



RESTRUCTURING SURVEY

London, 21 June 2010

UK 2010

Roland Berger
Strategy Consultants

After the economic crisis – Growth and financing

Agenda

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A Introduction

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Our survey

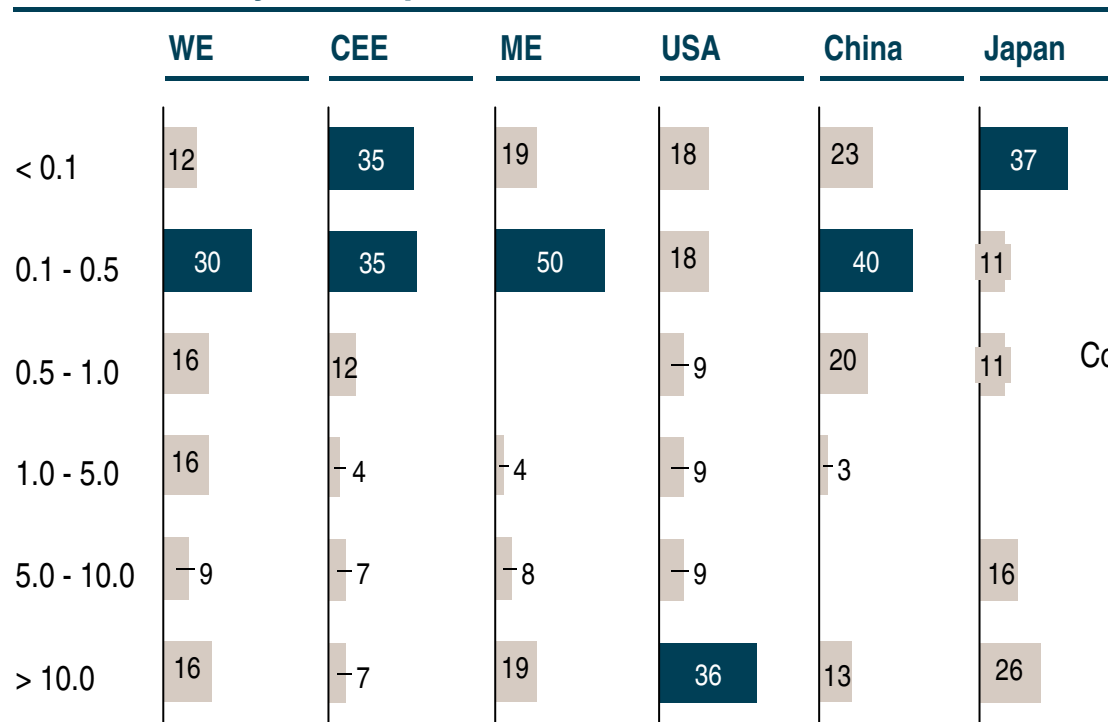
Foreword

- > In spring 2010, Roland Berger Strategy Consultants conducted a survey of trends in restructuring for the sixth time since 2001
- > Questionnaires sent to CEOs and managers at around 5,600 companies in various industries and experienced a return rate of 8.5%
- > The survey's key findings are presented for the six core regions of Western Europe (WE), Central & Eastern Europe (CEE), Middle East (ME), USA, China and Japan
- > In the UK survey, 52 board-level managers and financial controllers from different sectors were questioned across 13 industries – two thirds with sales greater than GBP 500 m
- > The aim of the survey was to find out how strongly and in which areas the crisis is still affecting companies in 2010 and what managers view as the opportunities in the upcoming recovery

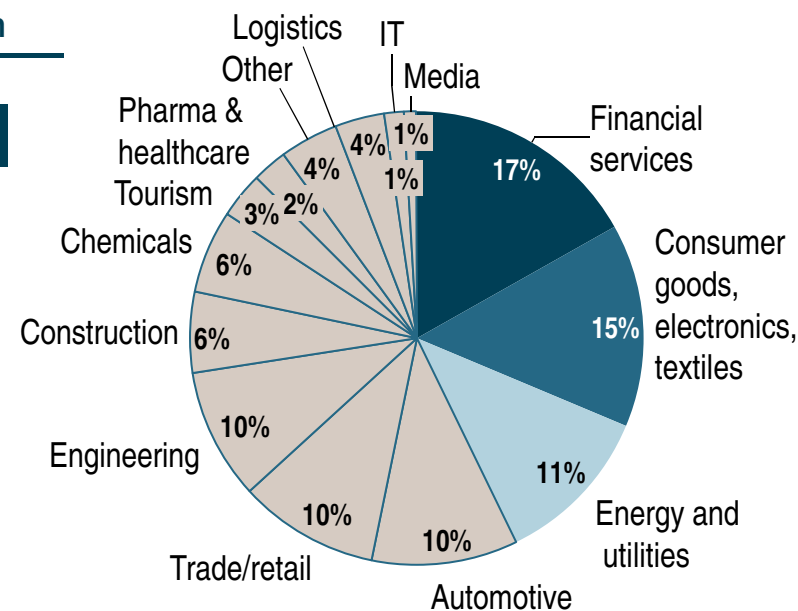
The results are based on a global survey of companies of almost all sizes and across a wide range of industries

Surveyed companies, based on sales [EUR bn, %]

Size of surveyed companies

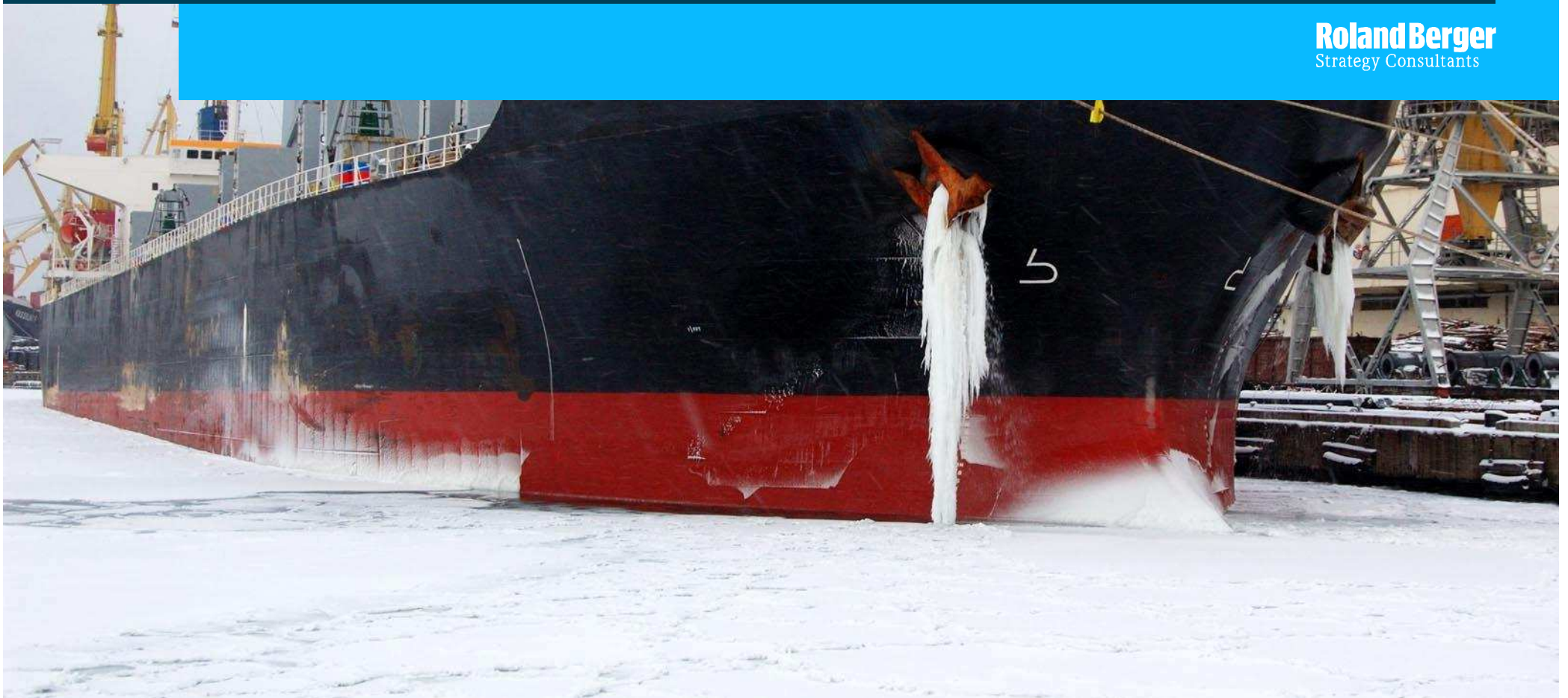


Survey respondents by industry



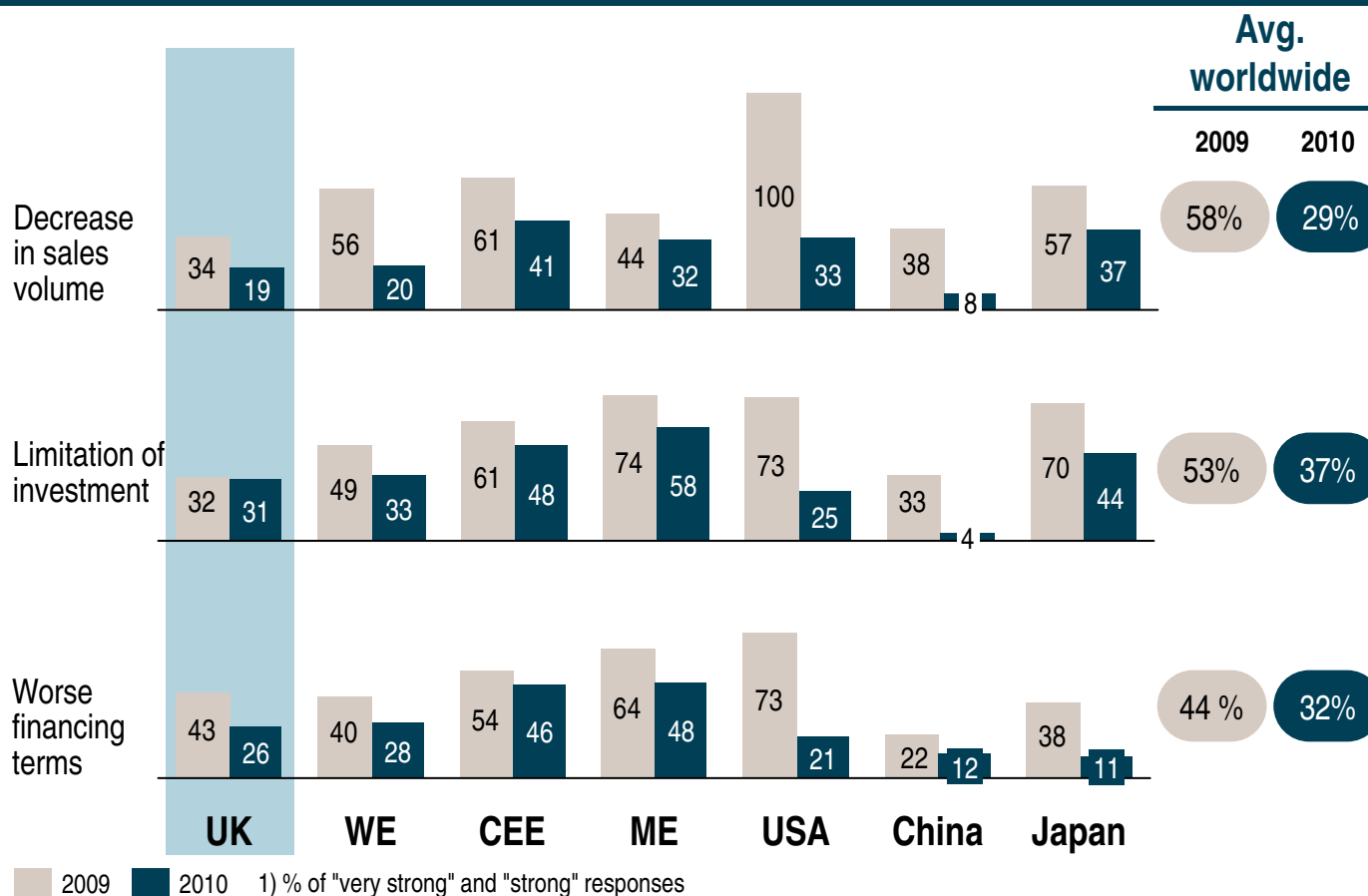
B Key results

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Impact of the crisis appears to be easing across all regions but pressures still remain – the worst is still not over

