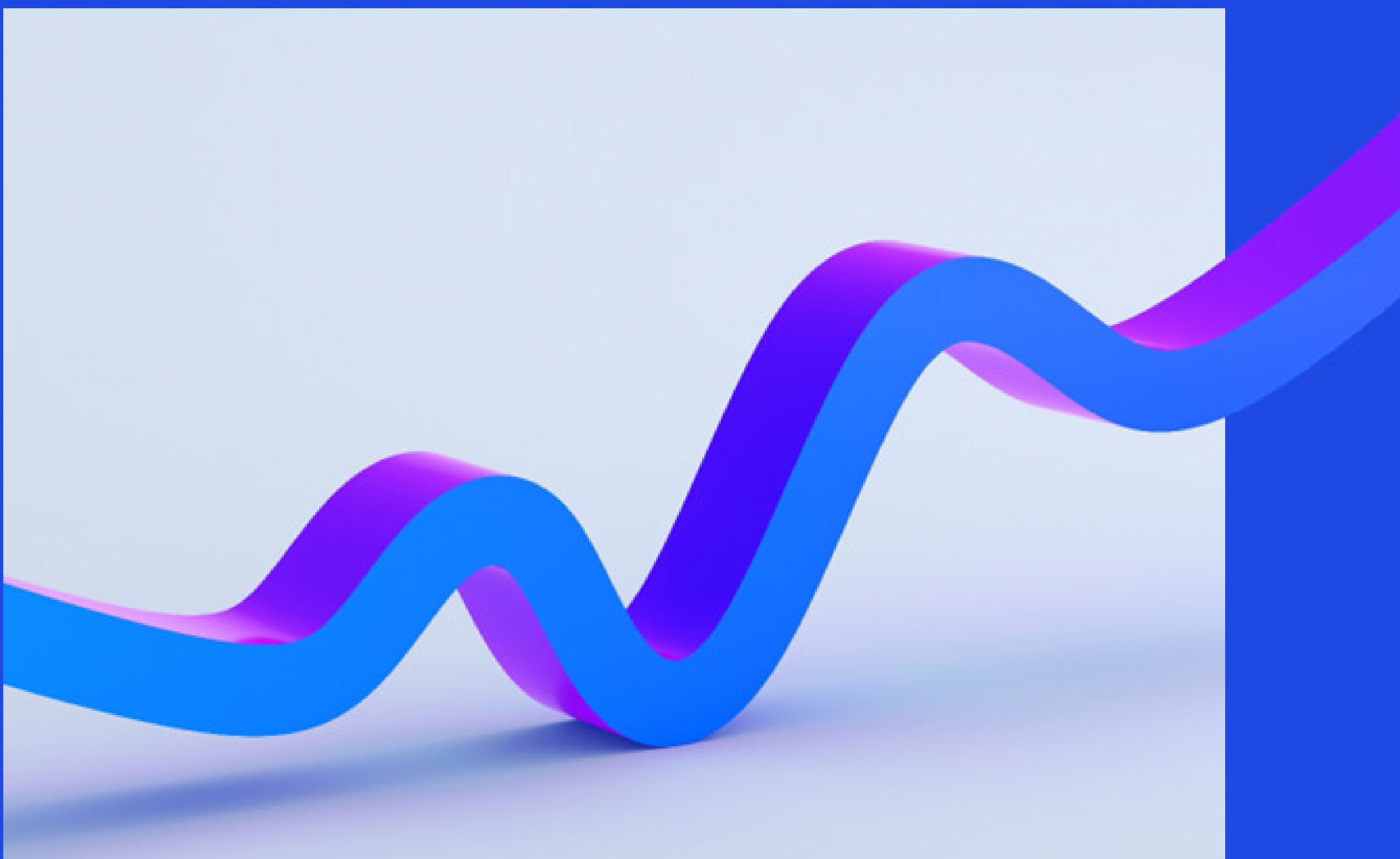
KPMG Financial Performance Index (KPMG FPI)

Volume Q2 2023 Europe/Netherlands

An indicator of corporate health for companies across Netherlands



Foreword

We are pleased to share with you the Q2 2023 edition of our quarterly KPMG Financial Performance Index (FPI) publication. We provide our insights into the changing state of corporate health across all European markets and sectors, following the end of the reporting season for the three months till June 2023. We furthermore set out the KPMG FPI score for 9 key industries of the Dutch economy as an indication of its health. KPMG FPI data is refreshed on a quarterly basis. For more information, visit the KPMG FPI page.

