EY
Building a better working world

Forecasts on the line

Analysis of profit warnings

Issued by UK quoted companies

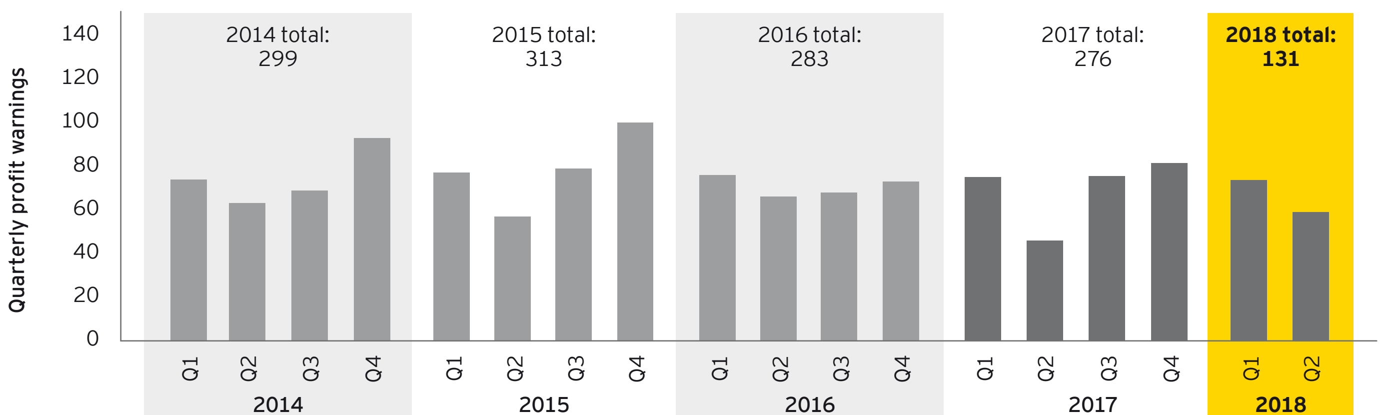
Q2 2018

UK quoted companies issued 58 profit warnings in the second quarter of 2018, up by 29% year-on year, as more warning lights appear on the UK dashboard. EY's new *Profit Warning Stress Index* hit its joint-highest level for six quarters in Q2 2018. Meanwhile, the crucial consumer side of the economy continues to issue an exceptionally high number of warnings – with more now linked to the bellwether housing market.

Our arrival at a potentially pivotal point in the cycle is further underlined by a six-year high in the proportion of profit warnings triggered by contract disruption. Profit warnings beyond the consumer sphere could rise from their low base, if uncertainty delays decision making. In particular, many companies cannot say with any certainty what trading and regulatory regimes they'll be operating under this time next year.

UK growth and the global recovery are still in evidence, but both could slow if threats multiply. Rising levels of restructurings and profit warnings – and sharper investor reactions to those warnings – underscore that we face a more precarious earnings outlook. Companies in highly competitive and disrupted markets will need to be especially nimble, innovative and at the top of their game to stay on track.

