

# Industry match-ups



Slovakia versus England  
European football championship 2016



Sector playing field: chemicals industry  
Match preview

3:4\*

\* Comparison of Atradius credit risk situation/business performance outlook for the industry  
(Ranking from one ball (very poor) to five balls (very good))



## Squad performance for the tournament – check

### Slovakian chemicals industry

2015	2016f	2017f
3.5	3.2	3.3
2.4	3.6	3.2

0.0
high

### British chemicals industry

2015	2016f	2017f
2.3	2.0	2.2
3.1	0.4	1.6

0.6
average

Country  
GDP growth

Chemicals sector value  
added growth (%)

Average chemicals sector growth  
over the past 3 years (%)

Level of competition

Sources: IHS, Atradius

### A good performance expected to continue

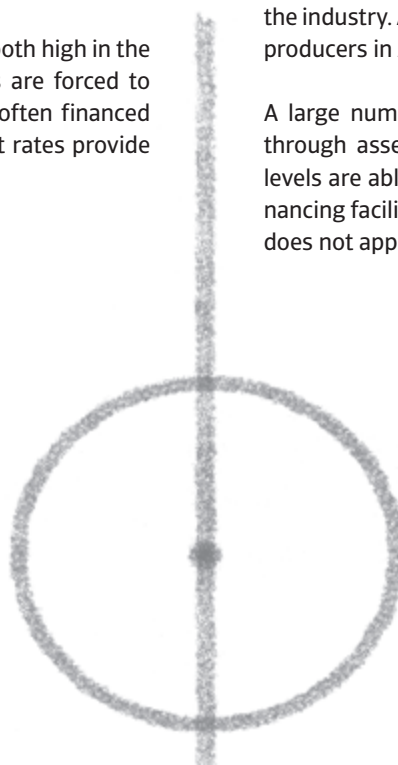
Overall the Slovakian chemicals industry registered increasing demand. The rubber and plastics subsectors are benefitting from robust demand from the automotive industry, while performance of agribusiness-related chemicals segments and pharmaceuticals has been stable. After increasing profit margins in 2015, profitability of chemicals businesses is expected to level off in H1 of 2016.

Financing requirements and gearing are both high in the industry. Chemical producing companies are forced to carry high fixed assets, which are quite often financed with bank loans. The current low interest rates provide some relief to those companies.

### High barriers to get into the successful team

The demand situation for the British chemicals sector is generally solid, however exports to the EU have been impacted by the strong British pound. The majority of companies within the sector are mature, with a stable customer base. Therefore profit margins should remain stable. High entry barriers protect the industry due to the required high capital expenditure. However, high energy costs (e.g. electricity) in the UK are an issue for the industry. At the same time competition from low cost producers in Asia is increasing.

A large number of chemicals businesses are financed through asset based finance. In most instances profit levels are able to cover the interest adequately. Bank financing facilities are adequate, and business refinancing does not appear to be a problem.





## Players to watch

### Slovakia

- The specialty chemicals subsector has higher added value and faces less competition in the market than other segments. Lower raw material prices should help to influence the performance positively.



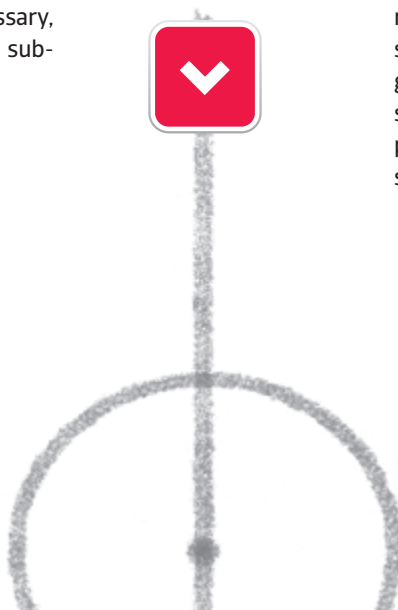
### England/United Kingdom

- While the basic chemicals segment is exposed to commodity price volatility, profitability levels are expected to remain adequate. All chemicals subsectors benefit from the high entry barriers in this industry.

- In the basic chemicals segment an individual assessment of businesses is necessary, as many face capacity problems and subdued demand is an issue.



- Competition remains fierce in the pharmaceutical household products/cosmetics subsector as this is traditionally a low margin segment, serving the retail/wholesale sector. Health Service budget cuts impact growth in the pharmaceutical goods sector.





## Major strengths and weaknesses

### Slovakian chemicals industry

Closeness to core buyers  
(e.g. automotive industry)

Stable business relationships

Some segments were able to improve  
margins following a decrease in  
input costs



High investments in research and  
development are necessary

Dependence on external financing

Decreased producer prices

Increasing competition from Asia



### British chemicals industry

High entry barriers

Mature businesses

No major financing issues

Low level of insolvencies

Good payment track record

Exporters are affected by currency  
volatility

Some subsectors have low  
profit margins

Increasing competition from Asia and  
the US

Exposed to commodity price volatility



## Fair play ranking: payment behaviour and insolvencies

### Slovakian chemicals industry

- Payment duration in the chemicals sector ranges between 30 days and 60 days.
- Payment behaviour is generally stable, and non-payment notifications are not expected to increase in the coming months.
- Chemicals business insolvencies are rather low compared to other industries. No major increase is expected in the coming six months.

### British chemicals industry

- On average, payments in the British chemicals sector take between 60 days and 90 days.
- Payment experience has been very good over the past couple of years, and the level of protracted payments is low.
- The number of non-payment cases was low in 2015, and this positive trend is expected to continue in 2016.
- The level of insolvencies in the chemicals sector has been very low over the past couple of years, and this is expected to remain unchanged in H2 of 2016.



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