Between March 2023 and June 2023 we observed a decrease in the average KPMG FPI (i.e. a decrease in financial corporate health) from 89.41 to 88.19. Out of the 23 sectors analyzed, 3 sectors experienced an increase in their KPMG FPI during the three months ended June 2023. Certain sectors like Energy and Media and Entertainment continued their downwards trend from the previous quarter falling a further 2.2% and 9.55% respectively, on the other hand Pharmaceuticals was one of the few sectors that continued its positive trajectory rising 0.6% q-o-q in Q2 2023.

Key highlights & Future outlook

- KPMG FPI's database has been further extended compared to the previous quarter and now captures over 5180 European companies across 23 sectors.
- After hovering around a 90 score in the 5 previous quarters, KPMF FPI's score for Q2 2023 slightly decreased to a FPI score of 88. Though still not close to the 80 score per Q1 2020 as a consequence of the Covid pandemic, overall the level and direction signals some pressure on the health of companies across the board as also seen in the zombies overview (see below).
- Geopolitical developments and tensions, the interest rate policies of Central Banks in response to inflationary pressure as well as the effect of these elements on global trade and development are considered some of the key economic drivers in the short to medium term.

Sector movers

- The overall lower FPI score compared to the previous quarter is also reflected by the individual sectors scores. Only 5 out of 23 scored higher compared to Q1 2023, the other sectors scored lower.
- The sectors **Travel and Hospitality** as well as **Food & Beverage** have benefitted from consumer demand and saw their FPI scores increase, together with **Industrial and Pharmaceuticals** sectors. **Media and Entertainment** showed the strongest FPI decrease as well as the lowest sector score.
- Consumer driven leisure demand is also seen by the subsector performances, where 4 out of 5 of the strongest performers are in the **Travel and Hospitality sector.** As for the Dutch market, please see below, the subsector **Air Freight and Logistics** experienced one of the strongest decreases.
- For the second consecutive quarter the number of **zombie companies** (i.e. companies close to default) increased, both in number of companies (from 140 to 172) as relatively (now 4.5% of companies). Across the board these higher numbers are applicable to most sectors, where **Technology & Telecommunication** as well as **Biotechnology** remain to show the highest scores. Strong consumer demand is also reflected by the lower number of companies to default for the sector **Consumer Markets** compared to the previous quarter.

Dutch economy

- The score of the 9 sectors most important to the open Dutch economy ranged between 91 and 96, apart from **Transportation** sector with a score of 86.
- In line with the FPI (sub) sector scores, one of the drivers of current growth in the Dutch economy is **consumer spending,** where production companies face challenges as also reflected by the negative producer confidence vs. a neutral stance from consumers in the Netherlands.
- The **Infrastructure & Real Estate** sector experienced for the 0th consecutive quarter a decrease in FPI score, reflecting the impact on this sector of increasing interest rates by Central Banks.
- It remains to be seen what housing prices in the Netherlands will do in the coming quarters and whether this will affect consumer confidence, and therefor spending, or not.

About KPMG FPI

The KPMG FPI is a metric used to measure a company's financial health by its 'probability to default'. The analysis has been prepared using John Y. Campbell, Jens Hilscher, and Jan Szilagyi's probability to default formula which takes into account financial information and market data. The KPMG FPI score ranges from 0 - 100. The lower the KPMG FPI score, the more likely a company is to default. In contrast, the higher the score, the less likely it is to default. In this analysis, released every three months, we analyze the KPMG FPI score movements of publicly listed companies in Netherlands (following the reporting season of full year and half year results) to draw insights into corporate health across the Italian economy.