Profit warning numbers, 2014-2018

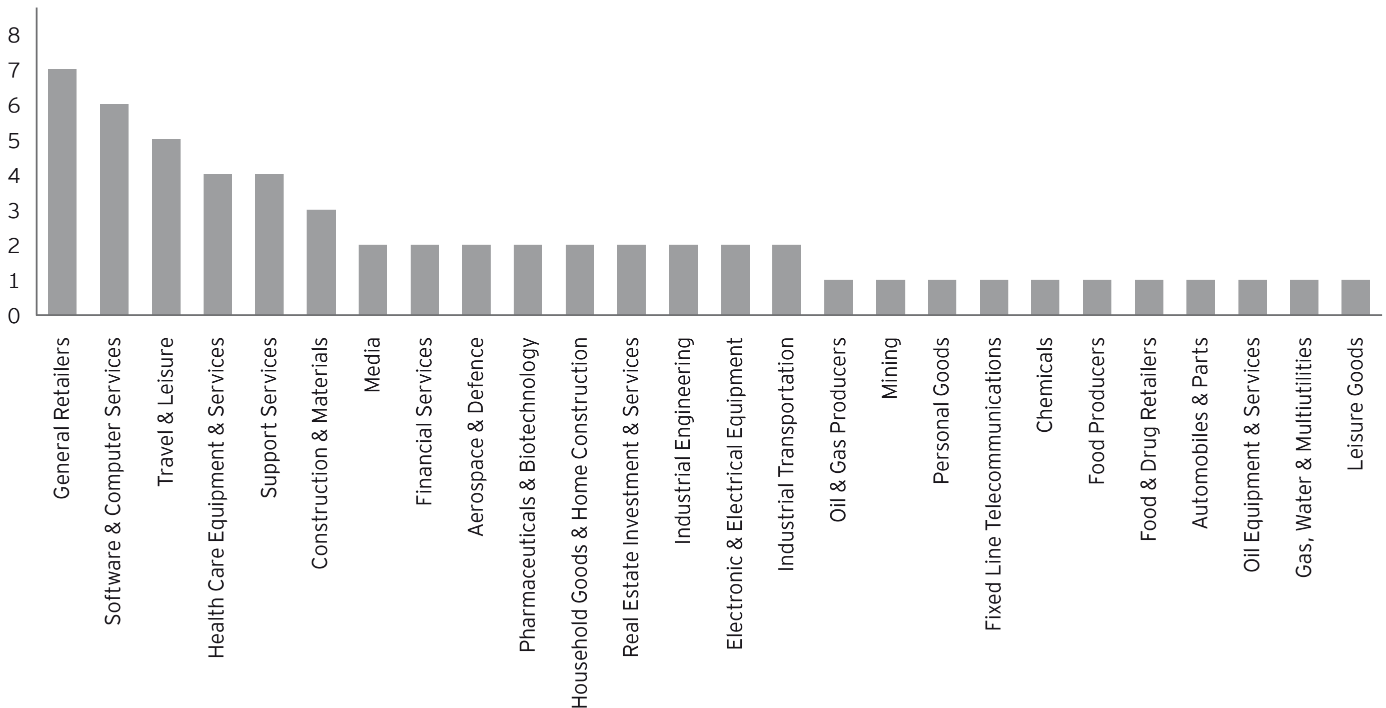


Profit warning highlights

- UK profit warnings rose substantially year-on-year to hit 58 in Q2 2018, 13 (29%) more warnings than the same period in 2017.
- The increase pushed our newly-launched EY Profit Warning Stress Index to 68. This is its joint-highest total since Q4 2016, when the index hit 72 in the wake of the EU Referendum vote.
- The year-on-year rise in profit warnings stems mostly from consumer sectors and increasing contract disruption, which is cited in 29% of warnings in Q2 2018 – a six year high.
- The FTSE sectors with the highest number of warnings in Q2 2018 were: General Retailers (7), Software & Computer Services (6), and Travel & Leisure (5).
- Almost a quarter of FTSE General Retailers warned in the first half of 2018. The sector issued 20 warnings in in H1 2018, doubling the figure set in H1 2017.
- Retail remains under relentless pressure, with options to meet falling spend, rising costs and intense competition limited as landlords toughen their stance on Company Voluntary Arrangements (CVAs).
- In the year-to-date, over a quarter of FTSE Household Goods companies have warned, with increasing stress reflected in a median share price fall of 29% in the last 12 months – almost double the average.
- The first warnings from the 'home construction' sub-sector in a year coincide with warnings elsewhere in the supply chain, raising concerns that the cycle is turning.
- The median share price fall on the day of profit warning rose marginally to 15.9% in Q2 2018. It's the highest figure since Q2 2016 and a further indication that more warnings are being regarded as structural, rather than one off, events.
- Thin summer trading could amplify market volatility – especially if geopolitical and trade tensions escalate.

"Retailers have limited options as landlords toughen their stance on CVAs."

Profit warnings by sector, Q2 2018



Economic and sector overview

Half-time report

It's half-time in 2018 and forecasts are on the line. An exceptional summer has boosted consumer spending; but growing downside risks — at home and abroad — look more enduring. Dramatic action beyond the sporting arena means we can take little for granted going into the second half of the year. In this section we take stock of the UK economy; pick three main threats to growth and earnings; and consider how companies can trade through the latest round of uncertainty.

From one extreme ...

It's difficult to get an accurate read on the UK economy due to an exceptional run of weather and one-off events. The 'Beast from the East' disrupted supply lines, stalled construction and kept snowbound consumers at home. Nevertheless, households kept buying online and many — although not all — consumer-facing companies have benefited since from exceptionally fine weather, the Royal Wedding and England's long run in the World Cup. But is this extra, delayed or diverted spending? How much should we take the weather into account? Just 7% of profit warnings in H1 2018 cited the cold snap. A few have since blamed the heatwave.

The hard data certainly suggests that if we look beyond these events, the UK economy is struggling for momentum. UK GDP grew by just 0.2% in the first quarter — well below average growth of 0.5% since 2009. Rolling GDP figures and PMI surveys show construction and particularly services — including retail — bouncing back in the warmer second quarter. But, this doesn't look enough to catch-up completely, especially given continuing manufacturing sluggishness. In response, to this stuttering start to the year and growing headwinds, EY ITEM Club has downgraded its expectations for UK GDP growth to 1.4%, down from 1.6% forecast just three months ago.

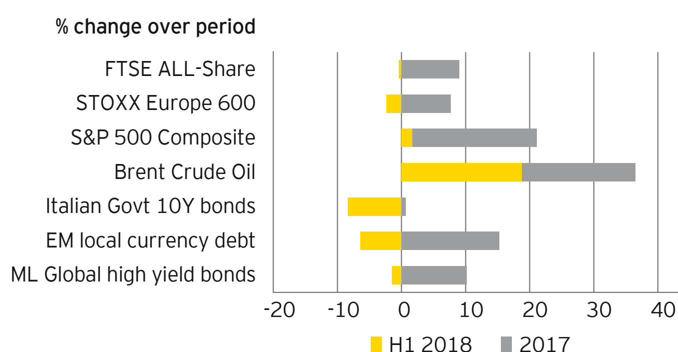
New elements

Three headwinds are particularly relevant here. The first is a near-20% increase in oil price in the second quarter, which lead to ITEM increasing its UK CPI year-end forecast to 2.3% — up from the 2% forecast just three months ago. This leaves wages running just ahead of prices for the rest of 2018, which in turn diminishes the hoped-for inflation dividend for consumers in 2018. Real household disposable income is only expected to rise by 1.3% in 2018 — well below-par compared with an average of 3.1% in the decade before 2007. It's certainly not strong enough for consumers to replenish much diminished savings, which have been the main source of consumer spending growth in the last two years. The all-important consumer has little left to give — with little impetus elsewhere to pick up the slack.

