors (in Portugal these represent around two-thirds of the number of enterprises, but only 5 per cent of the respective turnover).
2. The Central Balance Sheet Database of Banco de Portugal is a database with economic and financial information on NFCs in Portugal. Information is based on annual accounting data reported within the scope of *Informação Empresarial Simplificada* – IES (Simplified Corporate Information) and quarterly accounting data reported by enterprises through the quarterly survey of non-financial corporations. Annual data cover nearly all NFCs and quarterly data cover around 4,000 enterprises, representing 50 per cent of turnover in the sector. For further details on the activities of the Central Balance Sheet Database, see Supplements to the Statistical Bulletin 1/2008 – *Simplified reporting: inclusion of the Simplified Corporate Information in the Statistics on Non-Financial Corporations from the Central Balance Sheet Database*, and 2/2013 – *Statistics on non-financial corporations of the Central Balance Sheet Database: Methodological notes*, as well as the *Central Balance Sheet Study* | 19 – *Sector Tables and Enterprise and Sector Tables: Methodological Notes. Long Time Series 1995-2013* of November 2014.
3. Some totals in the tables and charts may not add up due to rounding.
4. The definition of size classes used in this study is detailed in the Annex.
5. Geographical location refers to the district where the enterprise's head office is located.
6. The enterprise maturity corresponds to the age of the enterprise as at the analysis reference date. Four maturity classes are considered: up to 5 years, over 5 and up to and excluding 10 years; over 10 and up to and excluding 20; and 20 years and over (over 20 years).
7. As defined in Eurostat-OECD Manual on Business Demography Statistics, high-growth enterprises are enterprises whose average annual turnover growth is greater than 20 per cent per annum over a three-year period. Turnover is used as a variable for the calculation of the rate. For more information, see [Central Balance Sheet Study No 12 – Structure and dynamics of non-financial corporations in Portugal 2006-2012](#) of November 2013.
8. The definition of export sector is detailed in *Central Balance Sheet Study No 22 – Analysis of enterprises in the export sector in Portugal* of June 2015.
9. For more information on the economic developments in Portugal, please refer to the *Economic Bulletin*, released on a quarterly basis at [www.bportugal.pt](http://www.bportugal.pt).
10. The 'operating expenses' aggregate is calculated as the sum of the cost of goods sold and materials consumed (CoGS), supplies and external services (SES) and employee expenses.
11. EBITDA means earnings before interest, taxes, depreciation and amortisation.
12. For the sake of simplicity, this study refers to the term 'income' which corresponds to 'total net income', obtained through the sum of turnover, variation in production, capitalised production, operating subsidies, other income and gains, and interest and other similar income.
13. Interest-bearing debt refers to all liabilities with payable interest. See the Annex for a more detailed definition.
14. 'Box 2 | Loans granted by the resident financial system' provides additional information on this source of funding.
15. Information taken from the Central Credit Register, a database managed by Banco de Portugal, which gathers information provided by participating entities (resident institutions) regarding credit granted. For more information, please refer to *Banco de Portugal Booklet No 5, Central de Responsabilidades de Crédito* (Portuguese version only).
16. These include banks, savings banks and mutual agricultural credit banks (generically called 'banks' in this study), as well as factoring companies, credit-purchase financing companies and financial leasing companies. Over 95 per cent of credit granted by resident credit institutions to NFCs in 2016 came from banks.
17. The non-performing loans ratio, also known as the credit overdue ratio, is based on information on credit granted by resident CIs in Banco de Portugal's Central Credit Register by calculating the ratio of the amount of credit overdue to total credit obtained. Credit is deemed to be overdue when the respective repayments are not paid on the due payment dates. Credit customers may default as regards principal and/or interest and other expenditure. Credit is deemed to be overdue, in the case of principal, once the maximum period of 30 days after maturity has elapsed without settlement and, in the case of interest and other expenses, once the due date for settlement has passed. This information is based on credit balances recorded in the balance sheets of financial institutions, which may refer to enterprises that have already exited the market, given that part of the debt may yet be repaid, where there are assets and personal guarantees, even after the enterprise has closed. After the enterprise has ceased activities, it very often happens that a significant part of the credit is still recorded as non-performing loans and gradually replaced by loan write-offs. For more information, please refer to the *Economic Bulletin* of May 2015, available at [www.bportugal.pt](http://www.bportugal.pt).
18. Net trade credit financing was calculated using the difference between accounts payable (net of advances) and accounts receivable (net of advances and adjustments).







