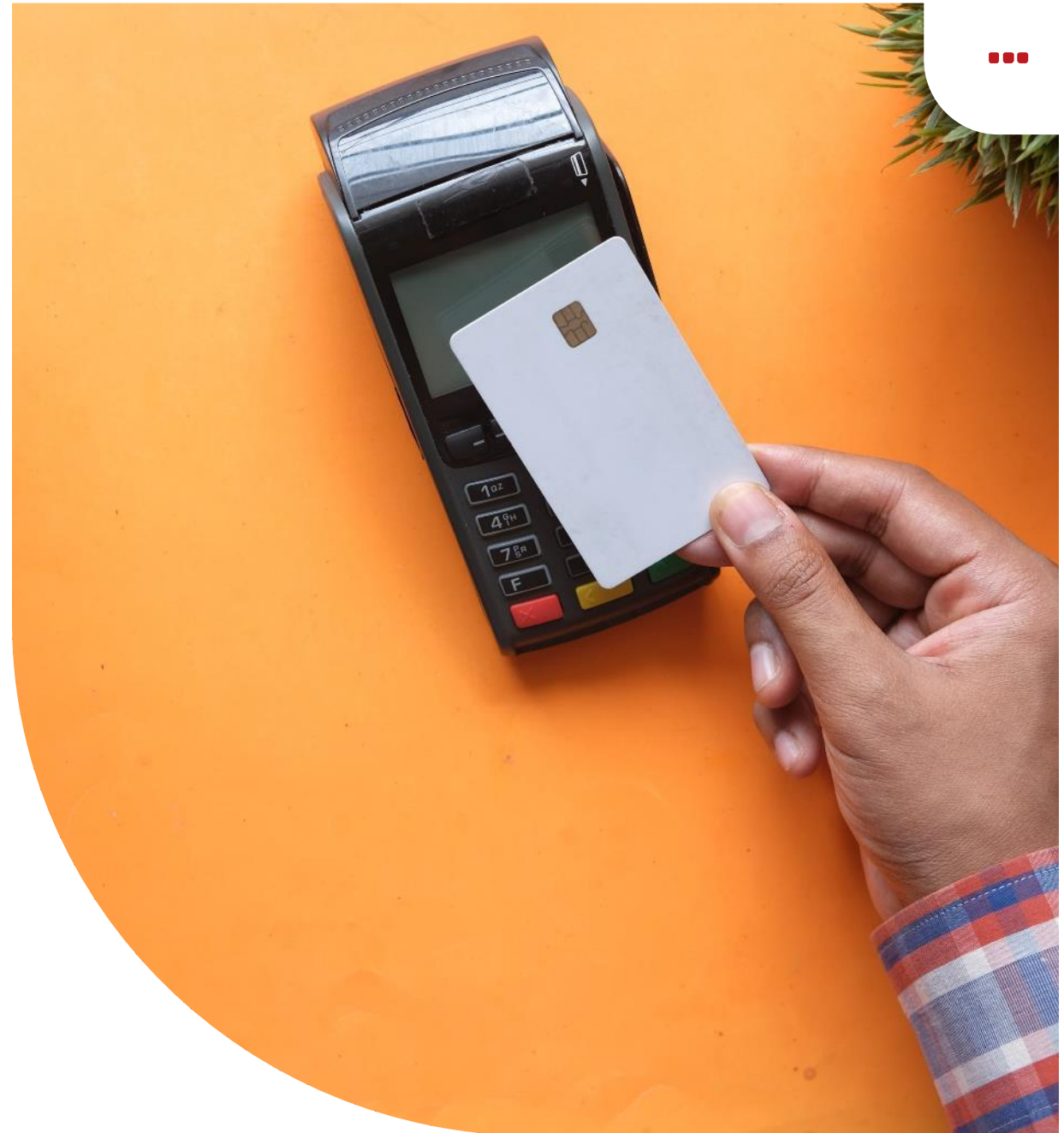




creditworks

February 2023 **Credit Insights**

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February 2023 Credit Insights

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Changes to Methodology

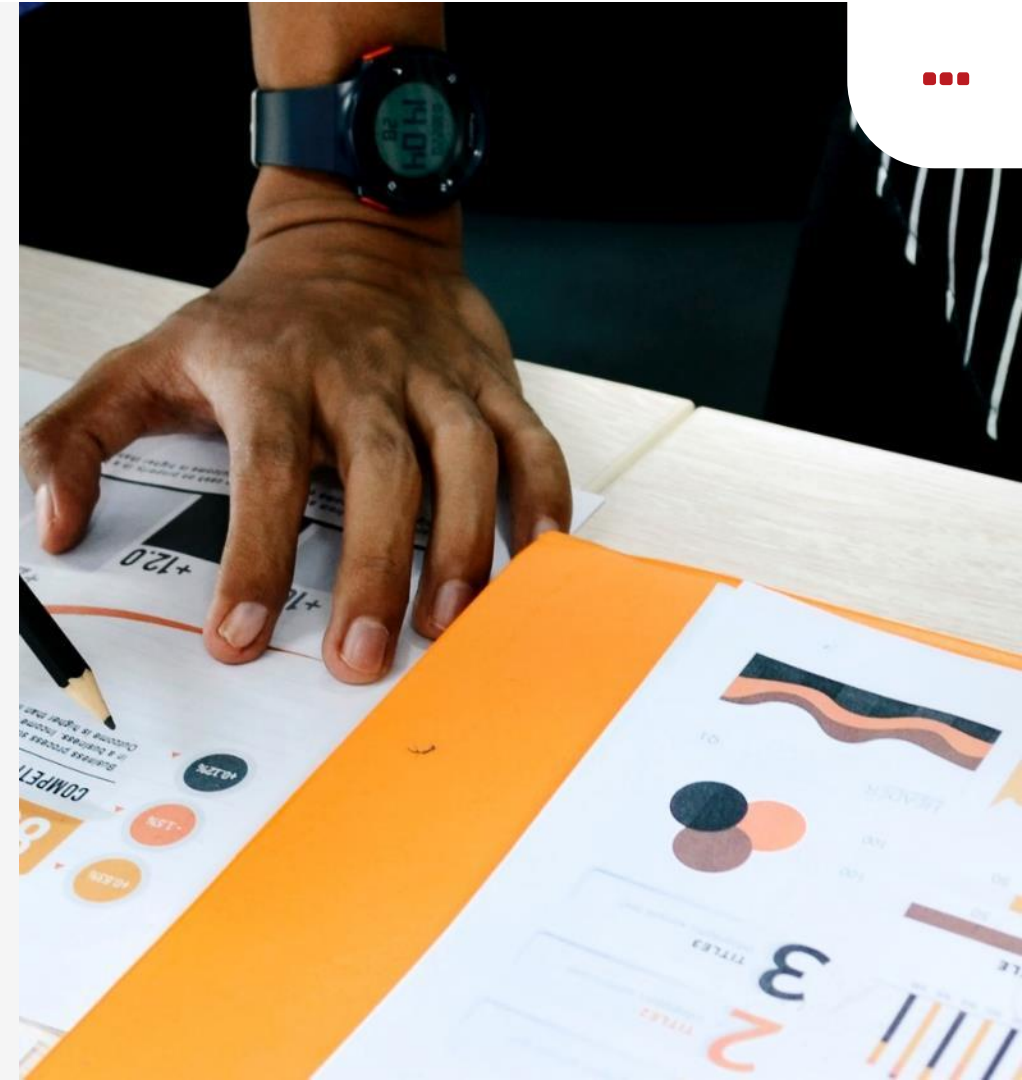
Changes to treatment of unallocated credits

This month's report includes a change in methodology concerning the treatment of unallocated debtor credits compared to previous iterations of this report.

Previously, unallocated debtor credits (if any) had been automatically allocated to the oldest outstanding invoices. This treatment assumed that the unallocated credits were simply an administrative timing issue.

In this month's report, unallocated credits are taken at face value on the basis that the previous assumption was not a practical one to make. Unallocated credits can represent a range of situations, including multiple invoice payments at once, payments made in advance, disputed invoices, and so on.

This change in methodology has an impact on the Days Sales Outstanding (DSO) and arrears metrics. The change in methodology has been backdated for like-for-like comparison in time-series trends.