KPMG FPI combines both market and financial information to determine a company's relative financial distress levels. KPMG believes that combining the two types of information detects deteriorating corporate health more effectively than either source alone.

Movements of KPMG FPI score across Europe

analysed across...

5181 Companies

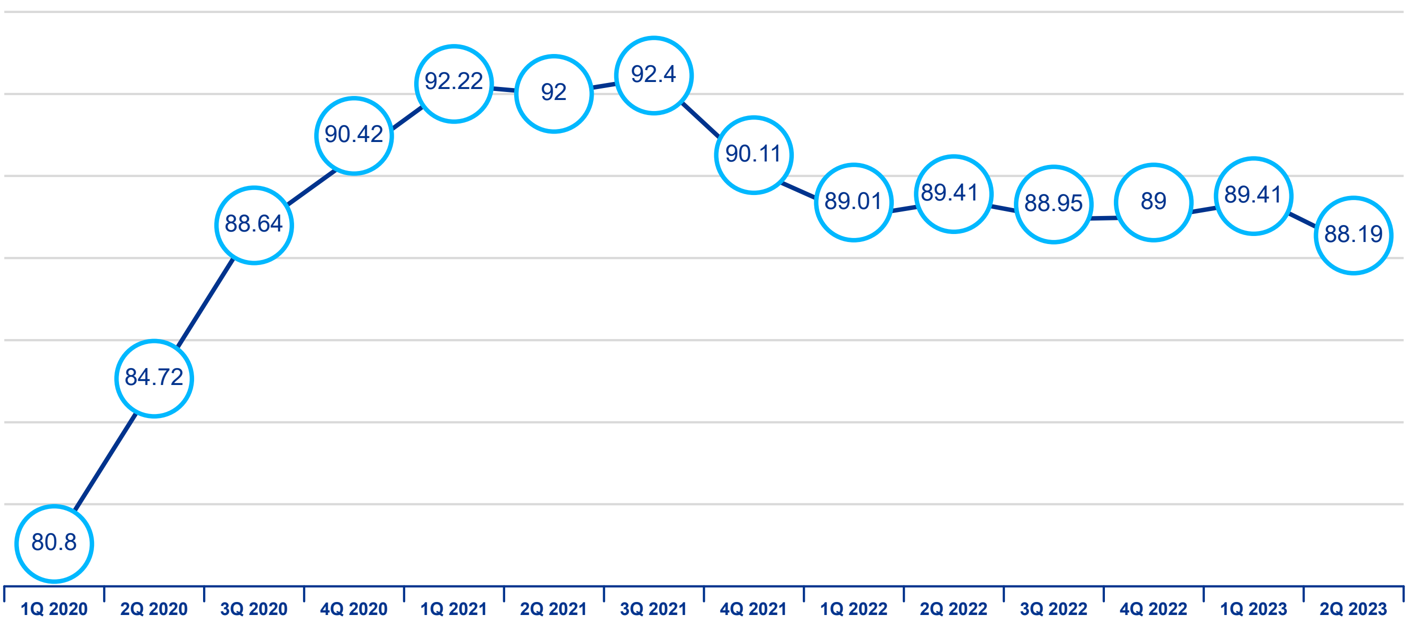
23 Sectors

73 Subsectors

14 Quarters

Movements of KPMG FPI score across Europe

KPMG FPI score of companies headquartered in Europe decreased from 89.41 in March 2023 to 88.19 in June 2023