# Annex

Main indicators of the manufacture of  
beverages sector

Methodological summary



## ANNEX • Main indicators of the manufacture of beverages sector (2015)

	Characterisation of the sector		Activity		Financing						Profitability	
	Turnover held by large enterprises	Turnover held by the largest enterprises (TOP 10%)	Growth rates		Capital ratio	Growth rates		Net trade credit financing (% turnover)	Weight of interest expenses in EBITDA	Credit obtained from resident CIs (end of the 1 <sup>st</sup> half of 2016)		Return on equity
			Turnover	EBITDA		Trade credits	Bank loans			% of non-performing enterprises	Non-performing loans ratio	
Total enterprises	41%	88%	2%	25%	32%	-1%	-6%	-3%	20%	29%	17%	7%
Manufacturing	50%	88%	2%	37%	41%	0%	0%	-4%	11%	30%	12%	10%
Manufacture of beverages sector	50%	88%	2%	9%	45%	1%	-3%	-3%	15%	21%	8%	5%
Wine	22%	80%	7%	10%	52%	8%	-5%	-3%	13%	20%	11%	5%
Beer	88%	99.8%	-3%	23%	25%	-17%	0%	-1%	11%	7%	0%	8%
Soft drinks and waters	74%	87%	-3%	-3%	39%	-1%	1%	-4%	20%	38%	1%	7%
Weight of the manufacture of beverages sector												
	Number of enterprises				Turnover				Number of employees			
	2011		2015		2011		2015		2011		2015	
Total enterprises	0.22%		0.27%		0.89%		0.97%		0.49%		0.51%	

## Methodological summary

**Capital ratio:** Ratio of equity to total assets.

**Economic activity sector:** As regards total enterprises this analysis excludes the enterprises classified in Sections K – *Financial and insurance activities*, O – *Public administration and defence; Compulsory social security*, T – *Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use* and U – *Activities of extraterritorial organisations and bodies* of CAE-Rev.3, as they are not included in the NFC institutional sector.

**Financial pressure:** Ratio of interest expenses to EBITDA.

**Interest-bearing debt:** Interest-bearing debt refers to all liabilities with payable interest obtained through debt securities issues, loans granted by credit institutions and financial companies, intra-group financing and other loans.

**Manufacture of beverages sector:** For the purposes of this Study, the definition of the manufacture of beverages sector covered enterprises from Division 11 – manufacture of beverages sector of CAE Rev. 3.

**Maturity:** Enterprise maturity corresponds to the age of the enterprise as at the analysis reference date. Four maturity classes are considered: up to (but not including) five years; from five to (but not including) ten years; from ten to (but not including) 20 years; and more than 20 years (which comprises enterprises established for 20 years).

**Quartile distribution:** In order to calculate quartiles, the enterprise values for the indicator under analysis are considered in ascending order. The first quartile corresponds to the value of the enterprise in the position corresponding to 25 per cent of the ordered sample (i.e. where 25 per cent of enterprises show a lower value for that indicator and 75 per cent a higher value). The second quartile (or

median) corresponds to 50 per cent, i.e. the indicator value for this enterprise divides the breakdown into two halves, where one half of the enterprises show a higher value and the other half a lower value. The third quartile corresponds to the 75 per cent position of the ordered sample (75 per cent of enterprises show a lower value for that indicator, and only 25 per cent show a higher value). The interquartile range (obtained as the difference between the third and first quartiles) provides an indication of distribution dispersion. For further details on the calculation of these statistical measures, please refer to the publication *Central Balance Sheet Studies | 19 – Sector tables and enterprise sector tables – Methodological Notes (Long Time Series 1995-2013)*, November 2014.

**Return on equity:** Ratio of net income for the year to equity. As both items (numerator and denominator) may be positive or negative, the indicator is only calculated at individual level in situations where equity is positive.

**Size of enterprise:** Enterprises were grouped into three classes: microenterprises, small and medium-sized, and large enterprises. The criteria for this classification were taken from the European Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. According to this Recommendation, microenterprises are defined as enterprises which employ fewer than ten persons and whose annual turnover and/or balance sheet total does not exceed €2 million. For the purposes of this Study, small and medium-sized enterprises (SMEs), which exclude microenterprises, employ fewer than 250 persons and more than ten persons and have an annual turnover between €2 and €50 million or an annual balance sheet total between €2 and €43 million. Large enterprise is any enterprise which is not classified within the above meanings.

## Abbreviations and acronyms

CAE	Portuguese Classification of Economic Activities
CIs	resident credit institutions
CoGS	cost of goods sold and materials consumed
EBITDA	earnings before interest, taxes, depreciation and amortisation
ESA 2010	European system of national and regional accounts 2010
GDP	gross domestic product
HGEs	high-growth enterprises
IES	<i>Informação Empresarial Simplificada</i> (Simplified Corporate Information)
INE	Instituto Nacional de Estatística (Portuguese National Statistical Institute)
p.p.	percentage points
SES	supplies and external services
SMEs	small and medium-sized enterprises (excluding microenterprises)

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- 3 | Sectoral analysis of non-financial corporations in Portugal, September 2011
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