UK exports have been another significant source of growth, boosted by the falling pound and global growth to expand by 5.4% in 2017. ITEM now expect export growth to dip to 1.9% — another downgrade against the 3.3% forecast three months ago. Global growth is still relatively robust; but it's under increasing threat from tighter US monetary policy; economic nationalism; and slower growth in significant areas — like the Eurozone and China. The impact of trans-Atlantic and Pacific trade wars is fairly contained for now, but any expansion threatens to undermine business confidence and much more if it spreads into significant cross-border value chains — like automotive. Gavyn Davies of *The Financial Times*, estimates that full scale global trade war, involving tariffs at 10% on all traded goods, could reduce the level of global GDP between 1.5% and 3.0% — compared with 5% in the global financial crisis.

The third and connected element to this is Brexit. The UK's withdrawal agreement with the EU is reportedly 80% agreed; but, there are now just three months left in the current timetable to agree the remaining 20% before concluding transitional arrangements. Meanwhile, the UK Government's evolving White Paper has firmed domestic battle lines, highlighted the domestic political stalemate and left gaps between UK and EU red lines. There is also still a great deal to be fleshed out here, not least in customs arrangements, trade in services — often indivisible from trade in goods, and the movement and availability of labour. The high price of failure should make a UK-EU deal the most likely scenario. But EY's latest analysis now assigns a 25% chance to the UK leaving the EU without a deal.

Stress showing at half time?



Source: Thomson Reuters Datastream

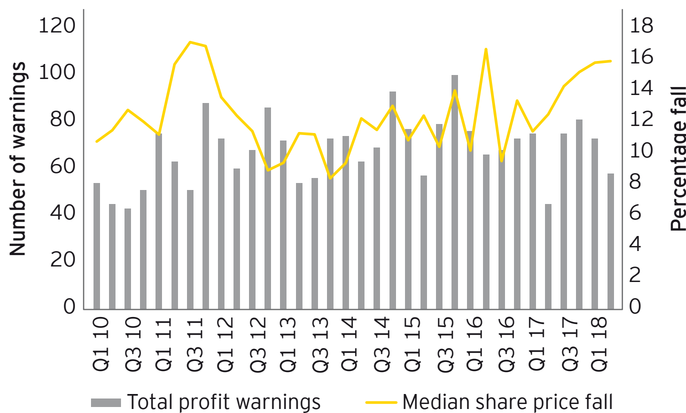
Widening cracks

Trade concerns have begun to chip away at market confidence at a time when more analysts and investors were already starting to ask how long this bull market could last. Funding markets are still exceptional liquid. Major ratings agencies predict that default rates will once again remain low this year. But, monetary conditions are undoubtedly tightening — and this will invariably have a knock-on

Economic and sector overview (continued)

effect. The Federal Reserve remain on track to raise rates twice more in 2018, after US consumer prices rose to their highest level since February 2012. The ECB is making louder tightening noises. The Bank of England may raise rates once more in 2018. If events knock central banks off this path, this could create its own turmoil – especially in a summer of thin trading. The stronger reaction to UK profit warnings suggests investors are increasingly concerned about what comes next.

Sharper share price fall highlights investor concern
% median share price fall on day of warning vs total profit warnings



Source: EY Research, Thomson Reuters Datastream

As we've seen before, the greatest beneficiaries of liquidity are usually the most vulnerable to its withdrawal. EM sovereigns and corporates sold $132.7b of syndicated bonds in the second quarter, the lowest in three years. Meanwhile, demand for European high-yield bonds has also slowed, with reports of investors pushing for greater protection across riskier debt. The refinancing hump has been moving away for a decade; but at some point tighter conditions will catch up.

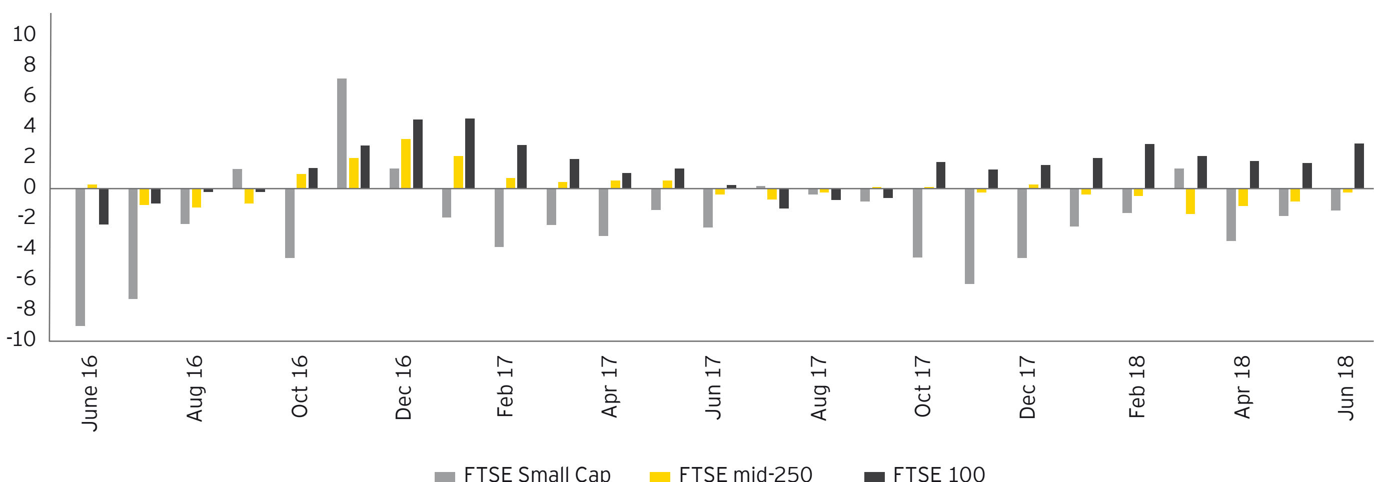
Changing tactics

With little certainly over what happens next, there is a strong temptation for companies to standstill. The risk to companies – and to the UK as a whole – is that a lack of investment now, will leave a lasting and damaging legacy.