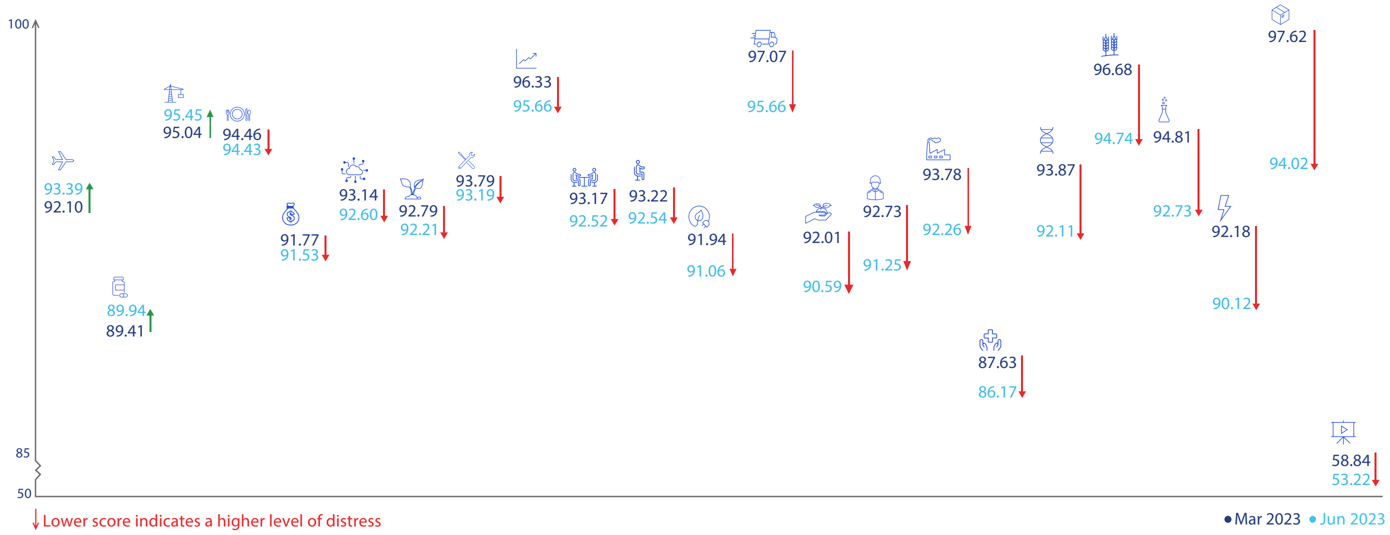


Note:

KPMG FPI is analysed across 19 European countries, including Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Russia, Spain, Sweden, Switzerland, UK.

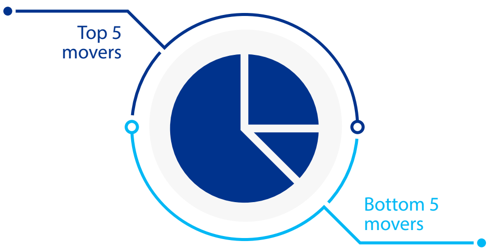
KPMG FPI quarterly sector moves

From March 2023 to June 2023



Strongest sector outperformers

Travel and Hospitality	1.4% ↑	(93.39)
Pharmaceuticals	0.6% ↑	(89.94)
Industrial Conglomerates	0.4% ↑	(95.45)



Media and Entertainment	-9.6% ↓	(53.22)
Packaging Products	-3.7% ↓	(94.02)
Energy	-2.2% ↓	(90.12)
Chemicals	-2.2% ↓	(92.73)
Agriculture and Husbandry	-2.0% ↓	(94.74)

Travel and Hospitality	Raw Materials and Natural Resources	Transportation and Logistics	Agriculture and Husbandry
Pharmaceuticals	Utilities	Biotechnology	Chemicals
Industrial Conglomerates	Trading Companies and Distributors	Aerospace and Defense	Energy
Food and Beverage	Consumer Markets	Healthcare	Packaging Products
Financial Services	Business Services	Manufacturing	Media and Entertainment
Technology and Telecommunication	Infrastructure and Real Estate	Life Sciences Tools and Services	