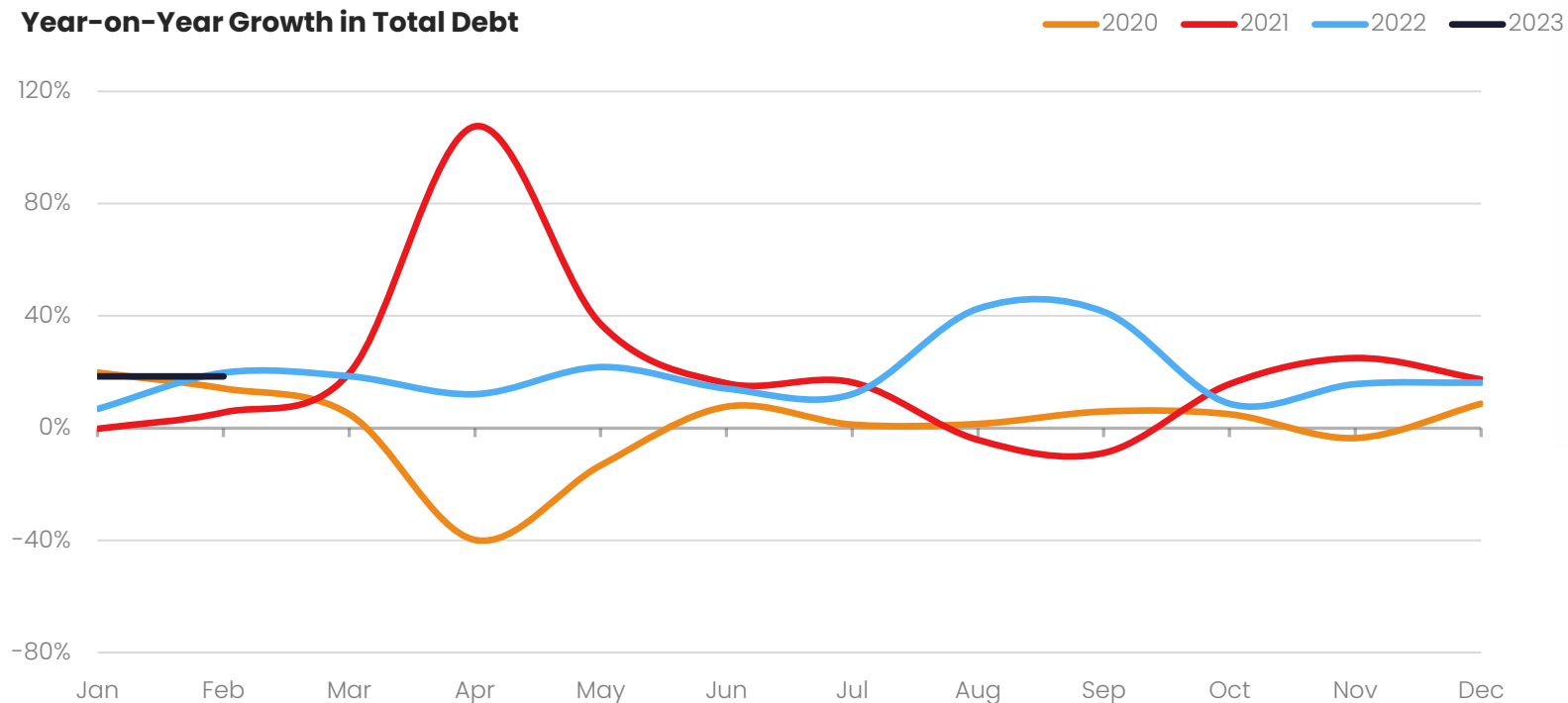


Key Credit Risk Insights.

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Year-on-Year Growth in Total Debt Balance Remains Positive

Year-on-Year Growth in Total Debt



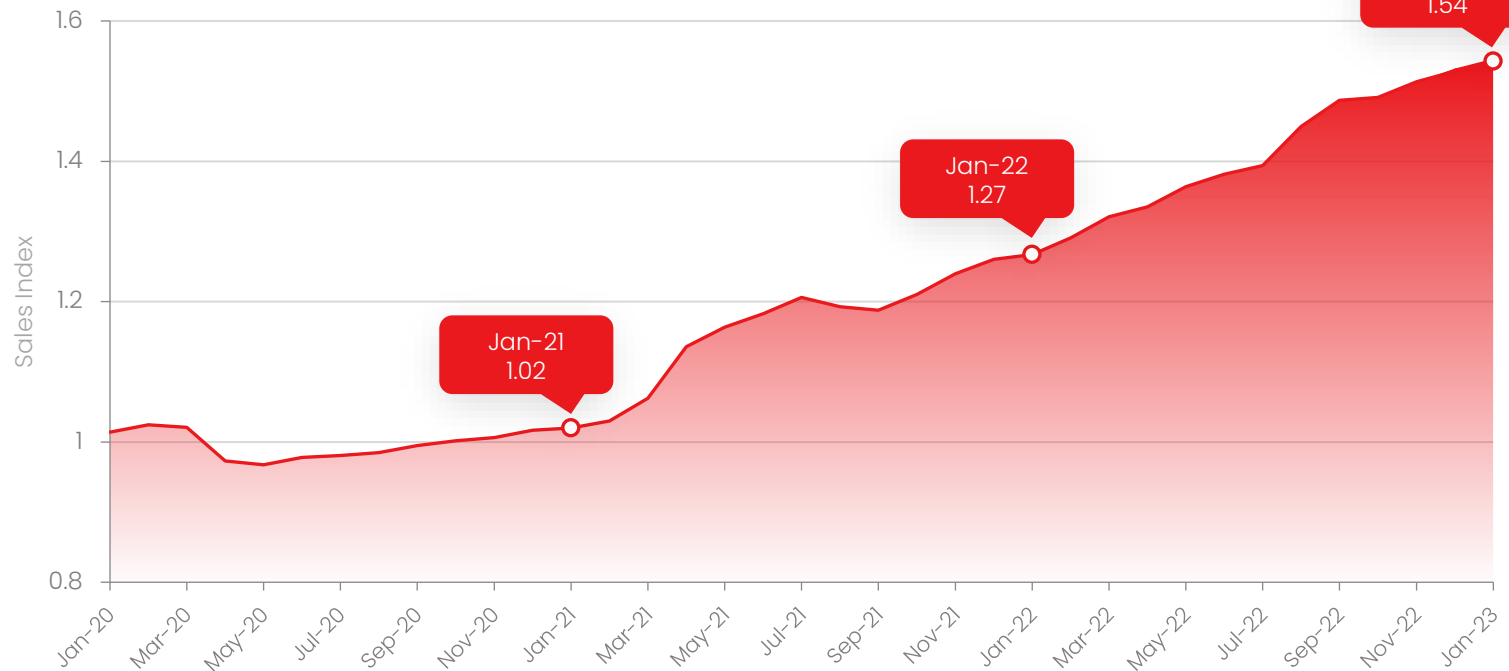
January 2023

 **18.4%**

Total Debt Balance has increased 18.4% year-on-year in January 2023.

Growth in Annual Sales Continues to Slow but Remains Positive

Annual Sales Index (Indexed to December 2019)



Month-on-Month

↑ **0.7%**

A marginal month-on-month increase in annual sales seen in January 2023.