Most companies will not be able to rely on economic growth to significantly lift earnings – especially in domestic, consumer facing sectors. Access to overseas markets and supply chains could also be curtailed – perhaps severely. Businesses need to prepare for scenarios where they face greater barriers and adverse changes to regulatory regimes, tariffs, delivery times and wage costs. How will inventory and working capital be affected? Can we do anything more to mitigate the impact by optimising operations and reduce costs? Do we need to invest in locations in harder to access markets? What happens to our suppliers – and their shared knowledge – if they are removed from our value chain?

Labour availability and costs are another area to watch closely. We expect to see an even higher focus on innovation and investment if wages finally rise in response to a tighter UK labour market. It's interesting to note that although UK fixed investment figures are weak, UK M&A levels increased in the first half 2018 across domestic, inbound and outbound transactions. This could be a sign of companies investing to jump over trade barriers. It could also be companies adapting investment tactics to a digital age, looking to buy rather than build people, skills and technology. Stronger companies who are nimble and innovative will be best placed to respond to whatever comes next.

Domestic earnings expectations remain subdued
3m % change in 12M forward earnings expectations



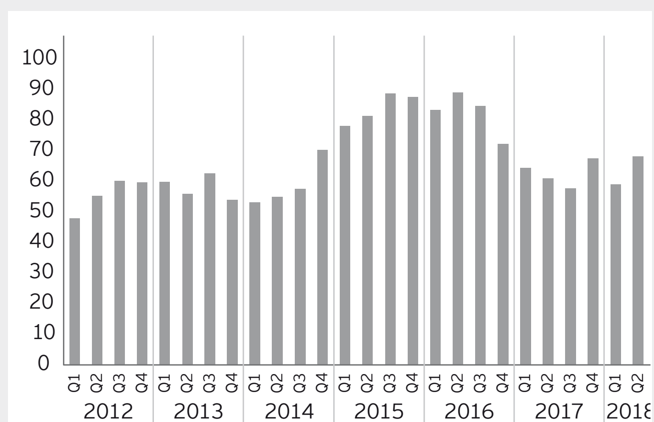
Source: ThomsonOne.com

New EY *Profit Warning Stress Index*

This quarter sees the launch of an EY *Profit Warning Stress Index* alongside our new online console, which contains over a decade of EY profit warning data. The EY *Profit Warning Stress Index* takes the percentage of UK quoted companies warning in the year-to-date and places that figure on a relative scale, where zero corresponds with the lowest percentage of companies warning since 2007 and 100 is the highest.

In Q2 2018, the index stands at 68, the joint-highest figure since Q4 2016, when the index hit 72 in the wake of the EU Referendum. The reason for the rise is two-fold. The first is the exceptional proportion of consumer-facing companies issuing profit warnings. The second is a rise in the number of 'new' companies warning. In Q2 2018, 65% of companies issuing a profit warning hadn't warned in the last year compared with 52% in Q1 2018.

EY *Profit Warning Stress Index*



More 'new' companies warn when stress intensifies in a sector or if there is a shift in market dynamics. In 2018, we have certainly seen pressure intensify in consumer sectors. But we've also seen a rise in business-to-business related warnings that could signal increasing stress outside the consumer sphere. In Q2 2018, 29% of profit warnings cited delayed or cancelled contracts. Five of the six companies warning in FTSE Software & Computer Services in Q2 2018, hadn't warned in the last year — and most of these cited contract issues.

If decision-making stalls under the weight of rising uncertainty, we also expect to see further stress in FTSE Support Services and FTSE Construction & Materials, where companies would also be vulnerable to delays in government contracts and tighter labour markets. This would keep profit warnings at relatively high levels throughout the third quarter.

Warnings as a percentage of FTSE sector, Q2 2018

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Aerospace & Defence	2	11	18%
Automobiles & Parts	1	4	25%
Chemicals	1	21	5%
Construction & Materials	3	35	9%
Electronic & Electrical Equipment	2	34	6%
Fixed Line Telecommunications	1	7	14%
Food & Drug Retailers	1	9	11%
Food Producers	1	24	4%
Gas, Water & Multiutilities	1	8	13%
General Financial	2	127	2%
General Retailers	6	56	11%
Health Care Equipment & Services	4	38	11%
Household Goods & Home Construction	2	30	7%
Industrial Engineering	2	31	6%
Industrial Transportation	2	17	12%
Leisure Goods	1	14	7%
Media	2	65	3%
Mining	1	89	1%
Oil & Gas Producers	1	79	1%
Oil Equipment & services	1	11	9%
Personal Goods	1	13	8%
Pharmaceuticals & Biotechnology	2	68	3%
Real Estate Investment & Services	2	51	4%
Software & Computer Services	6	114	5%
Support Services	4	131	3%
Travel & Leisure	5	71	7%
Total no. companies warning	**57**		

Focus on sectors

FTSE General Retailers

The retail revolution continues, leaving more companies in its wake. The impact of relentless competition is evident in the 20 profit warnings FTSE General Retailers have issued in the first half of 2018 — double the number issued in the same period of 2017. In the year-to-date, over a third of FTSE General Retailers have warned.