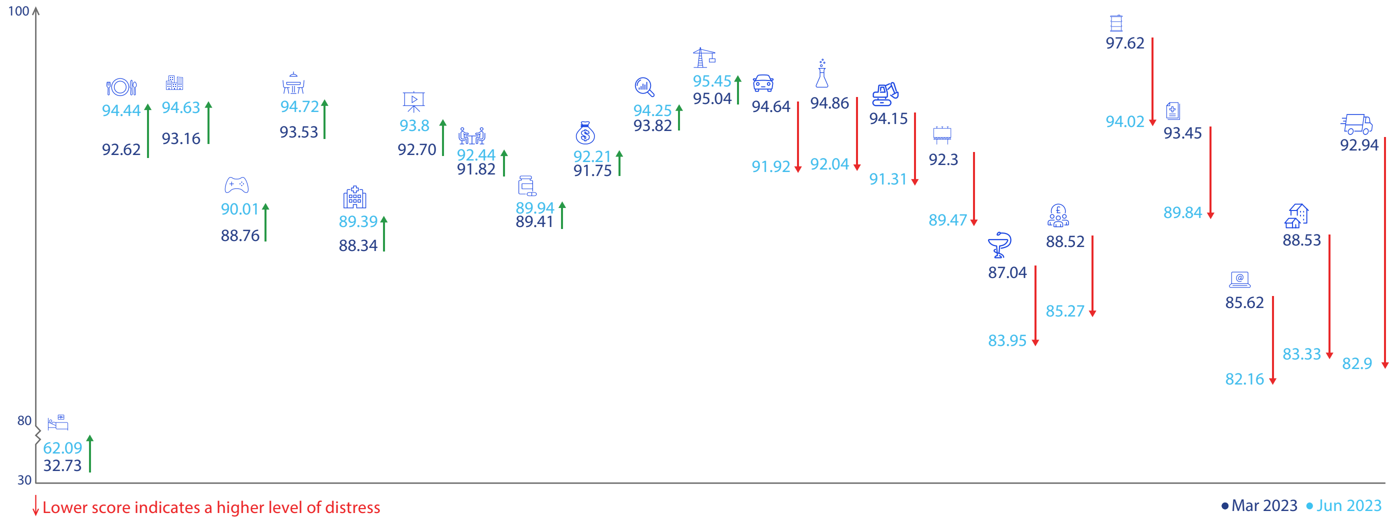
Note:

(1) % change in KPMG FPI scores in Q1 2023 over Q4 2022 ↑ (Q1 2023 KPMG FPI score).

(2) % change in KPMG FPI scores in Q1 2023 over Q4 2022 ↓ (Q1 2023 KPMG FPI score).

KPMG FPI largest subsector movements

From March 2023 to June 2023



Strongest subsector outperformers

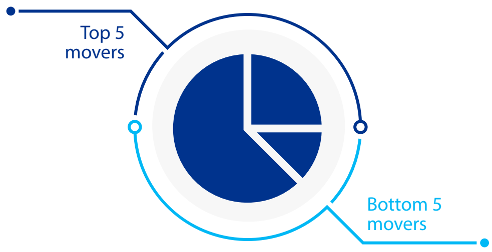
Healthcare Centers
(Healthcare) 89.7% ↑ (62.09)

Restaurants
(Food and Beverage) 2.0% ↑ (94.44)

Hotels and Lodging
(Travel and Hospitality) 1.6% ↑ (94.63)

Casinos and Gaming
(Travel and Hospitality) 1.4% ↑ (90.01)

Leisure Services
(Travel and Hospitality) 1.3% ↑ (94.72)



Air Freight and Logistics
(Transportation and Logistics) -10.8% ↓ (82.9)

Home Care and Personal Care Products
(Consumer Markets -5.9% ↓ (83.33)

Consumer Electronics
(Technology and Telecommunication) -4.0% ↓ (82.16)

Healthcare Supplies
(Healthcare) -3.9% ↓ (89.84)

Metal and Glass Containers
Packaging Products -3.7% ↓ (94.02)

