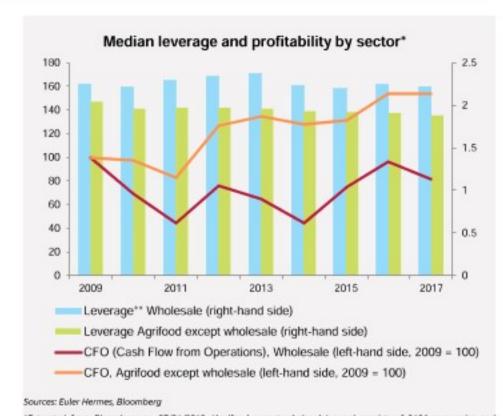


Agrifood: Skeleton in the Closet

Healthy average sector risk in Agrifood is hiding deteriorating credit in the wholesale subsector.

- Agrifood remains the second least risky sector in Q2 2018 according to the <u>Euler Hermes sector risk ratings</u>
- However, one Agrifood company with a revenue > USD50mn goes out of business every 10 days!
- The wholesale segment is the largest driver of major insolvencies (1 out of 3 insolvent Agrifood companies)
- Wholesale companies have on average higher leverage and worse cash flow (2.2x and USD6mn in 2017, respectively) than the rest of the Agrifood sector (1.8x and USD8mn in 2017)



*Extracted from Bloomberg on 07/31/2018. 'Agrifood except wholesale' panel consists of 3104 companies and Wholesale' panel consists of 312 companies. The following BICS sectors were used: Agricultural producers, Beverages Manufacturing, Packaged Food Manufacturing, Tabacco, Food products wholesalers, Agricultural products wholesalers

**Leverage = Total Assets / Equity