In recent weeks, warm weather and the World Cup have provided a welcome fillip, increasing sales after the winter chill. But, how long can retailers ride this summer wave?

A scorching success?

The second quarter didn't start well. April's retail sales 'fell off a cliff', according to The British Retail Consortium (BRC). A dramatic recovery followed in May, as the warm weather unleashed latent demand. Apparel did especially well, recording its biggest growth in two years. But, despite the rise in overall retail sales, non-food sales fell by 0.2% in June on a like-for-like basis. Clothes sales continued to rise, but purchases of furniture, footwear, household appliances and stationary all fell.

This adds up to a 0.2% fall in non-food sales across the second quarter on a like-for-like basis — a 0.8% increase in total sales, according to BRC figures. It's the best 3-monthly average since September; but it's hard to argue that the sector has turned the corner. Big ticket sales traditionally suffer during a 'barbeque summer'. Much of the increase in consumer spending went on food & drink. Nevertheless, in terms of the feel-good factor, this is almost as good as it gets — and yet the sector still lacks significant momentum.

Fundamentally tough

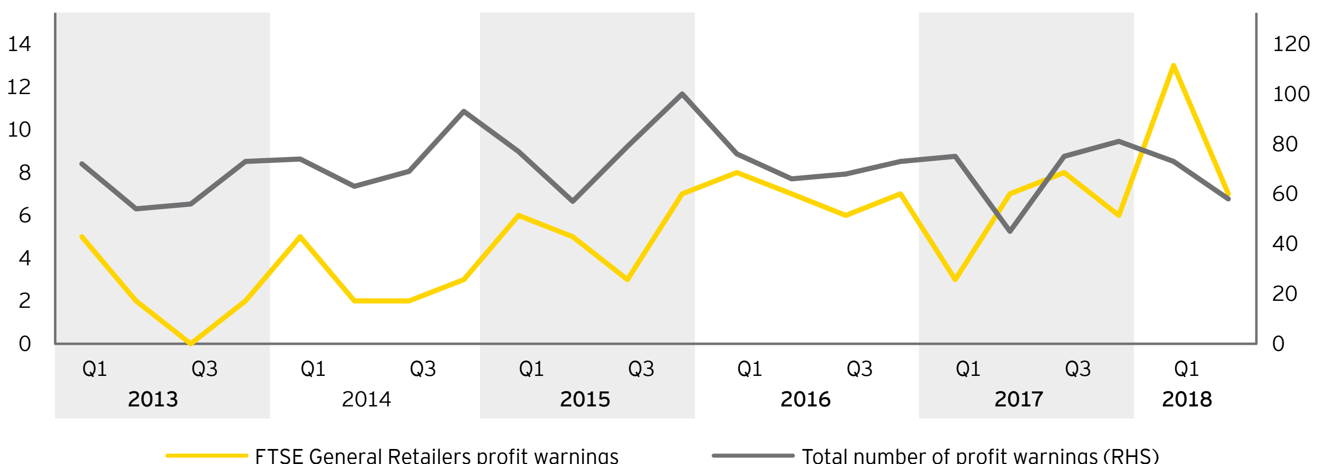
It's easy to see why. Sunshine and goals can't trump an income squeeze — at least not for long. This long-running squeeze is also loosening its grip slower than expected due to higher oil and energy prices. On the upside, the Bank of England still seems likely to raise rates just once in 2018 — if at all, depending on the political and economic backdrop. The jobs market is also relatively strong. But pay growth remains puzzlingly weak. ITEM forecast a 2.9% rise in average earnings this year, leaving workers with just a marginal increase in real pay across 2018.

Households have been adjusting to weaker real income growth by drawing on their savings, hence why consumer spending still grew at 3.1% in 2016 and 1.8% in 2017. But, the household saving ratio is now at its lowest since records began in 1963 and consumers have little left for a rainy day — when that day comes. Consumer confidence was high at the start of July, but has shown its vulnerability to adverse news on the economy and Brexit. All of which leaves retailers in a tough fight for just 1.3% of consumer spending growth expected in 2018 and 1.5% in 2019.

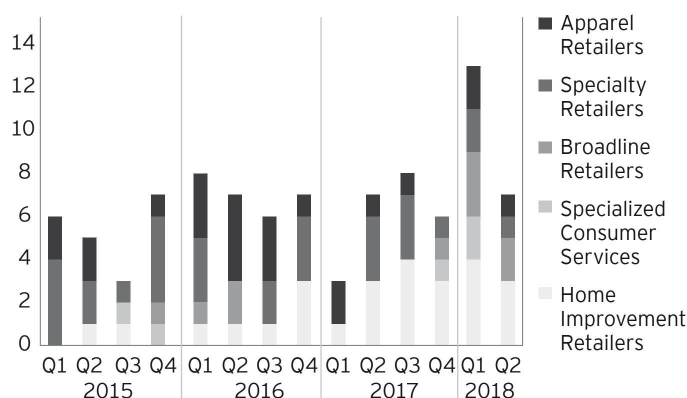
Relentless pressure

This isn't just a case of online versus high street sales. The second quarter was obviously exceptional and the 10% increase in pubs and restaurant sales recorded by Barclaycard in June isn't necessarily representative of the year. But, it shows how consumers are still prepared to prioritise spending on experiences over increasing their belongings.