Healthcare Centers (Healthcare)	Health Services (Healthcare)	Research and Consulting Services (Business Services)	Electrical Equipment (Manufacturing)	Consumer Electronics (Technology and Telecommunication)
Restaurants (Food and Beverage)	Communications Equipment (Technology and Telecommunication)	Industrial Conglomerates (Industrial Conglomerates)	Medical and Therapeutic Devices (Healthcare)	Home Care and Personal Care Products (Consumer Markets)
Hotels and Lodging (Travel and Hospitality)	Consumer Services (Consumer Markets)	Automotive (Manufacturing)	Consumer Finance (Financial Services)	Air Freight and Logistics (Transportation and Logistics)
Casinos and Gaming (Travel and Hospitality)	Pharmaceutical Product (Pharmaceuticals)	Specialty Chemicals (Chemicals)	Metal and Glass Containers (Packaging Products)	
Leisure Services (Travel and Hospitality)	Investment Banking (Financial Services)	Coal Products (Energy)	Healthcare Supplies (Healthcare)	

Note:

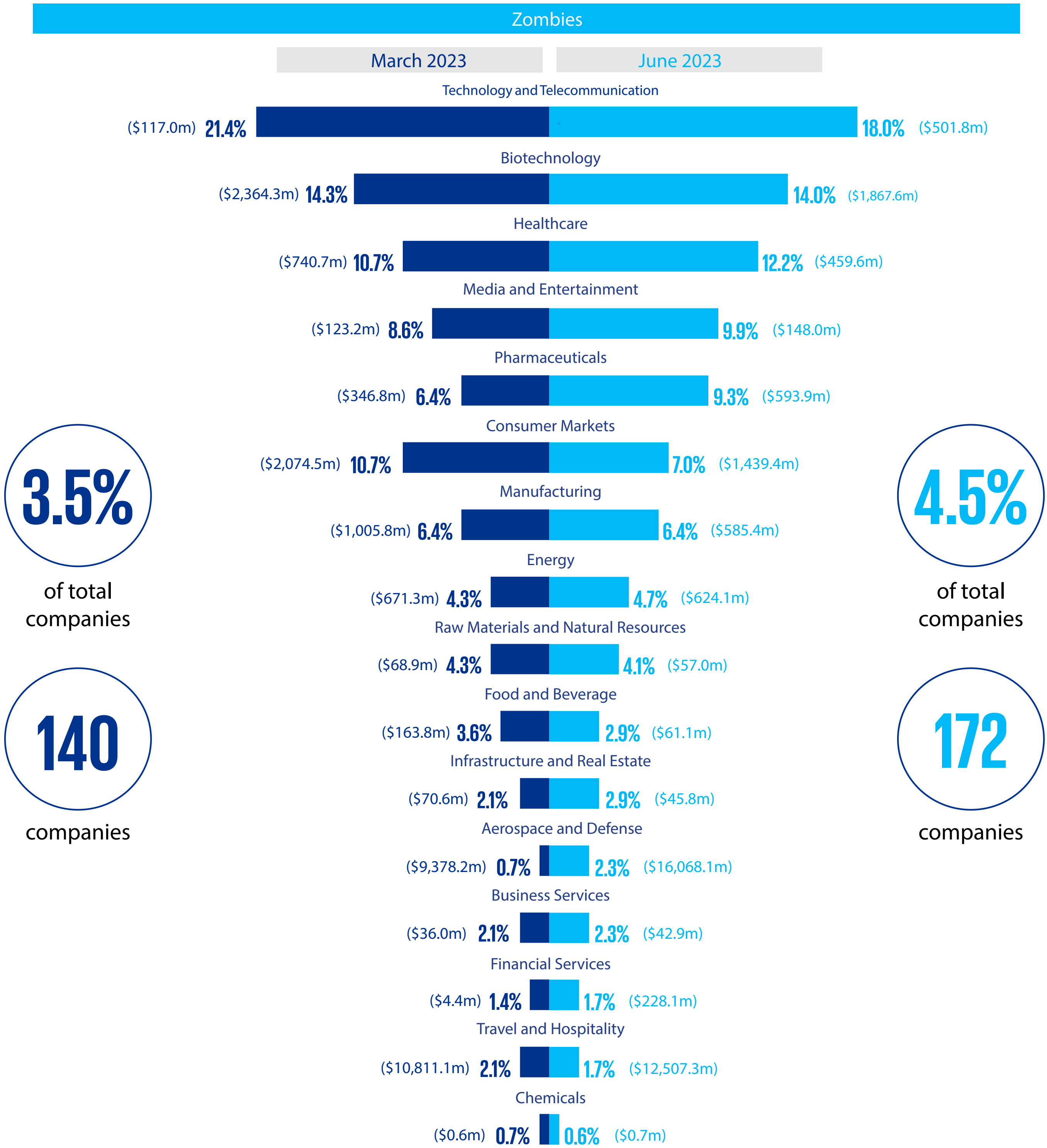
(1) % change in KPMG FPI scores in Q1 2023 over Q4 2022 ↑ (Q1 2023 KPMG FPI score).

(2) % change in KPMG FPI scores in Q1 2023 over Q4 2022 ↓ (Q1 2023 KPMG FPI score).

(3) The **Energy Equipment and Services** sub sector decreased 100% from 90.1 to 0 from March 2023 to June 2023

Trends of Zombies in the KPMG FPI

Zombies are companies close to default (scoring 0 on the KPMG FPI) for three or more consecutive quarters. These companies may already be experiencing distress or working through restructuring strategies.



Note:

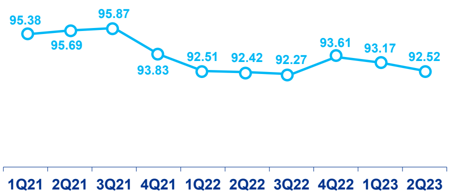
(1) March 2023: (US$ million) Cumulative market capitalisation of zombies, % share of zombies.

(2) June 2023: (US$ million) Cumulative market capitalisation of zombies, % share of zombies.

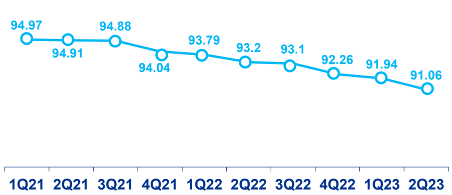
KPMG FPI trends across key industries for the Dutch economy

KPMG FPI analysis on the 9 key industries of importance to the Dutch economy is an indication of its health. Apart from the Transportation and Logistics sector, which declined to a level of 86 (vs 91 per Q2 2022), the level of the other 8 sectors still range between 91 and 96. However, all 9 sectors showed a decline compared to the previous quarter. Strongest sectors scores (>95) were realised by the sectors Technology and Telecommunication and Trading Companies & Distributors (as evidenced by export growth), though the latter's score of 95 was its lowest since Q3 2021. The Infrastructure & Real Estate sector suffered from the increasing interest rate environment as demonstrated by its 10th consecutive quarter of decline. In time this could also affect consumer confidence (and therefor spending), currently one of the drivers of the Dutch economy.

