FIDI – Financial Assessment
EY Credit Risk Barometer

Executive Summary

2022 report

FOREWORD

Jesse van Sas

FIDI Secretary General

As we continue down this path of collecting financial data of our membership, we start seeing patterns and trends in the financial state of the moving companies within FIDI. For the fourth time now, we are publishing the statistics and findings of this membership-wide assessment of the financial health of the businesses, and I invite you all to read it, because it gives some very interesting insights.

Firstly, considering this mostly concerns audited financial figures of 2021 – still a Covid year – it is interesting to see how the ratios are evolving, or not evolving at all. Despite the rough conditions in 2020 and 2021, with continued Covid concerns, exploding freight costs and resource shortages, the overall financial health of the FIDI membership remained solid. Actually, the share of companies with “low credit risk” increased from 84 to 88%.

That is a very good trend, and it is also the purpose of FIDI’s initiative to not only measure and benchmark the financial health of our membership, but to also set membership consequences for those who cannot reach the minimum benchmark. After all, we want FIDI Affiliates to represent financial trustworthiness, positioning them as reliable partners for corporate and governmental customers as well as direct consumers.

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Obviously, we are not entirely there yet, as careful readers will detect some concerns still, in particular the relative low profitability in the moving industry. Although it has gone up slightly, 4% operating profit ratio is still not near to what would be called comfortable. With such thin margins it is not surprising to also read that overall our liquidity risk has gone up, significantly even. Low margins are only part of the explanation on that one. The constant pressure from large corporate customers for extended payment terms are not helping either, and are in fact detrimental to these same customers, in times when there is a distinct shortage of resources, both in staff and transport. To maintain these resources, movers had to pay their own supply chain quicker, while at the same time they were being pressured to accept longer payment terms from their long-term corporate customers. Hence, liquidity comes under immense pressure.

This annual financial report should serve as a mirror for FIDI Affiliates, showing them where their strengths are, but also where their weaknesses are. This report is also useful for the corporate customers, to be informed on how an important part of their supply chain in Global Mobility is doing

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financially. It is just as much in their interest to be working with financially sound companies, and cooperate to establish fair and mutually beneficial payment conditions, guaranteeing longevity of the business relation, and a reliable service to the end-customers.

Do read through this executive summary, and if it triggers for more, download the full report.

Jesse van Sas
Secretary General
FIDI Global Alliance

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Main Takeaways

- In general, FIDI membership remains healthy and has a **solid foundation**. The number of **Affiliates with a low credit risk report even increased** from 84% last year to 88% this year. The main reason for this low credit risk is the **healthy debt structure for most of the Affiliates** (79% has a low solvency risk).
- Consistent with past years, **profitability remains a point of concern**. Overall profitability has slightly increased in 2022, but the **operating profit ratio is still only at 4%.** In most industries, companies aim for an operating profit ratio of at least 10%. Only 22% of FIDI membership meet that threshold.
- One major change since last year is the **significant decrease in operating cash flow** (liquidity), going down from 21% to 13%. According to EY, this **increase in liquidity risk is mainly due** to the pressure on payment terms in the Affiliates' supply chain. FIDI Affiliates are under **constant pressure from their corporate clients and RMCs to accept very long payment terms.**
- Main conclusion of the **critical risk category** (EY CRB score of more than 95%) would be that all of them already had a high risk report the year before. These affiliates fundamentally have an issue with accumulated losses over the years, resulting in a **negative own equity** for almost all of them.