FTSE General Retailers profit warnings



Retail pressure builds in home improvement and broadline
General Retailers warnings by sub-sector



The pressure to compete for limited spending in a highly competitive market is also evident in EY's profit warning data. Beyond falling sales (65% of warnings), the next most common reasons for warning amongst FTSE General Retailers are weaker consumer confidence (35%), pressure on pricing (30%) and increasing competition (30%). The pressure on big-ticket spending looks especially acute in this environment, as households cut back on discretionary purchases and house sales flatten out. Data from Barclaycard shows that four out of ten consumers plan to delay big ticket purchases. Over a third of FTSE General Retailers profit warnings in 2018 have come from 'Home Improvement Retailers'.

Adapt or perish

The competitive pressure to compete for the consumer pound is at least matched on the other side of the margin vice by the rise in operational costs — in labour, business rates and digital investment. High-street retailers under the greatest stress have used company voluntary arrangements (CVAs) to reduce capacity, lower rents and ease the pressure on their businesses in the last six months. This could be driving the more muted rent increases we've seen of late. A Colliers International survey showing rents rising by an average of 0.8% in the year to April, exactly half the rate of growth reported last year. Outside of London, rents declined by 0.7% against a rise of 0.7% in the previous year.

But rents and overcapacity are usually just one part of retail's problem and CVAs just one part of the solution. Fundamentally, retailers need to find their unique selling point and to build a deep relationship with consumers to create loyal customers. The best retailers are managing to do this and to find a way to leverage data to build sales and optimise profits across all platforms. We are well beyond the point now where 'online' and 'store' can be thought of as separate. A rise in online sales creates a bigger inventory challenge — not least in the high volume of returns. But technology can help companies forecast and manage store and warehouse levels. There are huge benefits in generating revenue at greater speed with less goods, lower working capital and better cash flow.

To stay in this ever-changing game retailers will need to invest more and take more risks. But many lack the capital and wherewithal to move forward. Thus, we expect to see a continuing divergence of fortunes in 2018 — especially if landlords continue to toughen their stance on CVAs. Most well planned and structured CVAs should get approval; but landlords are starting to take a tougher stance and there are few levers left for retailers to pull. Securing funding and credit insurance look increasingly problematic. Conversely, this creates greater opportunities for those with the capital and wherewithal to invest — including distressed investors.

FTSE Construction & Materials

FTSE Construction and Materials companies issued six profit warnings in the first half of 2018, with 17% of the sector warning in the year-to-date.

The last year has been one of growth, but also increased challenge and scrutiny, which has drawn attention to some of the sector's long-standing structural weaknesses. With the outlook in question, it feels like a good time to take stock and think about how construction companies can improve resilience and meet the challenges that lie ahead.

Bouncing back

Construction sector growth is notoriously hard to assess at any point — but especially after such a difficult winter. Official figures show the construction industry contracting by 0.8% in the frozen first quarter, but rebounding strongly in May. The IHS Market Purchasing Managers' Index (PMI) reading for June maintains the comeback theme with a reading of 53.1 — the highest reading since November 2017.

We'll need a few more months of data to know if this represents a trend and it's important to note that outside of residential construction, growth is still moderate. Commercial activity increased in June, but civil engineering saw its growth easing to a three-month low.

Greater challenges

This mixed picture concurs with mixed market reports from construction companies, who are still carrying significant overhead in anticipation of bidding and winning new work. Although, new work has been slow to materialise — especially from the public sector — a picture that is reflected in official figures. According to the Infrastructure and Projects Authority, 18 new projects joined the Government's Major Project Portfolio in the year to April 2018, the lowest number since the IPA started publishing its annual report 6 years ago and 50% fewer than the previous year. Concerns over the efficacy of PFI, along with the additional levels of scrutiny put in place following the collapse of Carillion, have served to extend the bid process. But, two years of political uncertainty has also diverted attention away from infrastructure planning and spending.

Focus on sectors (continued)

There's a risk that rising uncertainty also prompts commercial clients to defer decision making. Just one of the six sector profit warnings in 2018 cited the adverse weather; but four cited delayed contracts and uncertainty dragging on demand. Margins remain under pressure, with risks beginning to build in raw material and labour costs from escalating trade-wars and the chance of a hard Brexit. June's PMI Index contained the fastest price rise in nine months.

Building resilience

There is a great deal that lies outside a construction company's control. This is a cyclical sector with peaks and troughs in demand and prices. Budgets are set by clients – as are procurement and bidding processes. That said, there are steps that companies and clients can take to build up greater resilience to adverse trends – and ultimately create better outcomes.

Problem contracts are by far the most common reason for contractor profit warnings. It's vital that companies bid selectively, concentrating on their strengths rather than just seeking to build turnover. They also need to apply strong risk management disciplines at the bidding stage to ensure they only take on the right contracts at the right price – and that they ensure that problems are identified and managed quickly. Claims and latent defects can wipe-out profit at the end of contracts. This is a two-way street. The recent report from the Public Administration and Constitutional Affairs Committee has criticised government procurement processes that "prioritise cost over all other factors in procurements". We are also seeing more collaborative processes in large scale infrastructure projects. But adversarial contractual relationships are still prevalent – often to the detriment of both parties.

The construction sector is beginning to address to its deeper structural issues. Low margins have historically provided a disincentive to invest in innovation. Companies have begun to tackle this issue with government keen to help, offering £420m through its Construction Sector Deal. The investment aims to "transform construction through use of digital building design, new manufacturing technologies and offsite manufacturing." Clearly, it will take a great deal of work and additional industry resource to make this happen; but low productivity is a vital conundrum for the sector to resolve if it is to break out of its low-margin bind. The industry also needs to look for ways of plugging the skills gap by supporting STEM education in schools, increasing apprenticeships and improving talent management.