Impact of the crisis on companies [% of responses] ¹⁾

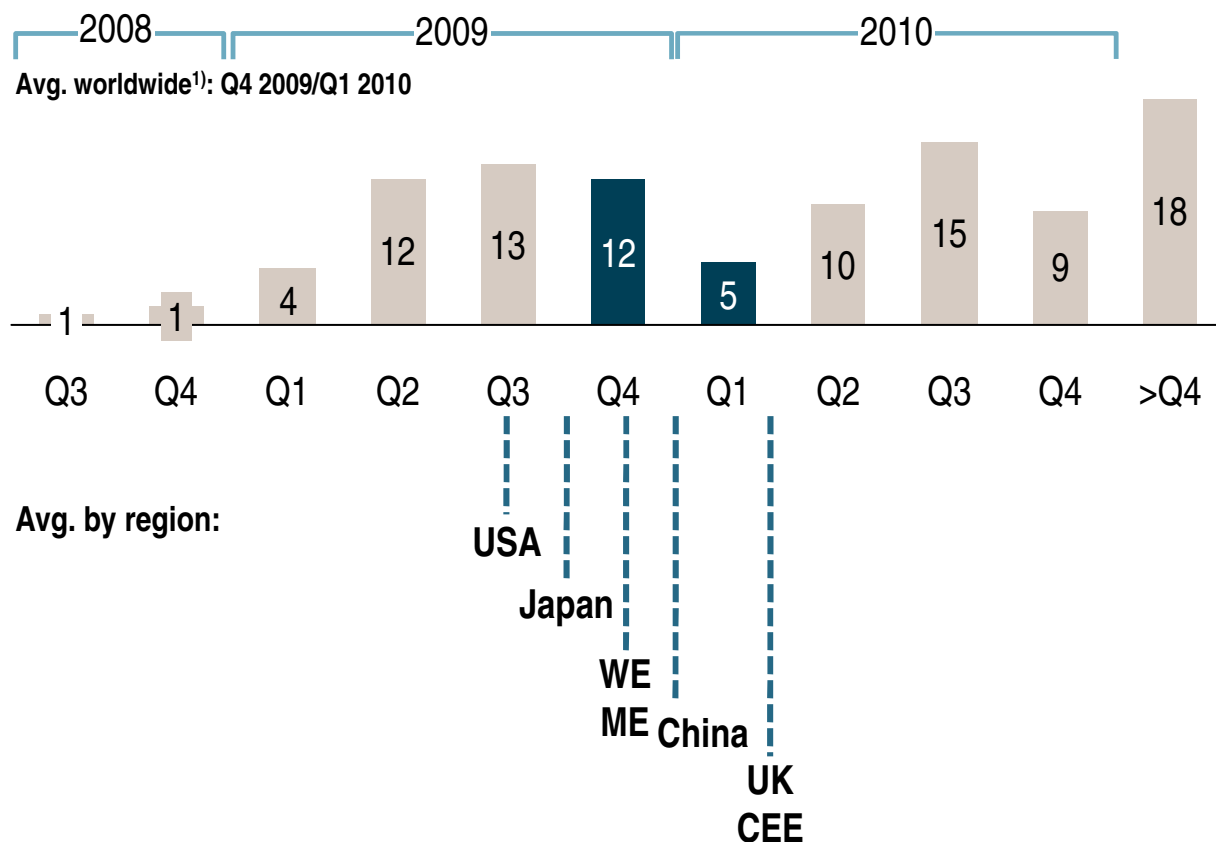


- > 2009 sales volume impact was lowest in the UK
- > Limitation of investments has not changed for UK companies in 2010
- > Overall UK companies appear less impacted in 2009 but slow improvement in 2010

Expectations for when the crisis bottomed out vary greatly

– Q3 '09 in USA to Q1/Q2 '10 in CEE and UK

When did (or when will) the economic crisis bottom out? [%]

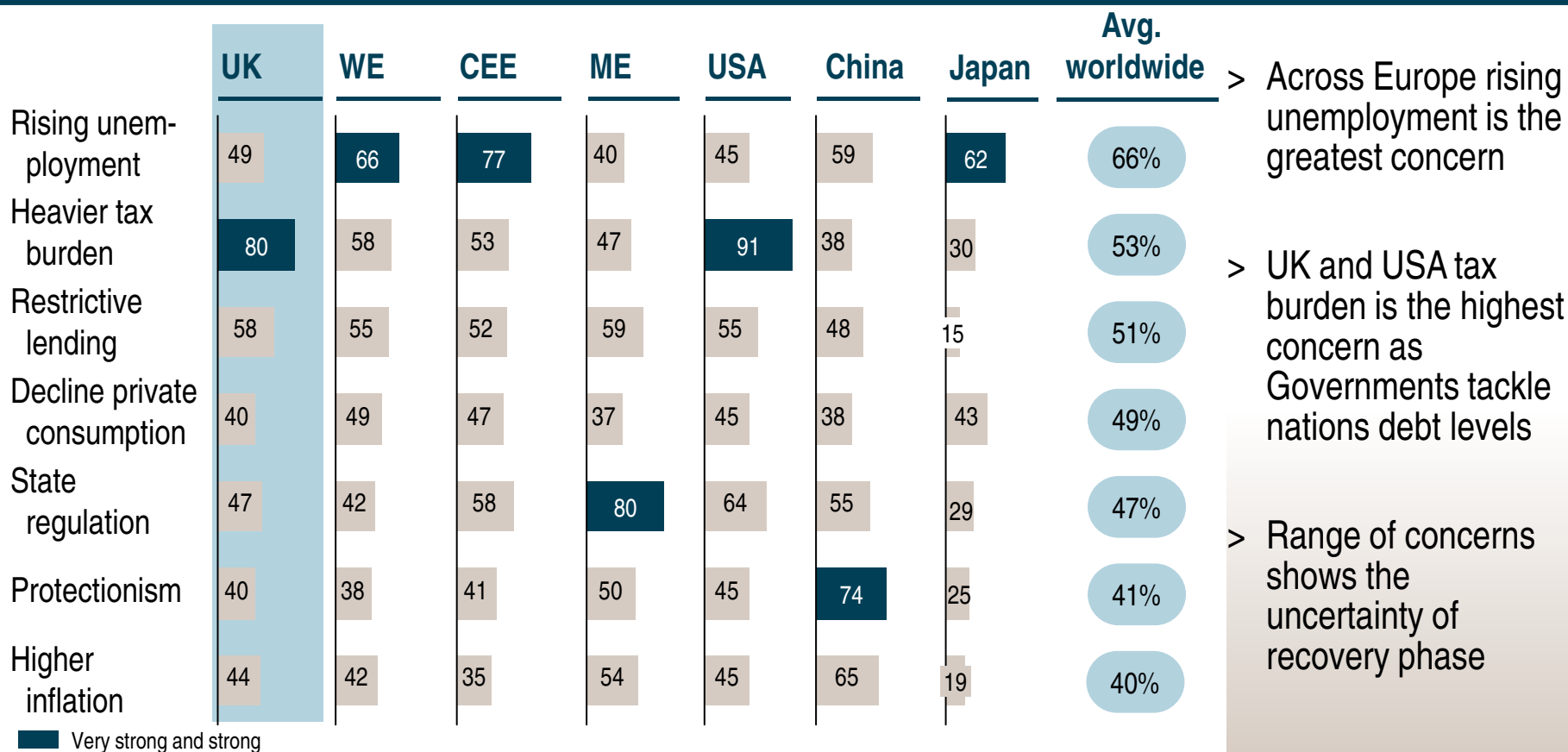


- > With markets very much globally linked there is very differing expectations when the crisis bottoms out
- > UK companies believe the economy bottomed out later than most other regions
- > Still high level of uncertainty

1) Average of weighted responses worldwide
Source: Roland Berger, Restructuring Survey 2010

Unemployment and taxes are expected to increase and lending practices more restrictive, in particular

Areas where situation is expected to deteriorate further [% of responses]



> Across Europe rising unemployment is the greatest concern

> UK and USA tax burden is the highest concern as Governments tackle nations debt levels

> Range of concerns shows the uncertainty of recovery phase

Very strong and strong
x% Average of weighted responses worldwide

Source: Roland Berger, Restructuring Survey 2010

Considerable uncertainty remains over the end of the crisis

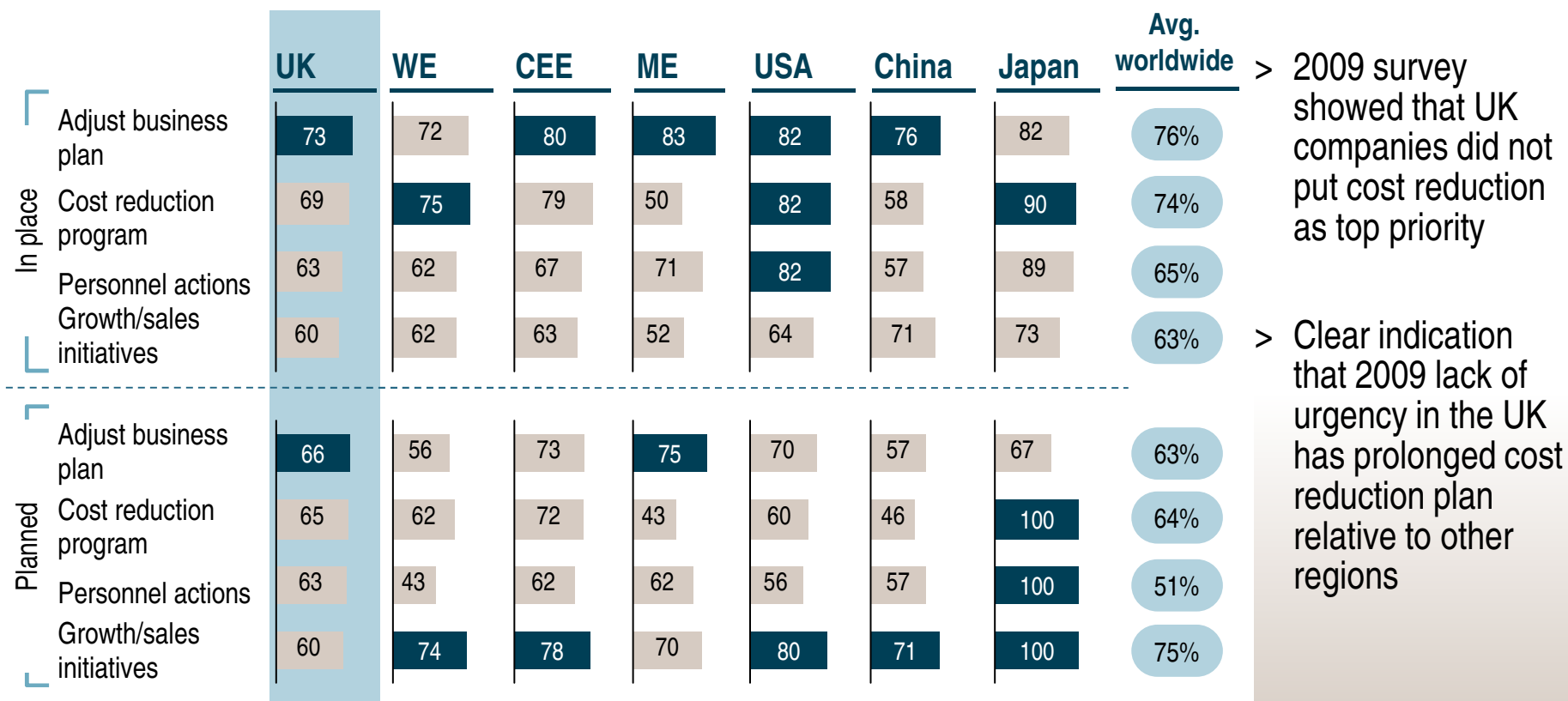
- UK budget could significantly impact recovery rate

Timing of recovery summary

- > Crisis will have bottomed out in 2010 globally
- > Still a high level of uncertainty for a stable and sustainable recovery
- > Degree of consolidation of public spending will have an impact on the speed of recovery; especially in the UK with fragile recovery and emergency budget plans
- > Lending conditions are still difficult

2009 business plans and cost reduction plans in place, most companies are now focusing on growth and sales initiatives

Importance of actions taken to counter the crisis [% of responses] ^{1,2)}

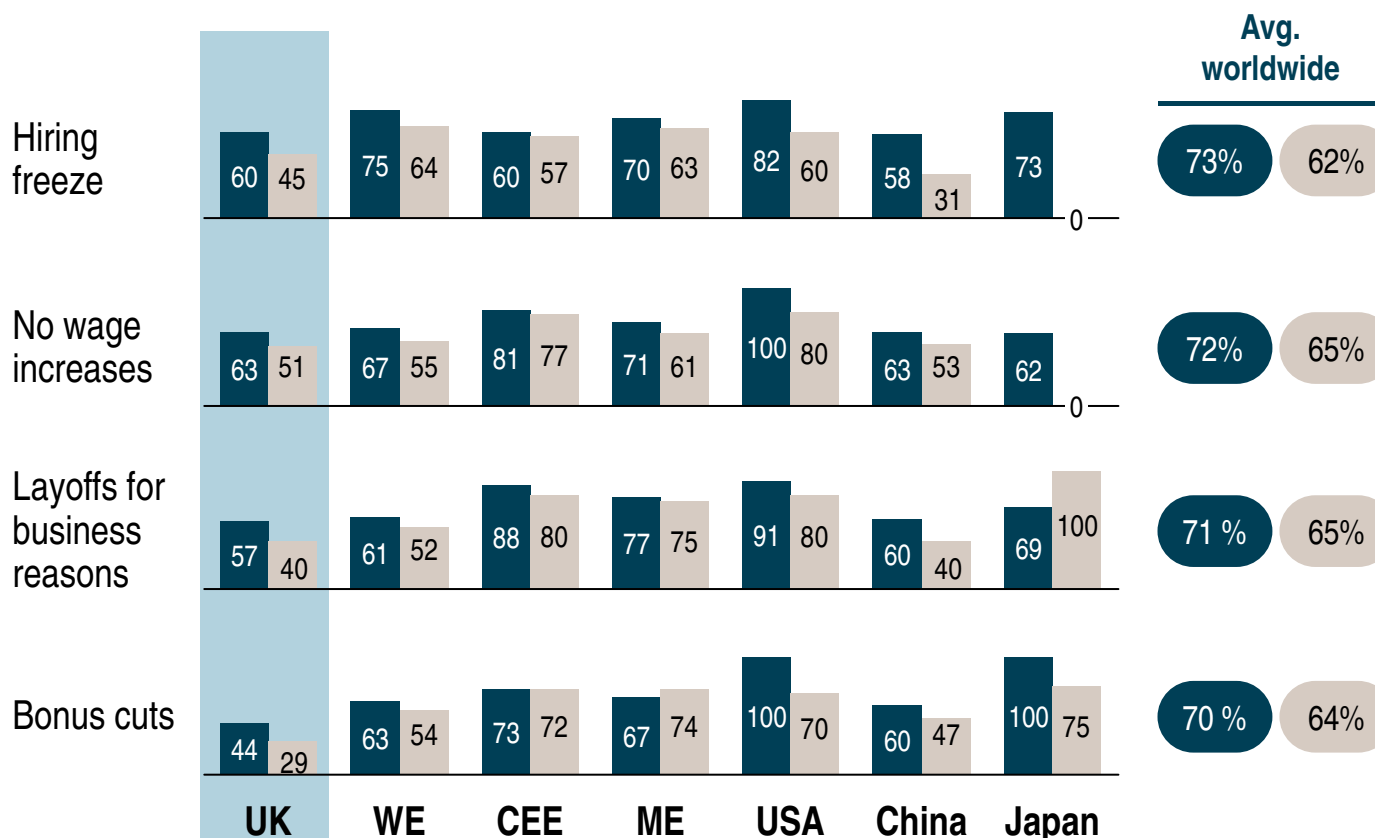


1) % of "very important" and "important" responses 2) Multiple responses possible

Source: Roland Berger, Restructuring Survey 2010

Four main actions to cut personnel costs – Fewer actions planned in the future compared to 2009

Actions for cutting personnel costs [% of responses] ^{1,2)}



> Even with significant personnel cost reductions in place, companies are still planning further cost reductions

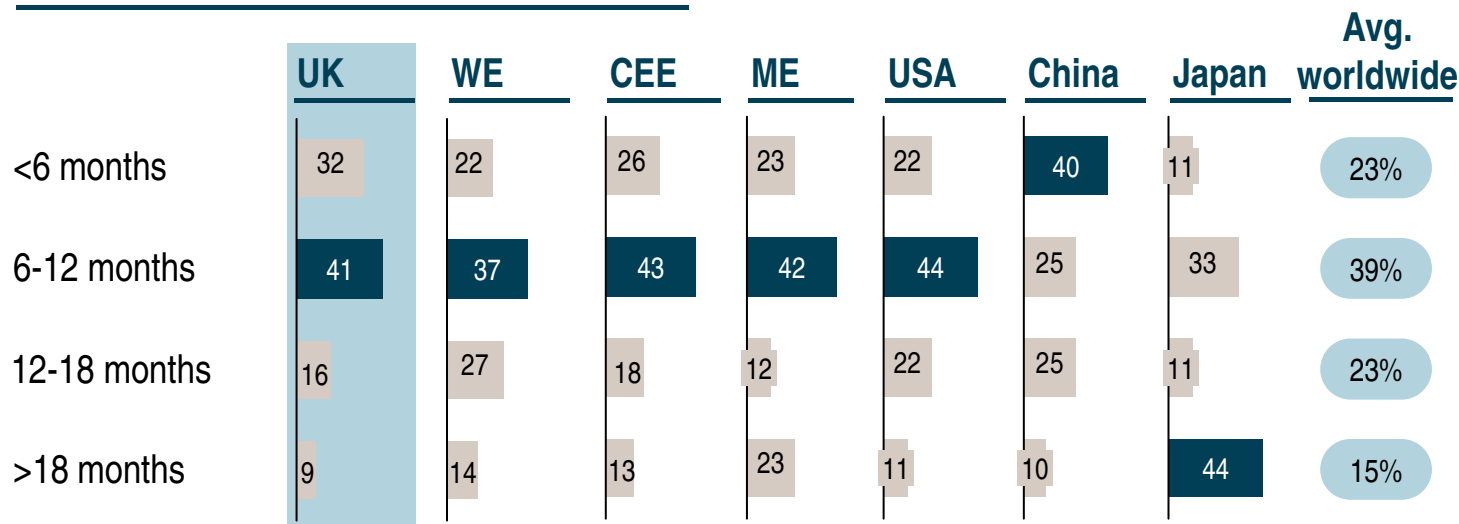
> UK companies are consistently below all other regions in prioritising cutting personnel costs

1) Important to very important 2) Multiple responses possible
Source: Roland Berger, Restructuring Survey 2010

Majority plan restructuring to continue for up to 12 months

Duration of restructuring projects to continue [% of responses]

Planned duration of restructuring (months)



> Most companies still expect to continue restructuring in 2010

> UK restructuring plans appear to be for a slightly shorter period than most other regions

> Management commitment and fast implementation are still the top success factors

1) % of "yes" responses

Source: Roland Berger, Restructuring Survey 2010

Clear shift from cost reduction actions in place to growth and sales initiatives planned for the future

Restructuring actions summary

- > Most companies are in now growth mode compared to cost reductions last year
- > UK companies with less focus in 2009 and therefore still need for restructuring – flexible cost base is key
- > Still high level of overcapacities and restrictions on personnel costs
- > Contingency planning

During the crisis, the liquidity situation became critical for 40% of companies – Currently 20% still at risk

Assessment of liquidity situation [% of responses]

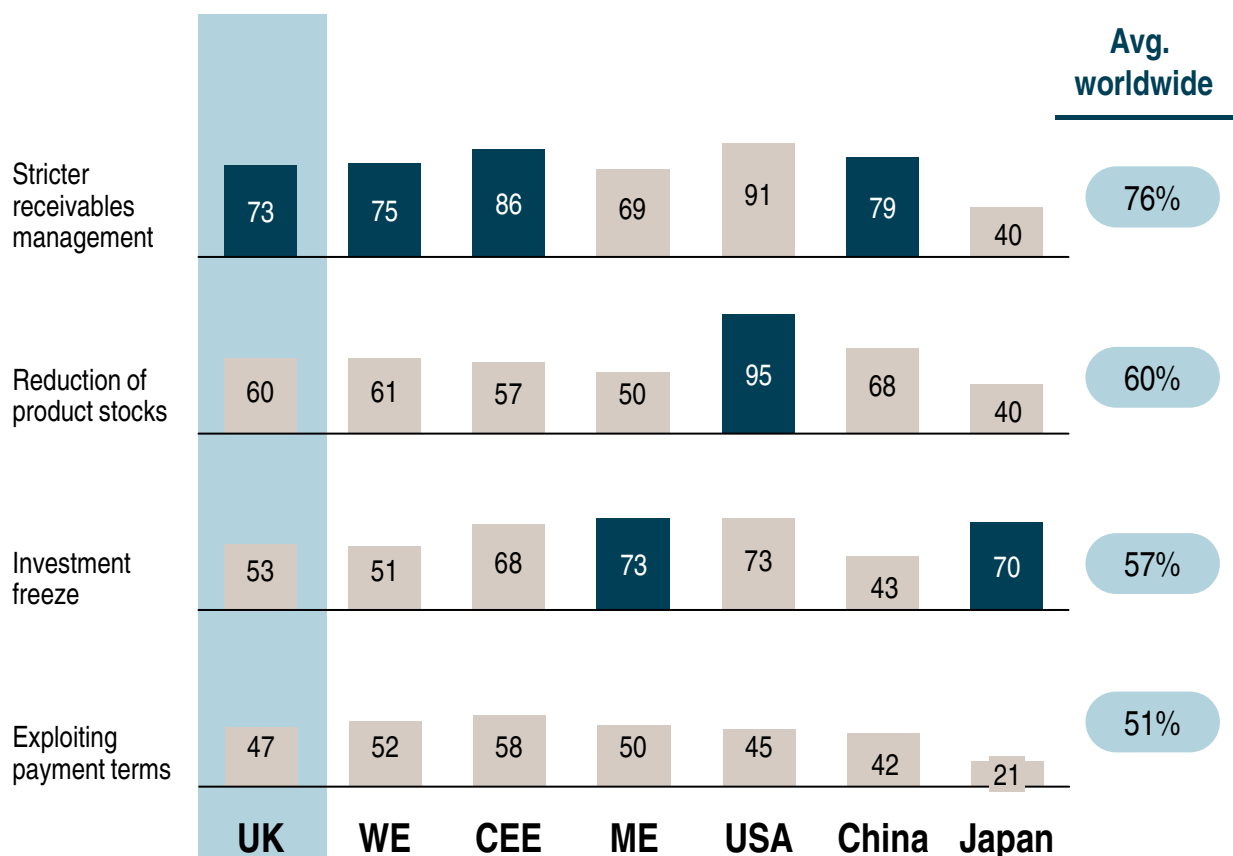


- > While the liquidity situation has eased, there are still a significant proportion of companies where the situation is still critical
- > Companies still need to be proactive over liquidity management:
 - Increase in sales during recovery will need to fund working capital;
 - Prolonged crisis could require further restructuring

■ % of "very critical" and "critical" responses

Liquidity was ensured mainly through operational cash management – Stricter receivables mgmt. holds top spot

Operational actions taken to ensure liquidity [% of responses] ¹⁾



> Working capital management was the focus to provide required liquidity during the crisis

> Risk of supplier insolvency

> Companies should look to increase their liquidity buffer by continuing operational actions even after the crisis has lifted

1) Multiple responses possible

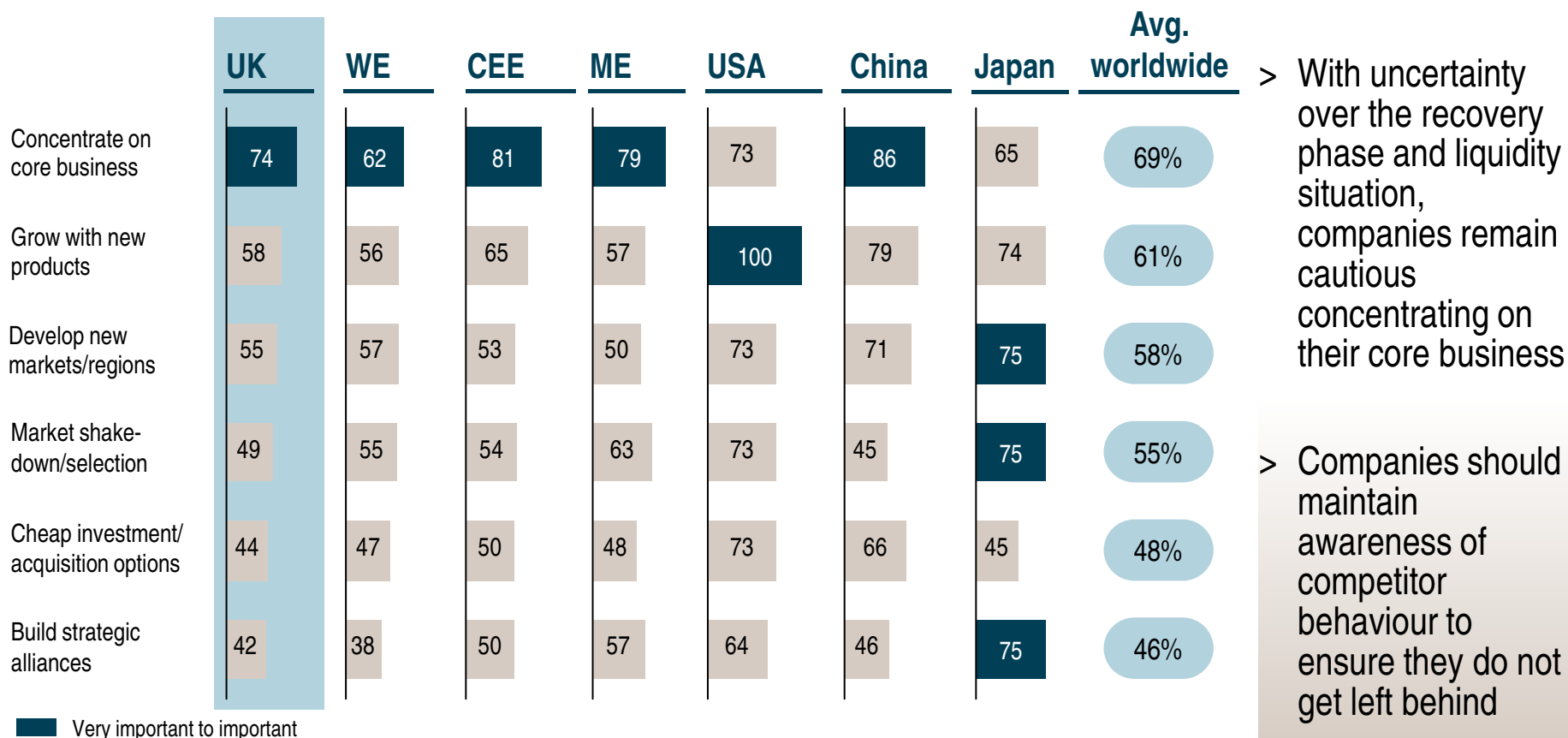
Liquidity remains critical – All companies need to be aware of future requirements and increase liquidity buffers

Liquidity summary

- > The liquidity situation still appears critical for companies with financing terms not improving
- > Biggest challenge for companies will be ensuring sufficient liquidity depending on how their markets react:
 - Recovery in sales will required funding of working capital
 - Continuation of crisis will require more long term restructuring to ensure positive cash flow is maintained

Companies worldwide focus on their core business during the economic upturn

Opportunities for companies during the recovery [avg. of responses]

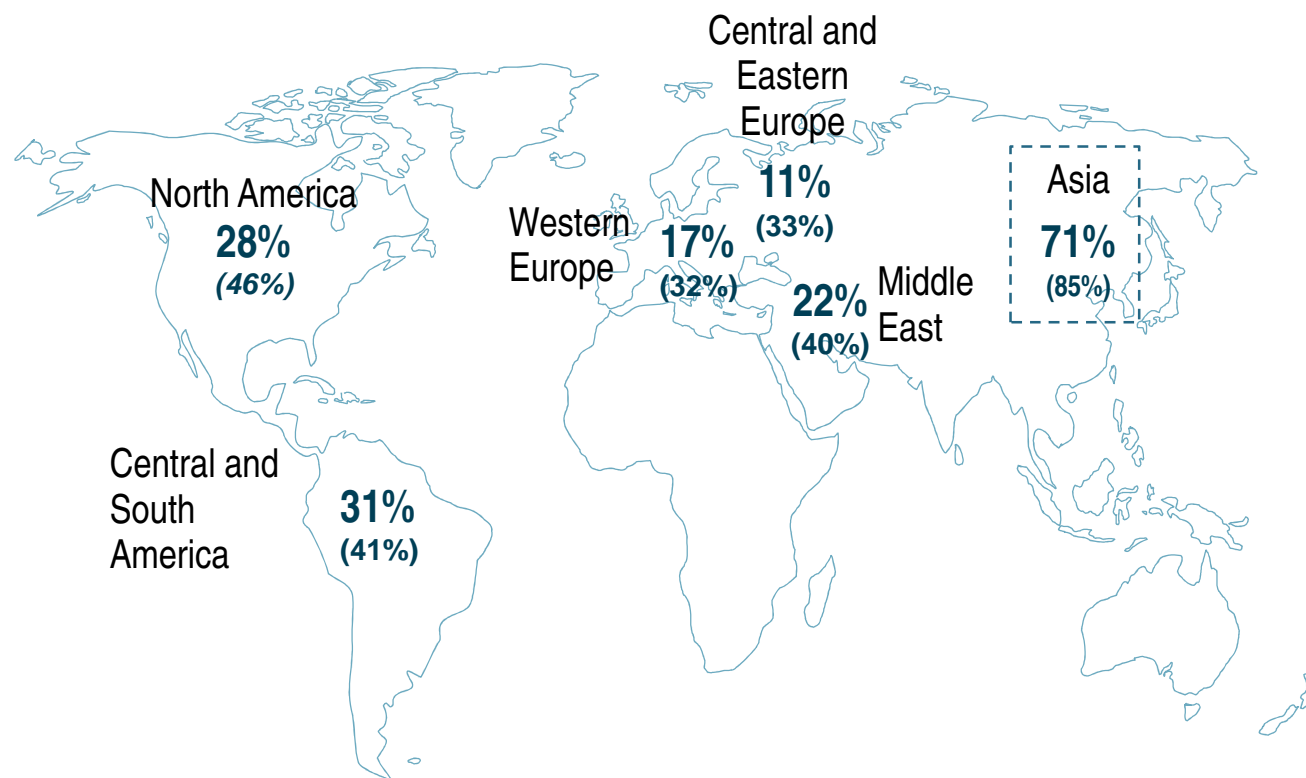


> With uncertainty over the recovery phase and liquidity situation, companies remain cautious concentrating on their core business

> Companies should maintain awareness of competitor behaviour to ensure they do not get left behind

Companies worldwide are focusing strongly on Asia for growth – Opportunities in Europe are least expected

Regions set to profit from the recovery in 2010/11 [% of responses] ¹⁾



- > Companies will need to fully understand their potential impediments to growth to remain competitive
- > Being able to overcome the barriers to ensure opportunities can be taken is essential

X% = 2010 (X%) = 2011

1) % of "very strong" and "strong" responses

Source: Roland Berger, Restructuring Survey 2010

Expectations for growth focused on Asia – UK companies not as well placed to take advantage of opportunities

Opportunity summary

- > Given the level of uncertainty, most companies will focus on their core business during the recovery
- > Opportunities expected to be greater in Asia – Companies need to fully consider potential to reduce cost base by shifting production to low cost countries but all be fully aware of increase competition from low cost producers
- > Closely watching competitors and key market drivers will ensure companies do lose out as recovery opportunities arise

C Summary

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2010 Restructuring Survey Summary

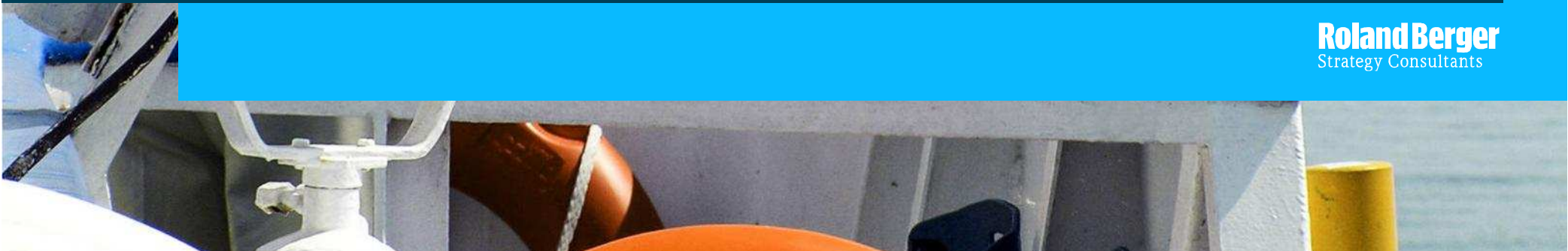
- > 2010 is going to be another difficult year as companies that cut costs insufficiently in 2009 now realise that they need to take significant measures in 2010 to manage their liquidity
- > Focus on restructuring actions, liquidity management/buffer and contingency planning needs to remain high priority to ensure competitiveness no matter how the economy develops
- > Fully understanding competitor actions and main market developments will be key to recognising and taking advantage of post-crisis opportunities as they arise

Implications for companies and lenders

		<u>Company considerations</u>	<u>Lender considerations</u>
1	UNCERTAINTY OF RECOVERY	<ul style="list-style-type: none"> • Assess impact of UK budget announcement • Contingency planning 	<ul style="list-style-type: none"> • Monitor key industry trends • Classification of investments to industry risk profile
2	RESTRUCTURING MEASURES	<ul style="list-style-type: none"> • Take tough decisions • Flexible cost base • Fast implementation 	<ul style="list-style-type: none"> • Be proactive • Make quick decisions • Work closely with management
3	LIQUIDITY SITUATION	<ul style="list-style-type: none"> • Increase liquidity buffer • Tight working capital management • Asses supplier risks 	<ul style="list-style-type: none"> • Ensure companies have sufficient liquidity planning and headroom in place
4	OPPORTUNITIES FOR FUTURE GROWTH	<ul style="list-style-type: none"> • Ensure key competitor watch • Identify opportunities and potential barriers 	<ul style="list-style-type: none"> • Ensure companies have sufficient support and advice to make the best decisions in the medium and long term



D Questions





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