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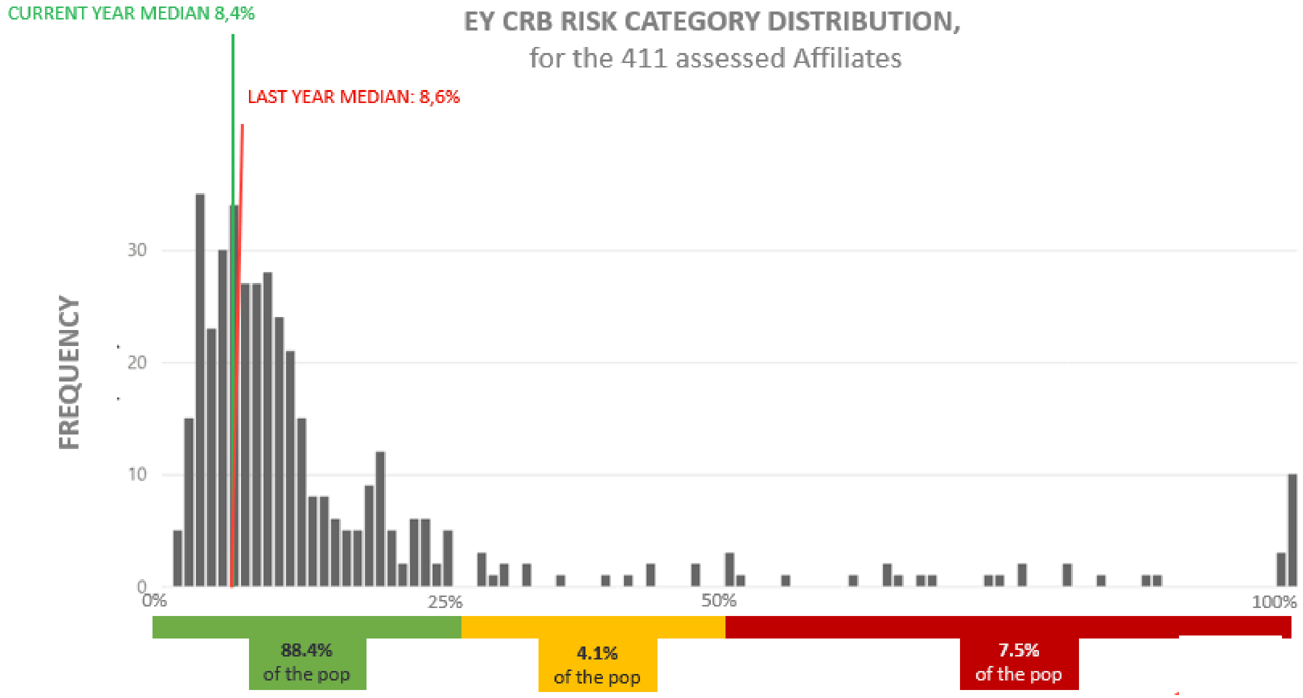
Affiliates overview



EY CRB CATEGORY DISTRIBUTION, p.5 of EY report

- ✓ **92%** of FIDI Affiliates have been assessed.
- ✓ **88%** show an overall low or medium risk.
- ✓ Similar to last year, **insolvency is the least common risk**. **79% of Affiliates** show a low solvency risk
- ✓ **Lack of profitability is the most common risk; 77% of Affiliates** present high or medium profitability risk exposure.

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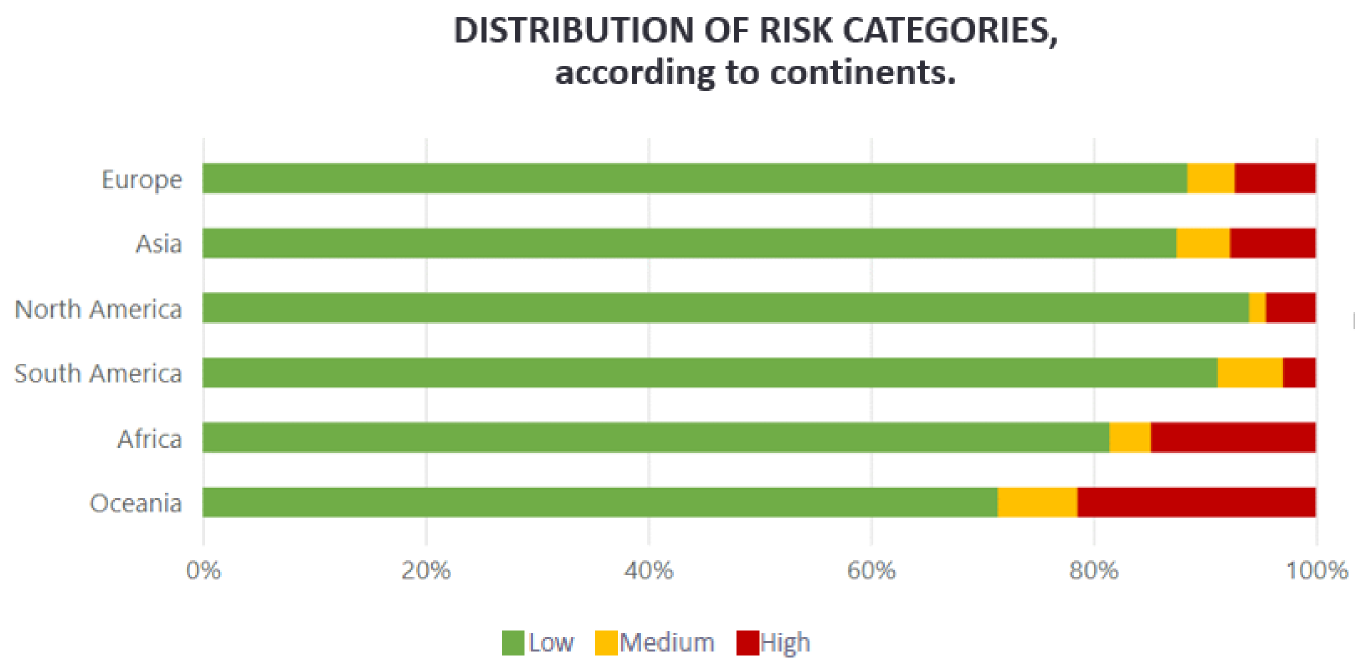
Geographical overview