None of this is easy. But main contractor finances in particular are under much increased scrutiny from funders and clients. The price of a profit warning could be very high.

A note on housebuilders

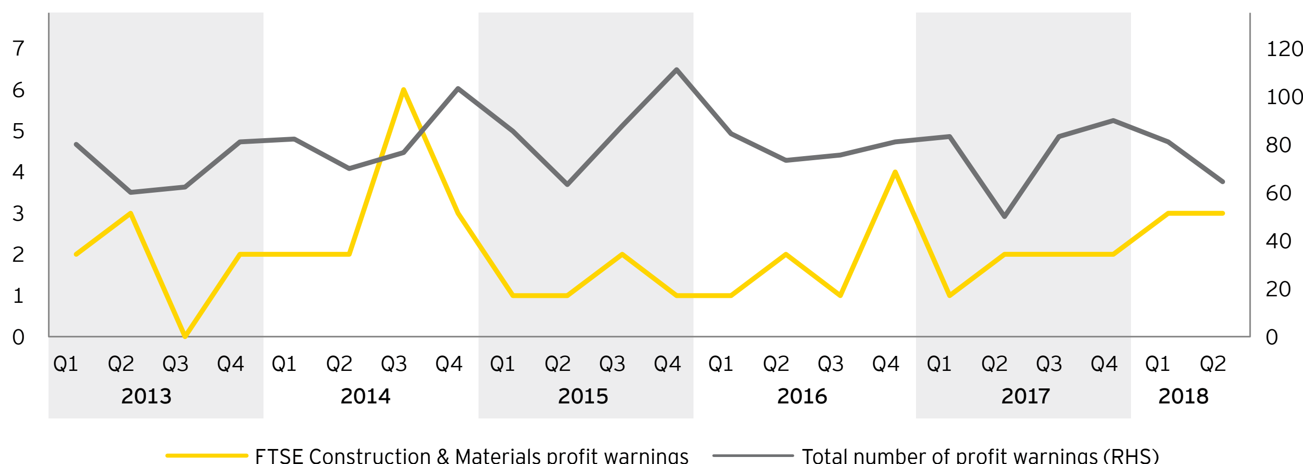
Housebuilders – part of the FTSE Household Goods sector – issued two profit warnings in Q2 2018, their first since Q2 2017.

House price data suggests that the market is easing off slightly, with the slowdown more pronounced in the South East and at the top of the housing chain where demand has fallen. It's this, alongside structural changes in the buy-to-let and rental market, which has also triggered recent profit warnings from estate agents.

But, elsewhere, demand remains solid, supported by low interest rates and the ongoing Help-to-Buy scheme. Government support and push for more 'affordable' homes is also helping to drive increased activity in the social housing sector.

Therefore, there should only be a substantial risk if, as we saw in 2008, the market moves quicker than housebuilders can adjust due to a rapid fall in consumer confidence and credit. Or if market uncertainties significantly affected the ability of the sector to raise finance.

FTSE Construction & Materials profit warnings



Q2 2018 – by sector, size and region

FTSE sector	Turnover band	London	Midlands/ East Anglia	North West	South East	South West/Wales	Yorkshire/ North East	Scotland and NI	Grand total
Aerospace & Defence	under £200m			1					1
	£201m-£1bn	1							1
Automobiles & Parts	under £200m		1						1
Chemicals	under £200m					1			1
Construction & Materials	under £200m	1	1					1	3
Electronic & Electrical Equipment	under £200m		2						2
Financial Services	under £200m						1		1
	£201m-£1bn			1					1
Fixed Line Telecommunications	Over £1bn	1							1
Food & Drug Retailers	£201m-£1bn						1		1
Food Producers	£201m-£1bn		1						1
Gas, Water & Multiutilities	Over £1bn	1							1
General Retailers	under £200m			1			1		2
	£201m-£1bn		1		1				2
	Over £1bn	3							3
Health Care Equipment & Services	under £200m	2					1		3
	Over £1bn	1							1
Household Goods & Home Construction	£201m-£1bn					1			1
	Over £1bn				1				1
Industrial Engineering	under £200m						2		2
Industrial Transportation	£201m-£1bn	1			1				2
Leisure Goods	£201m-£1bn				1				1
Media	under £200m	1				1			2
Mining	£201m-£1bn					1			1
Oil & Gas Producers	under £200m	1							1
Oil Equipment & Services	under £200m				1				1
Personal Goods	under £200m	1							1
Pharmaceuticals & Biotechnology	under £200m				1		1		2
Real Estate Investment & Services	under £200m	1							1
	£201m-£1bn				1				1
Software & Computer Services	under £200m	2					1	2	5
	Over £1bn						1		1
Support Services	£201m-£1bn				2				2
	Over £1bn				1	1			2
Travel & Leisure	under £200m	1		1					2
	£201m-£1bn				2	1			3
Grand total		**18**	**6**	**4**	**12**	**6**	**9**	**3**	**58**