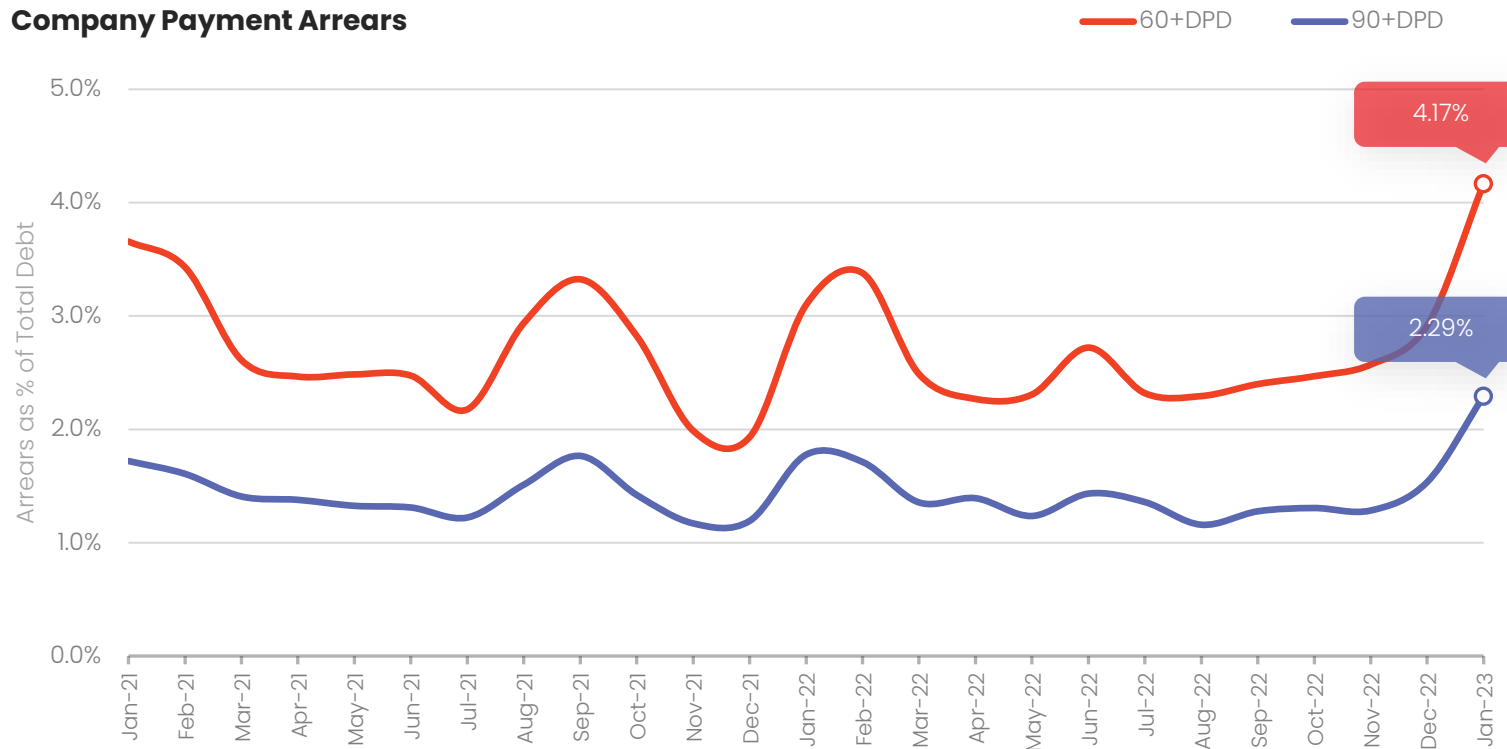
Year-on-Year

↑ **21.8%**

Annual sales are up 21.8% in January 2023 compared to January 2022.

Company Payment Arrears Increased Rapidly in January

Company Payment Arrears



60+DPD Arrears

↑ **107bps**

60+DPD arrears were 107bps higher than the same time last year and rising rapidly.

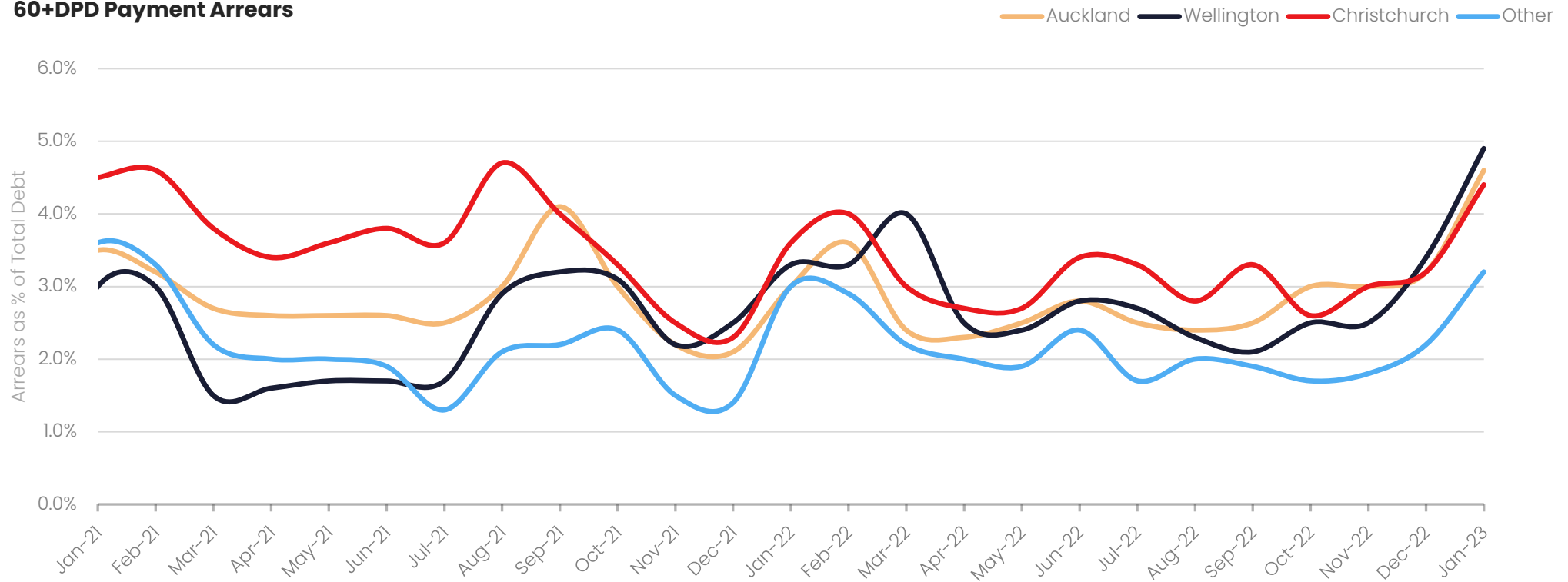
90+DPD Arrears

↑ **51bps**

90+DPD arrears were 51bps higher than the same time last year and trending up.

Deterioration in 60+DPD Arrears Seen Across All Regions (by Debtors)

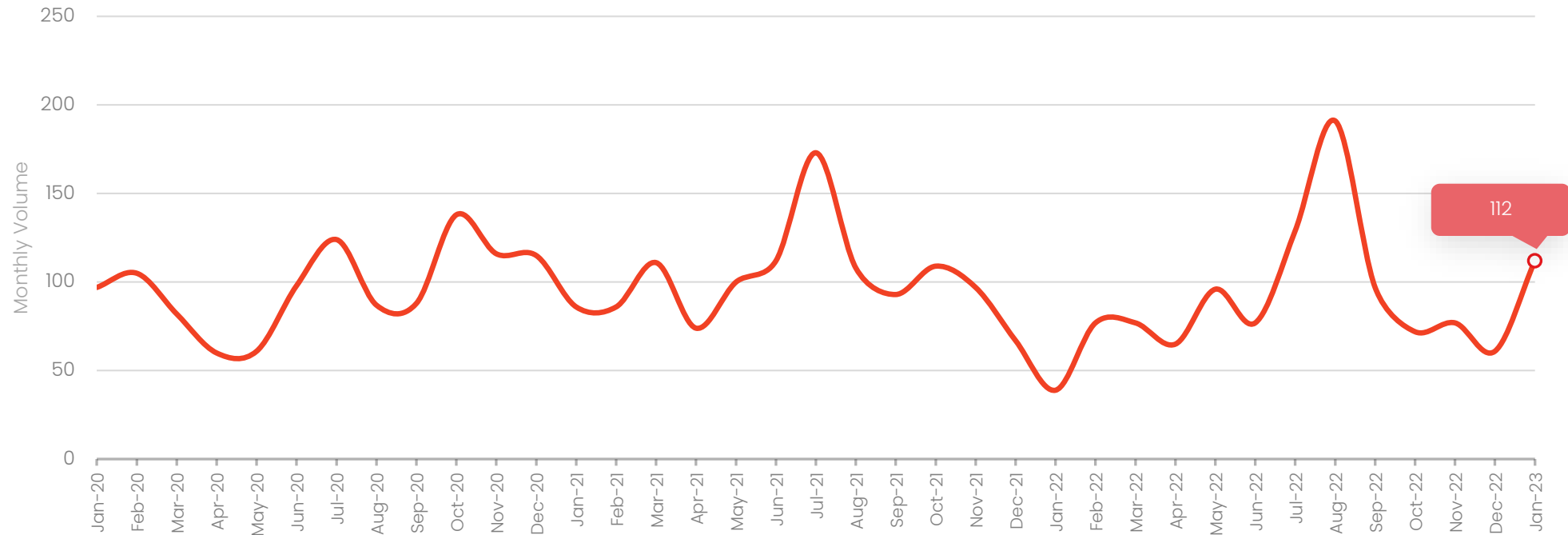
60+DPD Payment Arrears



The Monthly Number of Debtors Going 'Bad' Showing Signs of Turning

(Default, Judgement, Administration, Receivership, Liquidation)