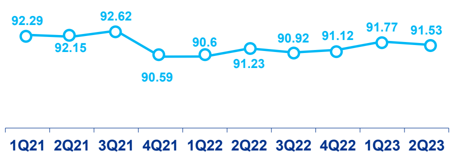
Business Services



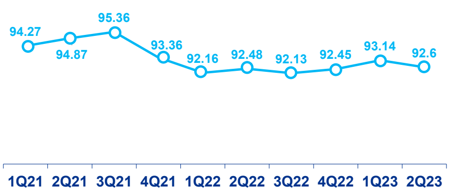
Infrastructure & Real Estate



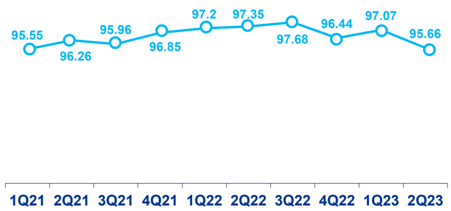
Manufacturing



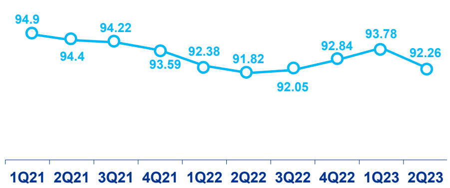
Healthcare



Trading Companies & Distributors

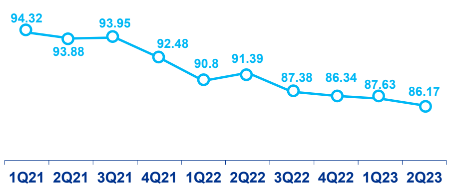


Financial Services

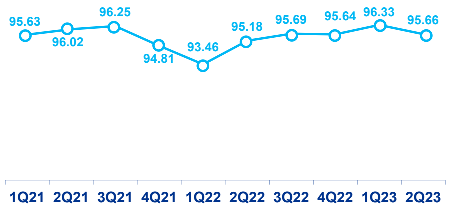


Consumer Markets

Transportation & Logistics



Technology and Telecommunication



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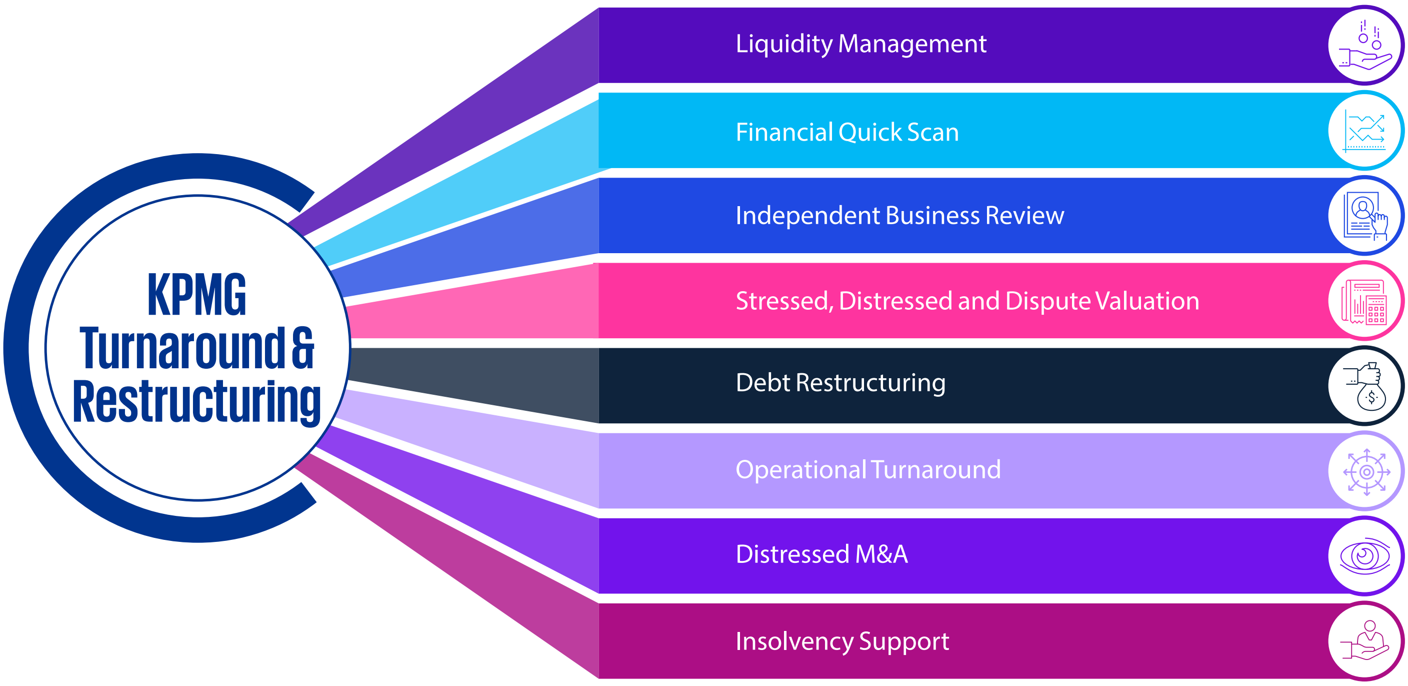

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