Number and percentage of warning companies by turnover and region, 2012–Q2 2018

Number and percentage of warning companies by turnover, 2012–Q2 2018

	Turnover band							
	Under £200mn		£201mn–£1bn		Over £1bn		Total	
2012								
Q1	39	53%	19	26%	15	21%	73	100%
Q2	37	62%	16	27%	7	12%	60	100%
Q3	35	51%	21	31%	12	18%	68	100%
Q4	42	49%	28	33%	16	19%	86	100%
2013								
Q1	43	60%	19	26%	10	14%	72	100%
Q2	33	63%	12	20%	9	17%	54	100%
Q3	42	77%	8	13%	6	11%	56	100%
Q4	35	48%	20	27%	18	25%	73	100%
2014								
Q1	34	46%	22	30%	18	24%	74	100%
Q2	41	65%	11	17%	11	17%	63	100%
Q3	39	57%	13	19%	17	25%	69	100%
Q4	59	63%	15	16%	19	20%	93	100%
2015								
Q1	43	56%	22	29%	12	16%	77	100%
Q2	38	67%	13	23%	6	11%	57	100%
Q3	42	53%	22	28%	15	19%	79	100%
Q4	49	49%	28	28%	23	23%	100	100%
2016								
Q1	43	56%	22	29%	12	21%	76	100%
Q2	38	58%	15	23%	13	20%	66	100%
Q3	45	66%	16	24%	7	10%	68	100%
Q4	37	51%	20	27%	16	22%	73	100%
2017								
Q1	40	53%	14	19%	21	28%	75	100%
Q2	29	64%	9	20%	7	16%	45	100%
Q3	43	57%	19	25%	13	17%	75	100%
Q4	53	65%	14	17%	14	17%	81	100%
2018								
Q1	41	56%	19	26%	13	18%	73	100%
Q2	31	53%	17	29%	10	17%	58	100%
4-year average	42	58%	17	23%	14	19%	73	100%

N.B.: Figures are to the nearest whole number. Totals may add up to slightly above or below 100%.

Number and percentage of warning companies by region, 2012–Q2 2018

	Region															
	London		Midlands/ East Anglia		North West		Scotland and NI		South East		South West/ Wales		Yorkshire/ North East		Total	
2012																
Q1	21	29%	3	18%	5	7%	5	7%	17	23%	5	7%	7	10%	73	100%
Q2	13	22%	7	12%	7	12%	5	8%	15	25%	3	5%	10	17%	60	100%
Q3	20	29%	12	18%	8	12%	4	6%	14	21%	5	7%	5	7%	68	100%
Q4	34	40%	10	12%	7	8%	5	6%	18	21%	8	9%	4	5%	86	100%
2013																
Q1	22	31%	11	15%	10	14%	2	3%	11	15%	7	10%	9	13%	72	100%
Q2	16	30%	5	9%	4	7%	7	13%	16	30%	2	4%	4	7%	54	100%
Q3	19	34%	10	18%	2	4%	3	5%	10	18%	5	9%	7	13%	56	100%
Q4	19	26%	6	8%	4	5%	8	11%	22	30%	9	12%	5	7%	73	100%
2014																
Q1	26	35%	9	12%	5	7%	3	4%	13	18%	9	12%	9	12%	74	100%
Q2	17	27%	8	13%	4	6%	3	5%	14	22%	6	10%	11	17%	63	100%
Q3	26	38%	9	13%	1	1%	5	7%	18	26%	7	10%	3	4%	69	100%
Q4	29	31%	12	13%	7	8%	4	4%	23	25%	11	12%	7	8%	93	100%
2015																
Q1	31	40%	6	8%	8	10%	3	4%	16	21%	7	9%	6	8%	77	100%
Q2	21	37%	9	16%	6	11%	4	7%	10	18%	3	5%	4	7%	57	100%
Q3	26	33%	9	11%	3	4%	6	8%	18	23%	11	14%	6	8%	79	100%
Q4	35	35%	11	11%	5	5%	7	7%	21	21%	10	10%	11	11%	100	100%
2016																
Q1	23	37%	16	21%	5	7%	9	12%	9	12%	4	5%	5	7%	76	100%
Q2	22	33%	6	9%	4	6%	2	3%	21	32%	4	6%	7	11%	66	100%
Q3	20	29%	7	10%	8	12%	3	4%	18	26%	4	6%	8	12%	68	100%
Q4	23	32%	10	14%	11	15%	5	7%	14	19%	6	8%	4	5%	73	100%
2017																
Q1	23	31%	12	16%	11	15%	5	7%	13	17%	9	12%	2	3%	75	100%
Q2	12	27%	1	2%	10	22%	2	4%	8	18%	7	16%	5	11%	45	100%
Q3	27	36%	9	12%	4	5%	3	4%	16	21%	2	3%	14	19%	75	100%
Q4	28	35%	12	15%	9	11%	3	4%	17	21%	5	6%	7	9%	81	100%
2018																
Q1	17	23%	9	12%	12	16%	2	3%	19	26%	4	5%	10	14%	73	100%
Q2	18	31%	6	10%	4	7%	3	5%	12	21%	6	10%	9	16%	58	100%
4-year average	24	33%	9	12%	7	9%	4	6%	16	22%	6	9%	7	9%	73	100%

Contacts

Alan Hudson
Partner
+ 44 20 7951 9947
ahudson@uk.ey.com

Lee Watson
Partner
+ 44 20 7951 3274
lwatson3@uk.ey.com

Jon Morris
Partner
+ 44 20 7951 9869
jmorris10@uk.ey.com

Kirsten Tompkins
Market Analyst and Author
+ 44 121 535 2504
ktompkins@uk.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY's Transaction Advisory Services
How you manage your capital agenda today will define your competitive position tomorrow. We work with clients to create social and economic value by helping them make better, more informed decisions about strategically managing capital and transactions in fast changing-markets. Whether you're preserving, optimizing, raising or investing capital, EY's Transaction Advisory Services combine a unique set of skills, insight and experience to deliver focused advice. We help you drive competitive advantage and increased returns through improved decisions across all aspects of your capital agenda.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2018 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

EY-000069034-01.indd (UK) 07/18. Artwork by Creative Services Group London.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk