

Euler Hermes Americas

EULER HERMES "RISKY BUSINESS" SURVEY

CFOS CONCERNED ABOUT ESCALATING RISKS IN 2019

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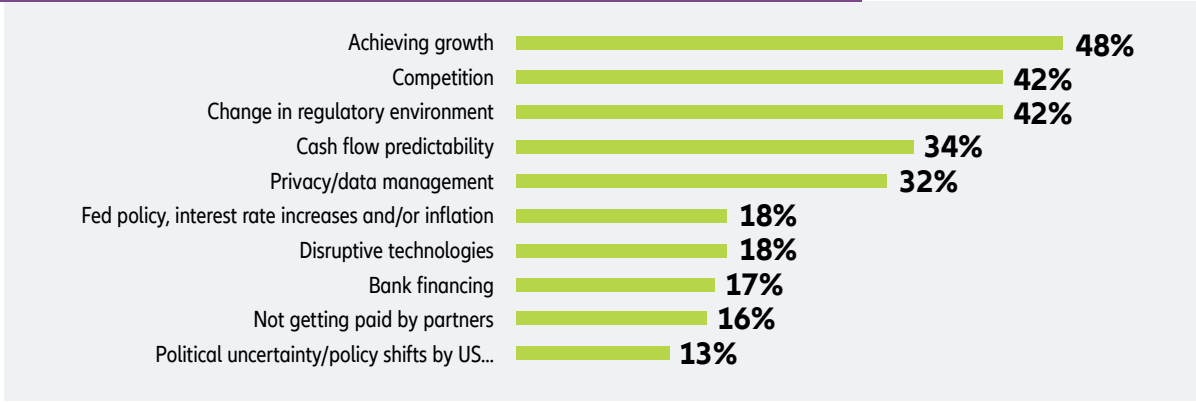
 EULER HERMES

Nearly 75% of CFOs are at least moderately concerned about the risks they might face in the next 12 months, according to “Risky Business” a national survey conducted by Euler Hermes Americas, the world’s largest trade credit insurer. The Euler Hermes “Risky Business” Survey analyzed responses from U.S CFOs and those in related jobs in companies with at least \$5 million of annual revenues to understand their top concerns related to global political, economic and digital uncertainties heading into 2019.

Achieving growth, dealing with competition, responding to regulatory changes, and a lack of cash flow predictability were the top concerns among those surveyed, with 58% saying that they don’t feel fully prepared to handle the current risk landscape.

“Today’s market conditions can change in the blink of an eye. The only way to prepare for today’s volatility is to plan for all possible scenarios. Having the right partners and tools in place to create proactive risk mitigation strategies makes that possible.”

– JAMES DALY, PRESIDENT AND CEO OF EULER HERMES AMERICAS



PAYMENT PROBLEMS ABOUND

From cybercrime to political gridlock, potential threats to businesses are often in the news, but a quiet risk factor is causing its fair share of sleepless nights for CFOs – 70% consider a nonpayment event a threat to their businesses. While some flashier risk events impact some industries more than others, non-payment events are industry agnostic. In fact, 72% of CFOs have experienced a non-payment in the last three years, with CFOs reporting an average of 17.2 nonpayment events during the last three years.

In addition, 70% of CFOs say the Trump administration’s tariffs could at least moderately affect their company. These effects could include cash flow disruption, increased input or output costs or potential supply disruptions.

A focus on potential cash flow issues and nonpayment only amplifies other risk factors for CFOs. The Euler Hermes survey found that the more a CFO is concerned about nonpayment events, the more likely they are to be concerned about the overall risk landscape in the next 12 months. What’s more, the survey found that having a better handle on risk factors like cash flow and non-payment events puts CFOs in a better position to deal with more unpredictable market events. For example, the survey results show that companies that consider themselves highly prepared for risk are least likely to think tariffs will affect them.

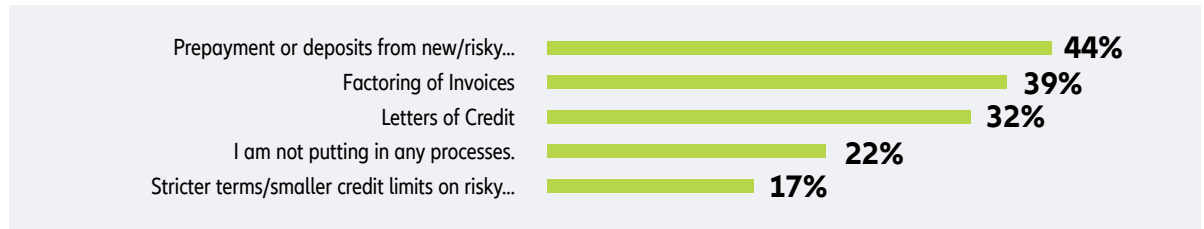


72%

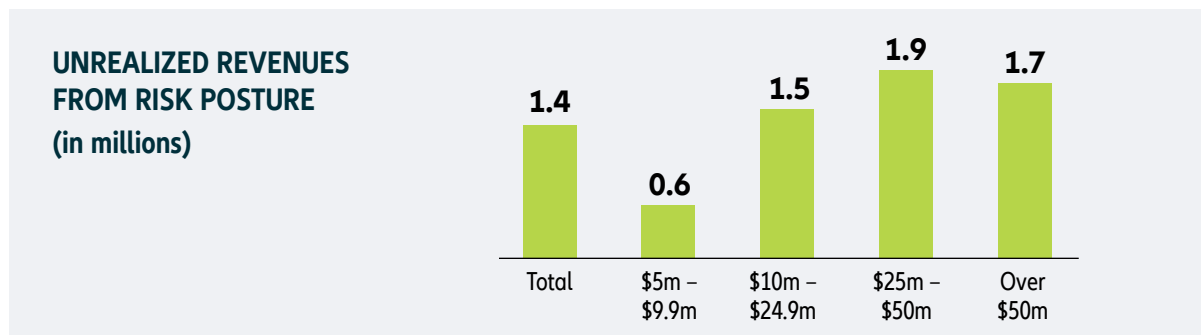
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PREVENTABLE RISK

In an attempt to limit non-payment events, some CFOs report turning to strategies like requiring prepayments or deposits from new or risky buyers. Additionally, factoring of invoices is among the top practices for mitigating non-payments. But, this may not be the best strategy.



Limiting the scope of business activity has consequences of its own. Just over half (57%) of CFOs have experienced a loss of business after enacting stricter payment terms, smaller credit limits or deposit requirements. There's revenue to be lost too: an inefficient risk posture has resulted in an average of \$1.4 million per company in unrealized revenue.



Instead of turning to risk prevention measures that bleed profits, businesses should consider partners and tools that can provide granular detail on potential customers: The strength of a balance sheet, and the credit terms granted to a client, depends on the individual company as well as the country and industry drivers.

METHODOLOGY

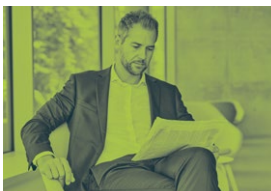
The Euler Hermes "Risky Business" Survey analyzed responses from 250 U.S. CFOs and their direct reports. Quotas were established to ensure that half of the respondents were from small companies (revenues between \$5M and \$25M) and that the remainder were "medium sized" (with revenues of \$25M or more). Survey responses were collected during the period of September 10 – October 4, 2018.

ABOUT EULER HERMES

WE PREDICT TRADE AND CREDIT RISK TODAY, SO YOU CAN HAVE CONFIDENCE IN TOMORROW.

Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of surety, collections, structured trade credit and political risk. Our proprietary intelligence network analyzes daily changes in corporate solvency representing 92% of global GDP.

We give companies the confidence to trade, and be paid. We compensate your company in the event of a bad debt, but more importantly, we help you avoid bad debt in the first place. Whenever we provide trade credit insurance or other finance solutions, our priority is predictive protection. So when the unexpected arrives, our AA credit rating means we have the resources, backed by Allianz to provide compensation to maintain your business. Headquartered in Paris, Euler Hermes is present in 52 countries with 6,050 employees. Every year we protect more than \$1Trillion in trade transactions for our customers.



For more information on risk tools that help business leaders focus on growth, visit www.eulerhermes.us