EY CRB RISK CATEGORY DISTRIBUTION BY CONTINENTS, p.7 of EY report

- 94,3% of Affiliates in North America fall within the low-risk category
- Pakistan is the country with the lowest median risk of 2,9%.
- **Oceania** has taken over Africa as the continent with the largest share of Affiliates in medium and high risk.

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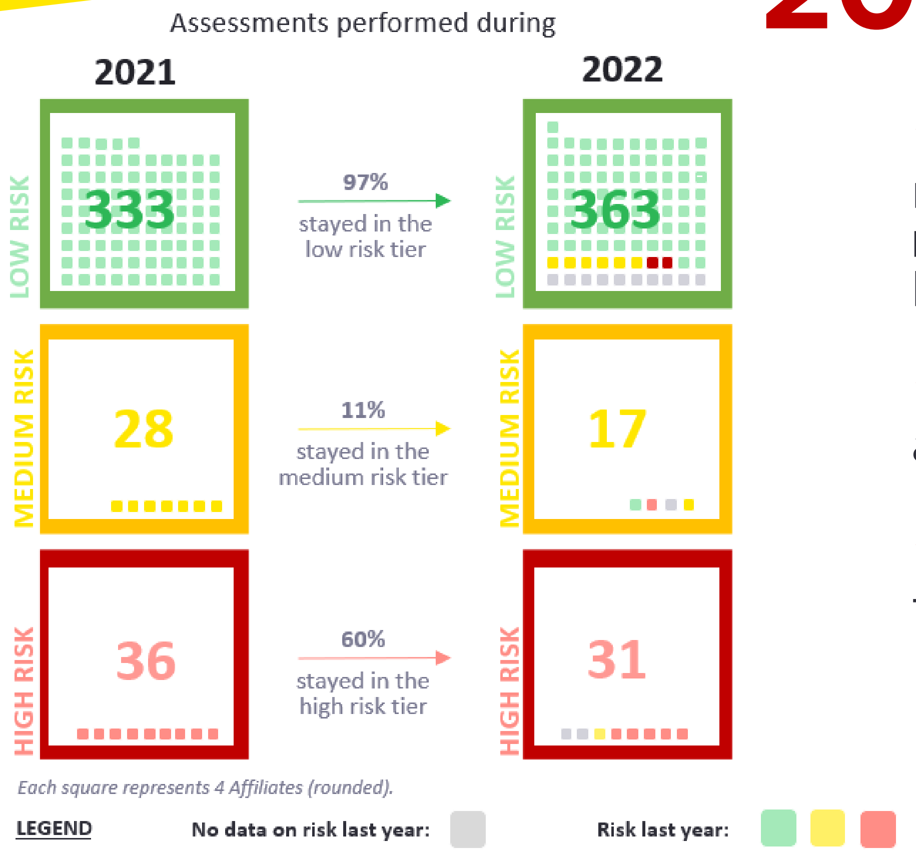
2021 vs. 2022 comparison



COMPARISON OF ASSESSMENTS 2021 vs. 2022, p.9 of EY report

✓ The general distribution between risk categories has not significantly changed over the past five years. **The low risk category is by far the largest category,** fluctuating between 80% and 90% of FIDI membership.

✓ Only 3% of the low risk category distribution moved to another category between the 2021 and 2022.

✓ All of the current Affiliates with a risk score of more than 95% have also been assessed as high risk last year

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For more information about the FIDI – Financial Assessment EY Credit Risk Barometer – 2022 report, contact:

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