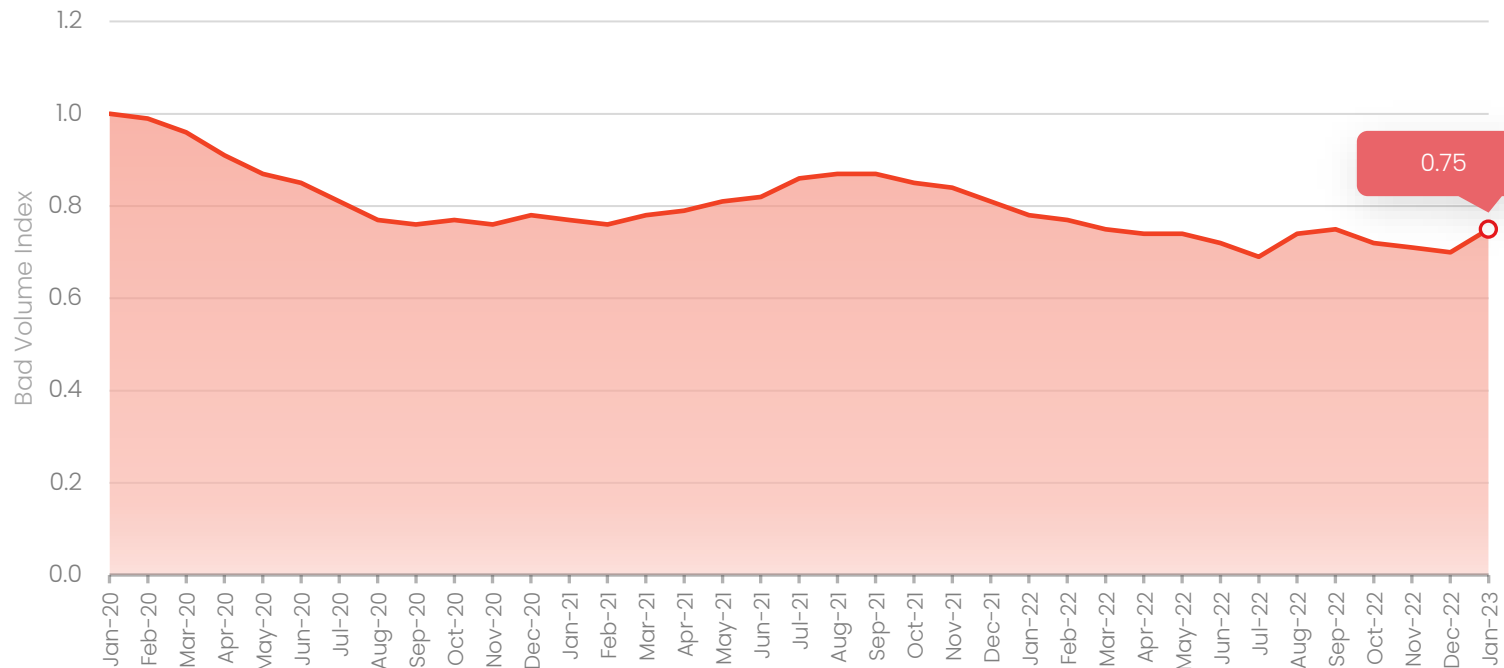
Monthly Volume of 'Bad' Debtors



The Annual Volume of 'Bad' Debtors Smooths Seasonality, But Shows A Similar Picture

(Default, Judgement, Administration, Receivership, Liquidation)

Annual Volume of 'Bad' Debtors Index (Indexed to December 2019)



Month-on-Month

 **6.9%**

Annual volume of debtors going bad is up 6.9% month-on-month in January 2023.

Year-on-Year

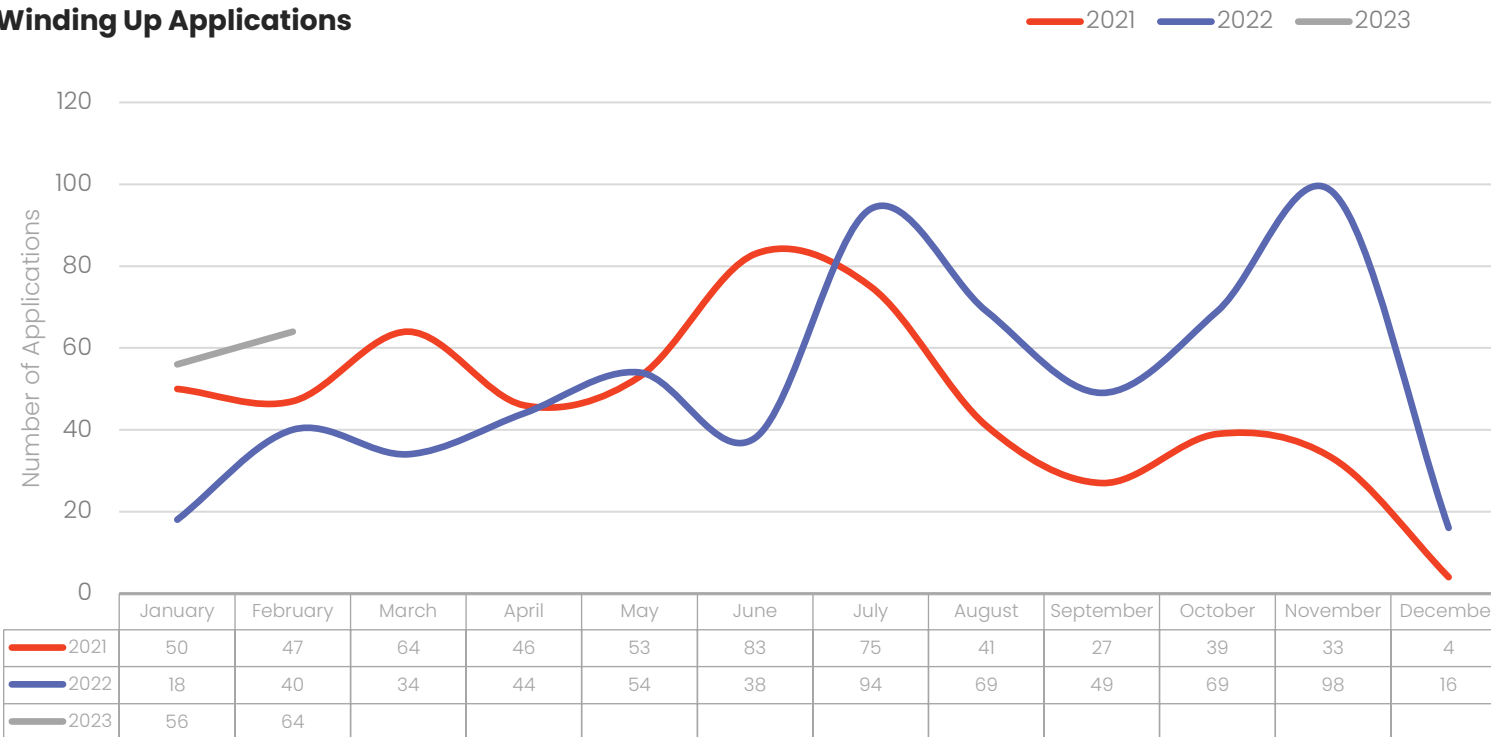
 **3.3%**

Annual volume of debtors going bad is down 3.3% year-on-year in January 2023.

Winding Up Applications

(As per the McDonald Vague Insolvency report February 2023)

Winding Up Applications



IRD Applications

 **3.6%**

The annual volume of Winding Up Applications (IRD and Company combined) has risen 3.6% year-on-year in February 2023.





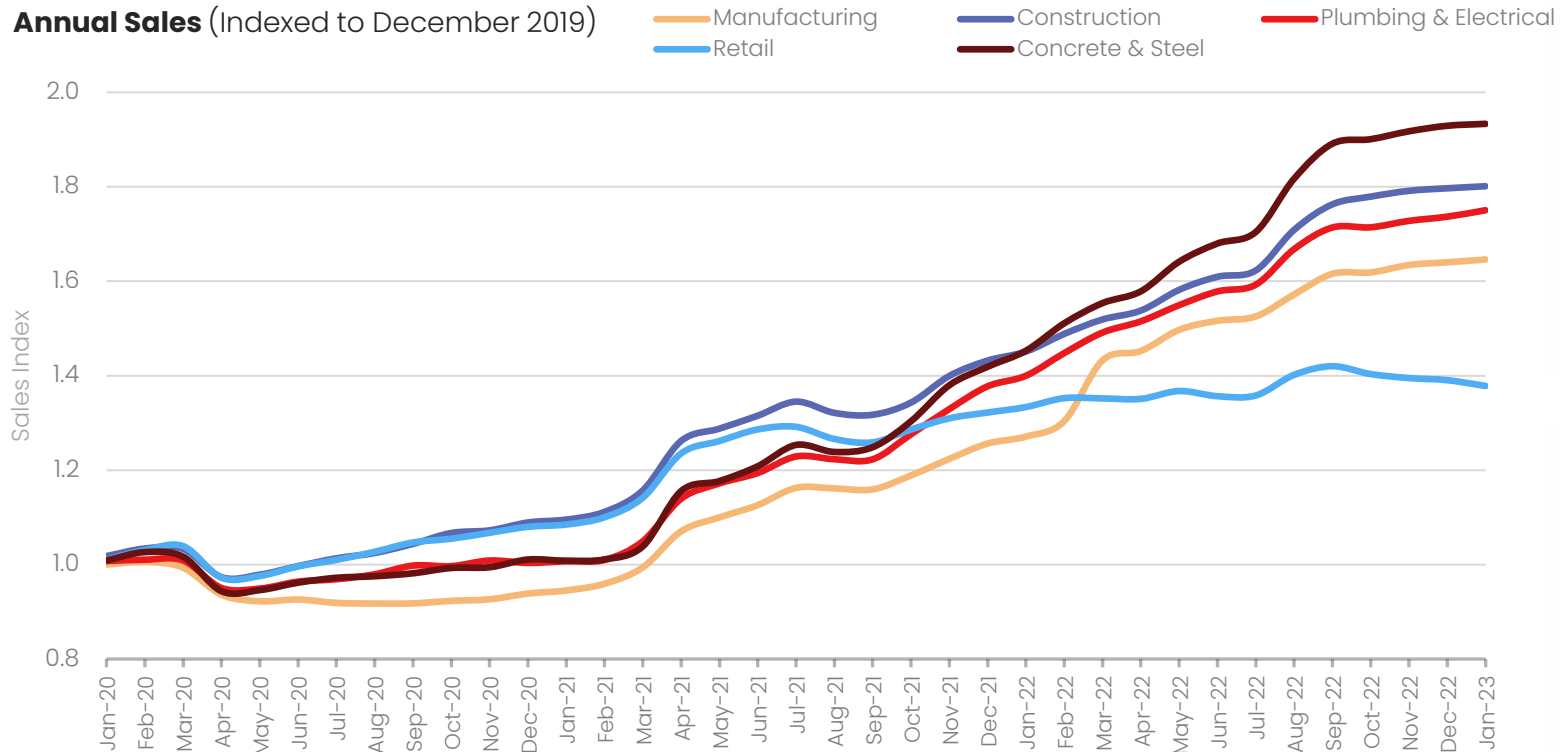
Debtor Industry Insights.

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Sales Flattening Across the Board, Retail Continues to Deteriorate

(Debtor industries defined by recorded ANZSIC codes at Companies Office)

Annual Sales (Indexed to December 2019)



Retail Sales

↓ **0.9%**

Annual Retail sales were down 0.9% month-on-month in January 2023.

Construction Sales

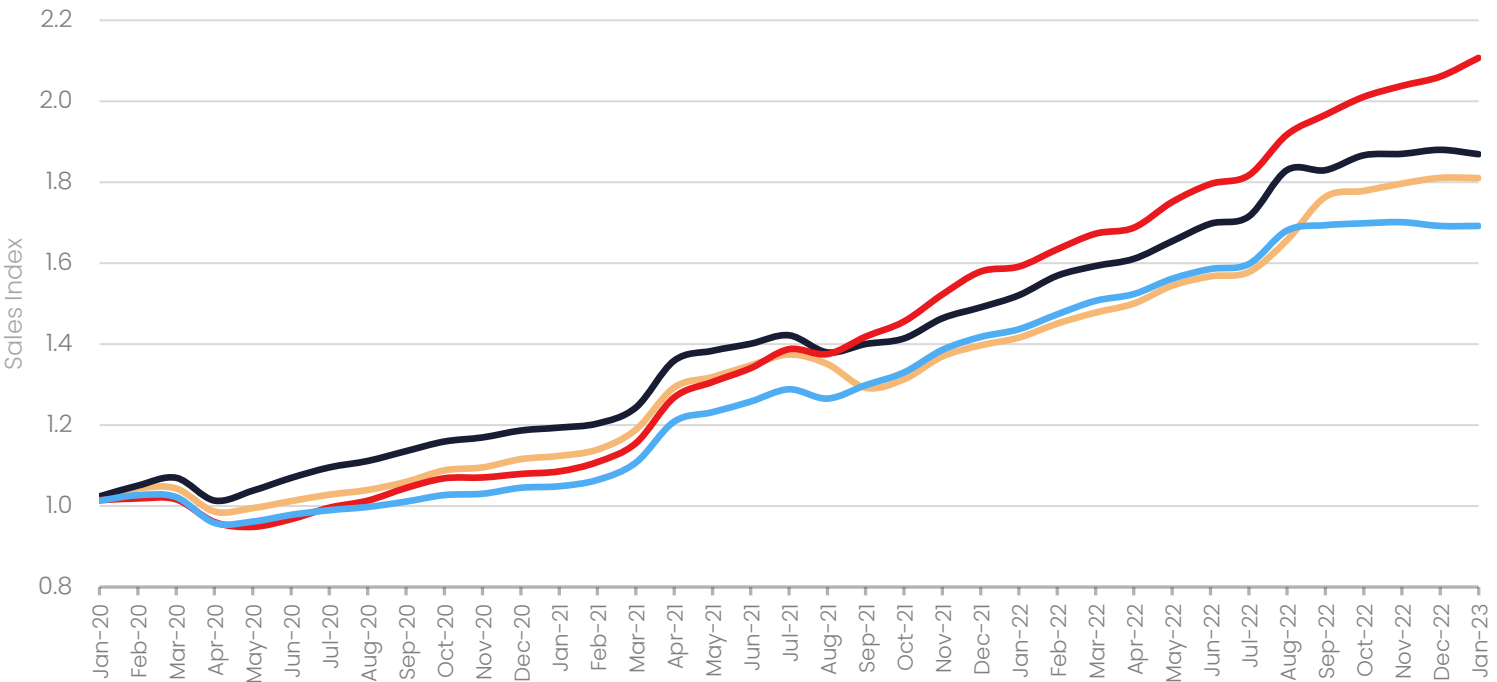
↑ **0.2%**

Annual Construction sales were up nominally month-on-month in January 2023.

Construction Sales Soft in All Regions Except Christchurch

(Construction Debtor industry defined by recorded ANZSIC codes at Companies Office)

Annual Construction Sales (Indexed to December 2019) — Auckland — Wellington — Christchurch — Other



Christchurch Construction

↑ **2.2%**

Annual Construction sales in Christchurch were up 2.2% month-on-month in January 2023.

Everywhere Else

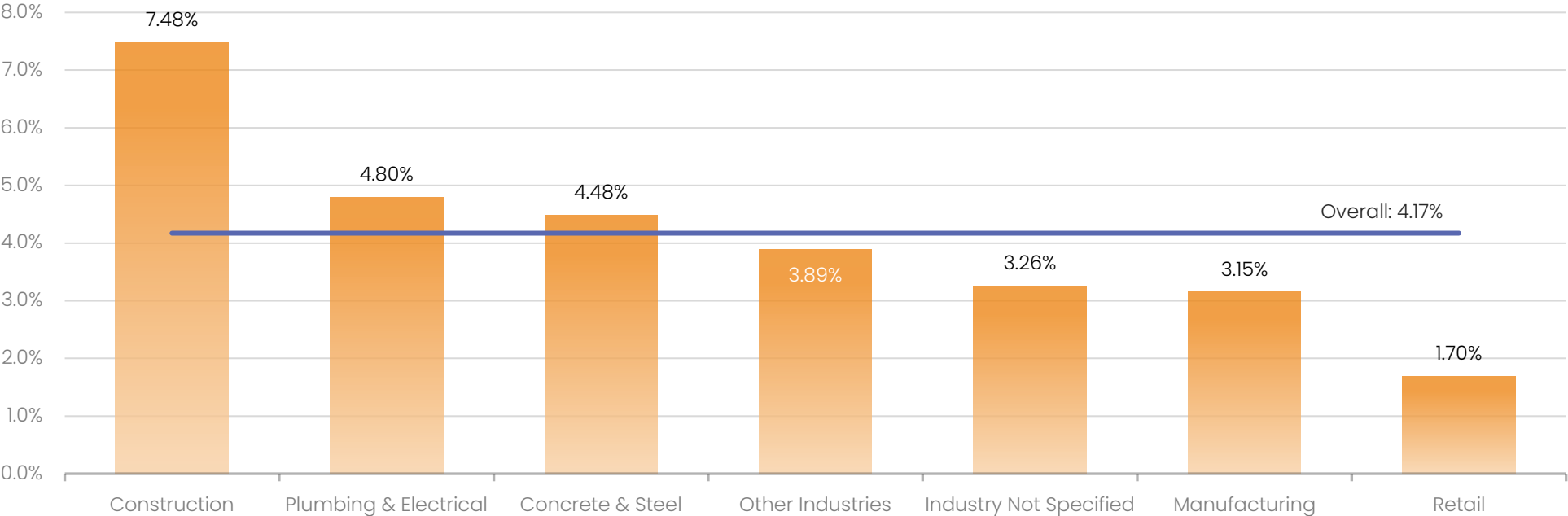
↓ **0.1%**

Annual Construction sales ex-Christchurch were down 0.1% MoM in January 2023.

Construction Industries Top Arrears Rates

(Debtor industries defined by recorded ANZSIC codes at Companies Office)

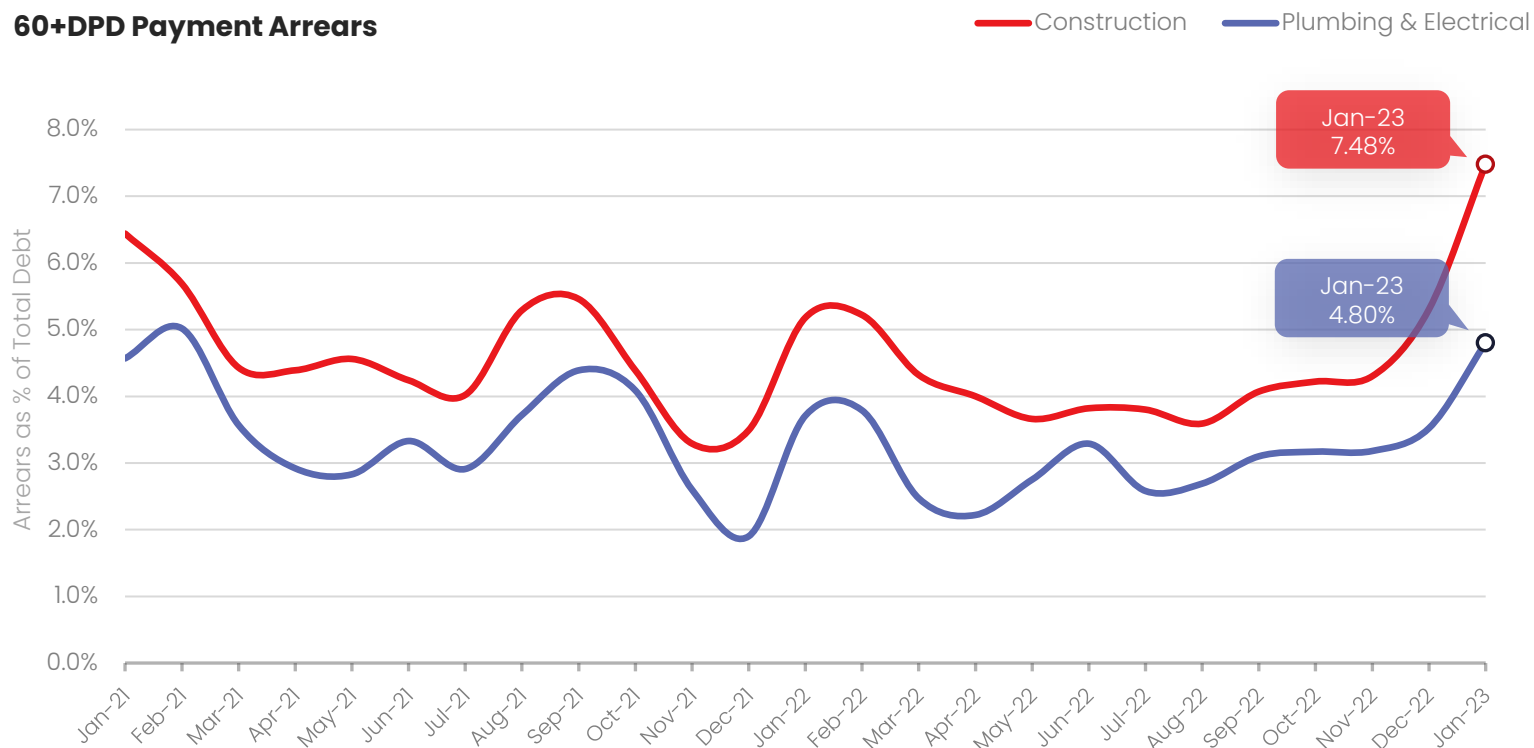
60+DPD Arrears by Industry as at January 2023



Deterioration in Construction, Plumbing & Electrical Has Quickened

(Debtor industries defined by recorded ANZSIC codes at Companies Office)

60+DPD Payment Arrears



Construction

↑ **213bps**

Construction 60+DPD arrears increased 213bps over January 2023.

Plumbing & Electrical

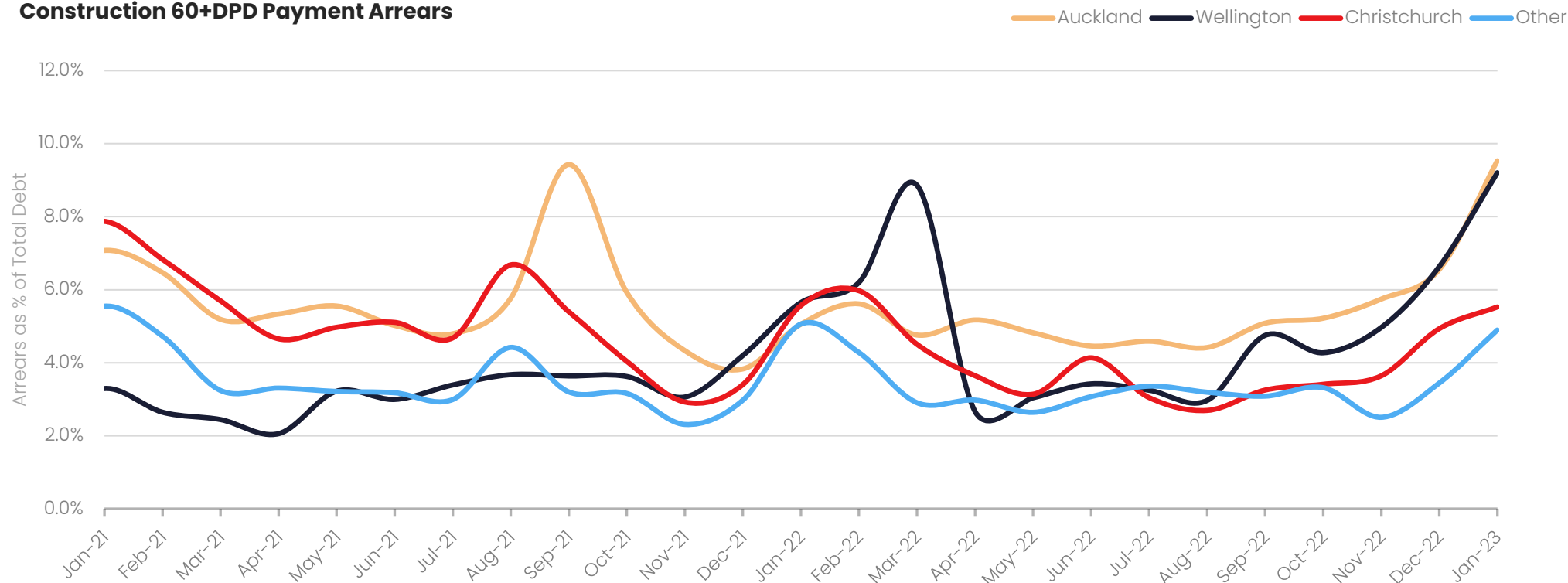
↑ **128bps**

Plumbing & Electrical 60+DPD arrears increased 128bps over January 2023.

Construction Arrears Markedly Higher in Wellington & Auckland

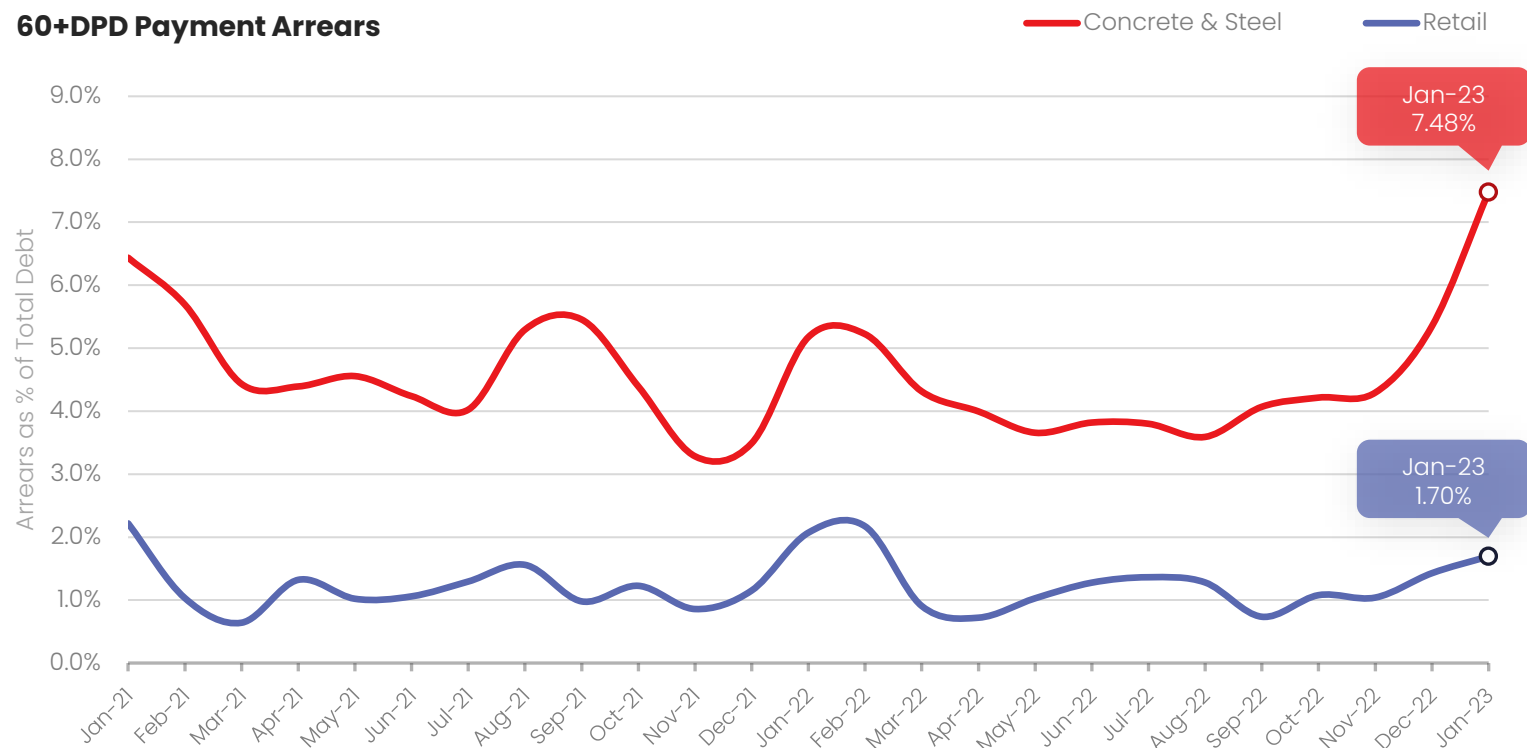
(Debtor industries defined by recorded ANZSIC codes at Companies Office)

Construction 60+DPD Payment Arrears



Concrete & Steel Deteriorates, Retail Remains Subdued in January

60+DPD Payment Arrears



Concrete & Steel

↑ **213bps**

Concrete & Steel 60+DPD arrears increased 213bps in January 2023.

Retail

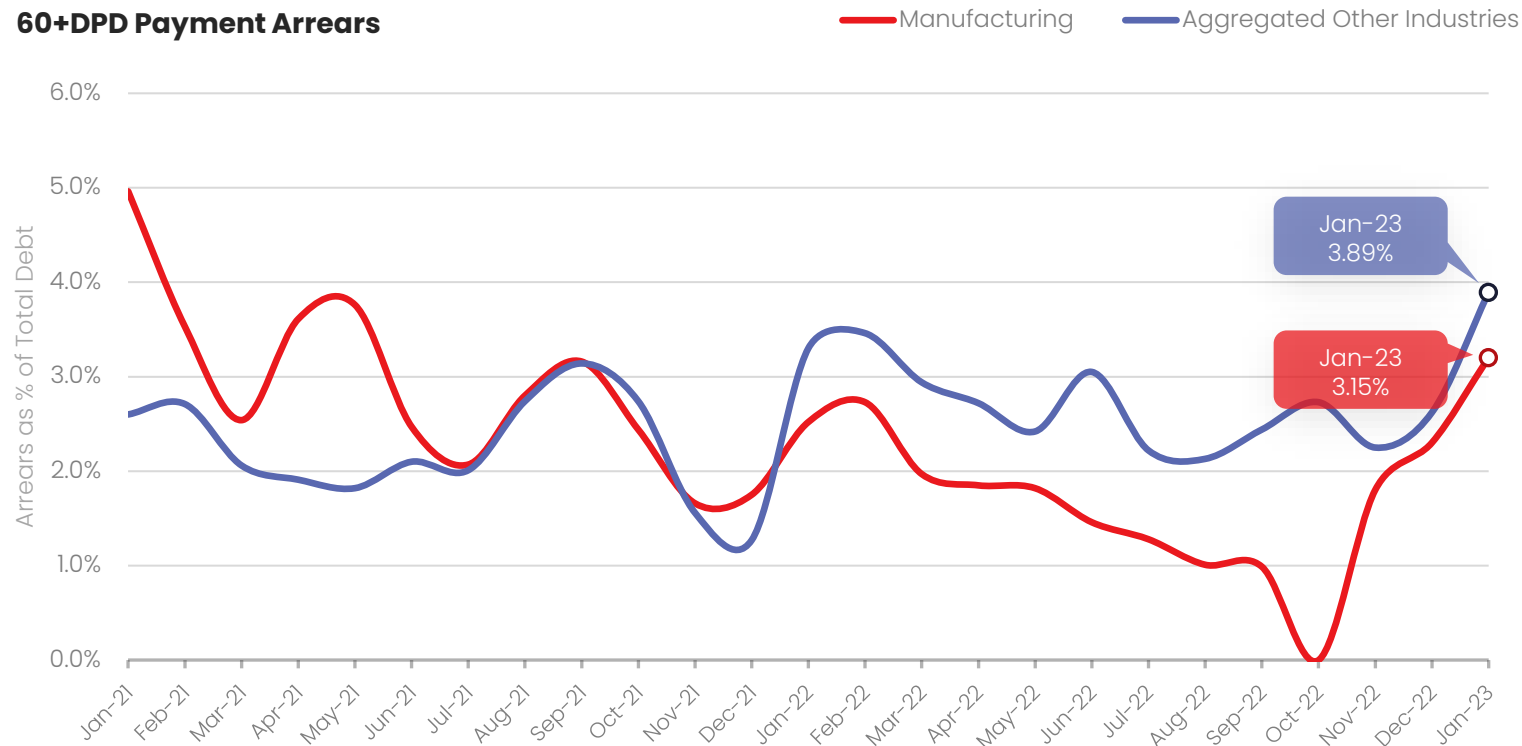
↑ **27bps**

Retail 60+DPD arrears increased 27bps in January 2023.

Manufacturing and 'Other' Industry Arrears Have Turned Now Too

(Debtor industries defined by recorded ANZSIC codes at Companies Office)

60+DPD Payment Arrears



Manufacturing

↑ **83bps**

Manufacturing 60+DPD arrears increased 83bps in January 2023.

Aggregated Other Industries

↑ **127bps**

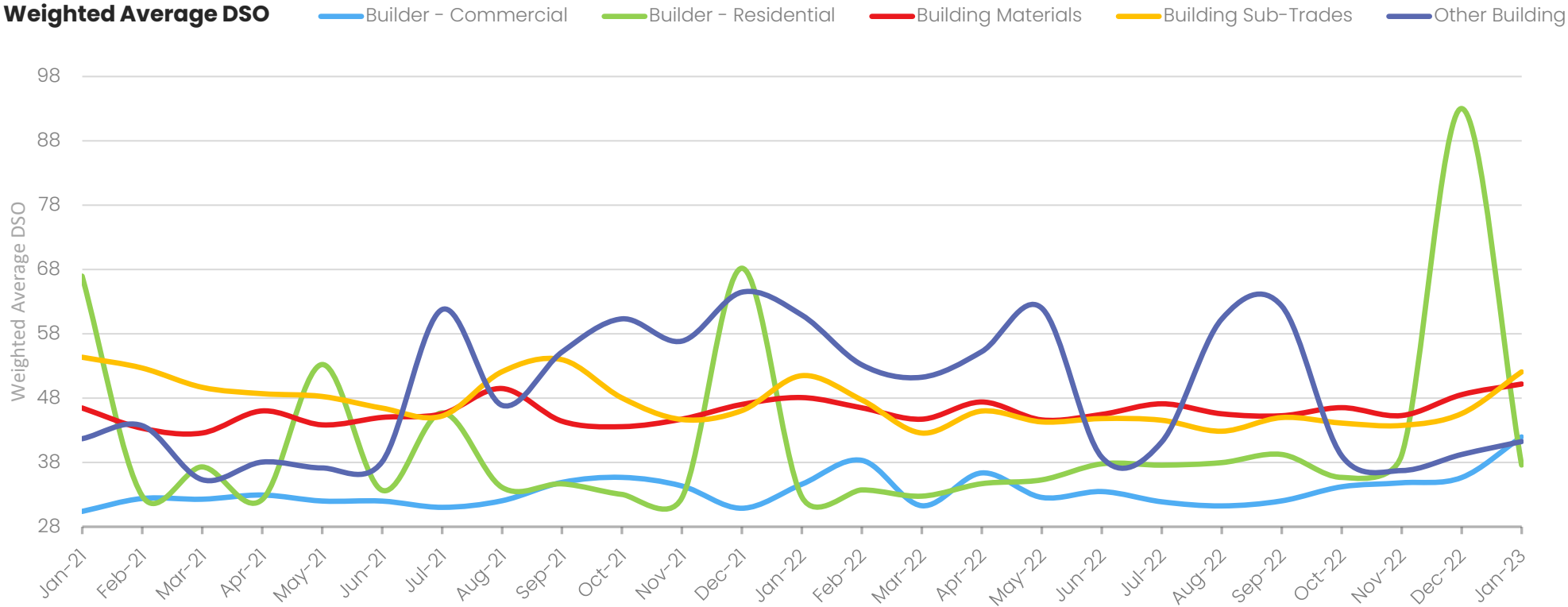
Other Industries 60+DPD arrears increased 127bps in January 2023.



Vendor Industry DSO **Insights.**

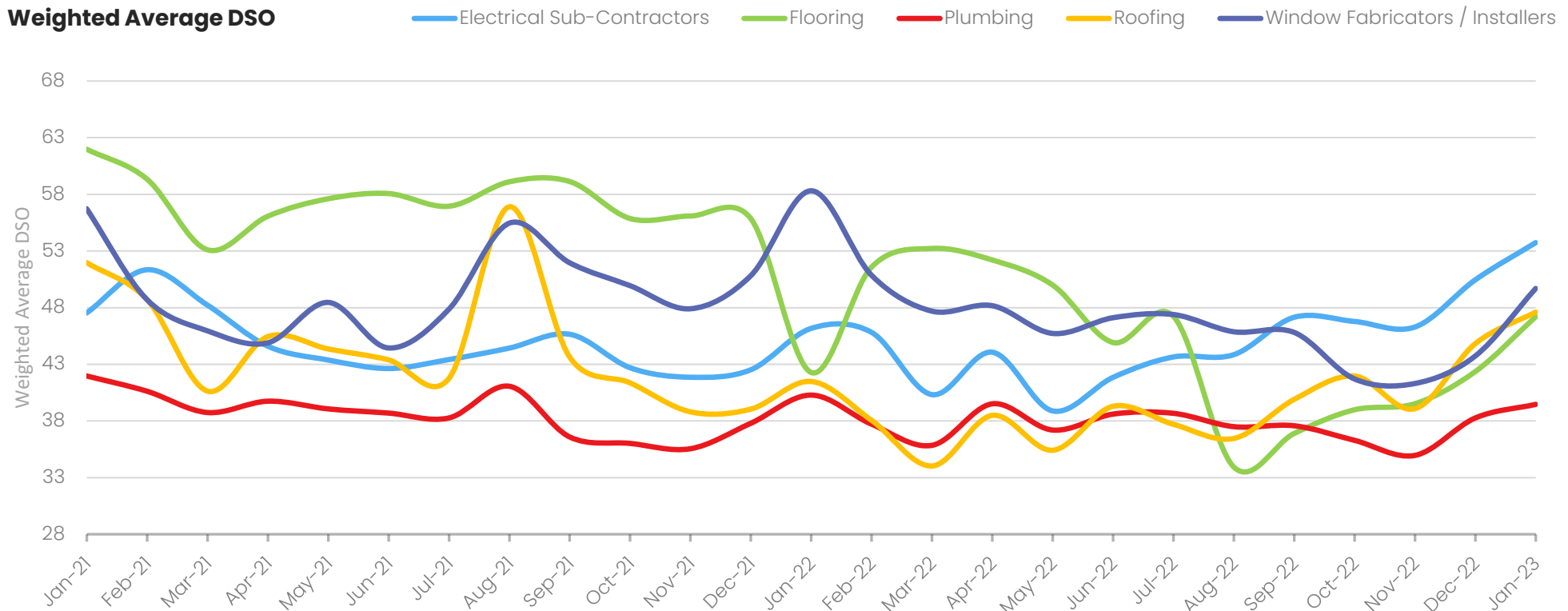
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Days Sales Outstanding by Vendor Industry (1 of 6)



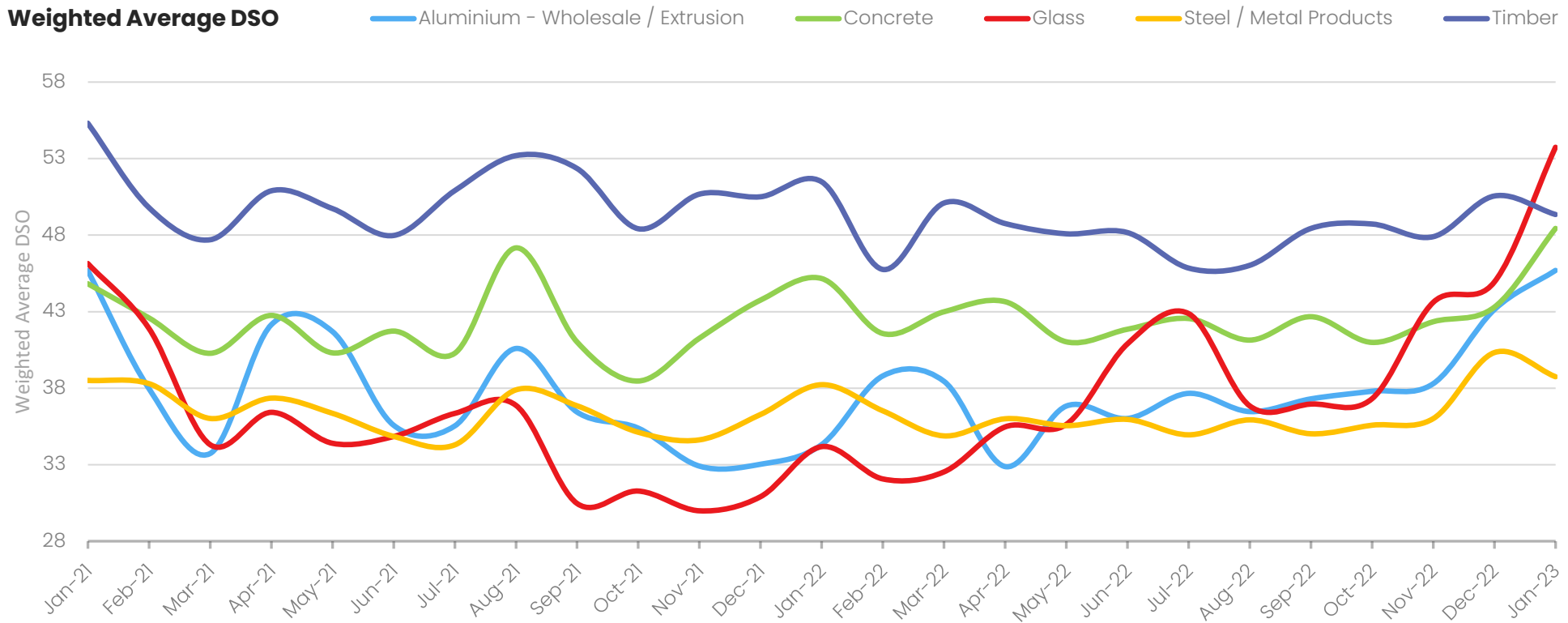
Days Sales Outstanding by Vendor Industry (2 of 6)

Weighted Average DSO



Days Sales Outstanding by Vendor Industry (3 of 6)

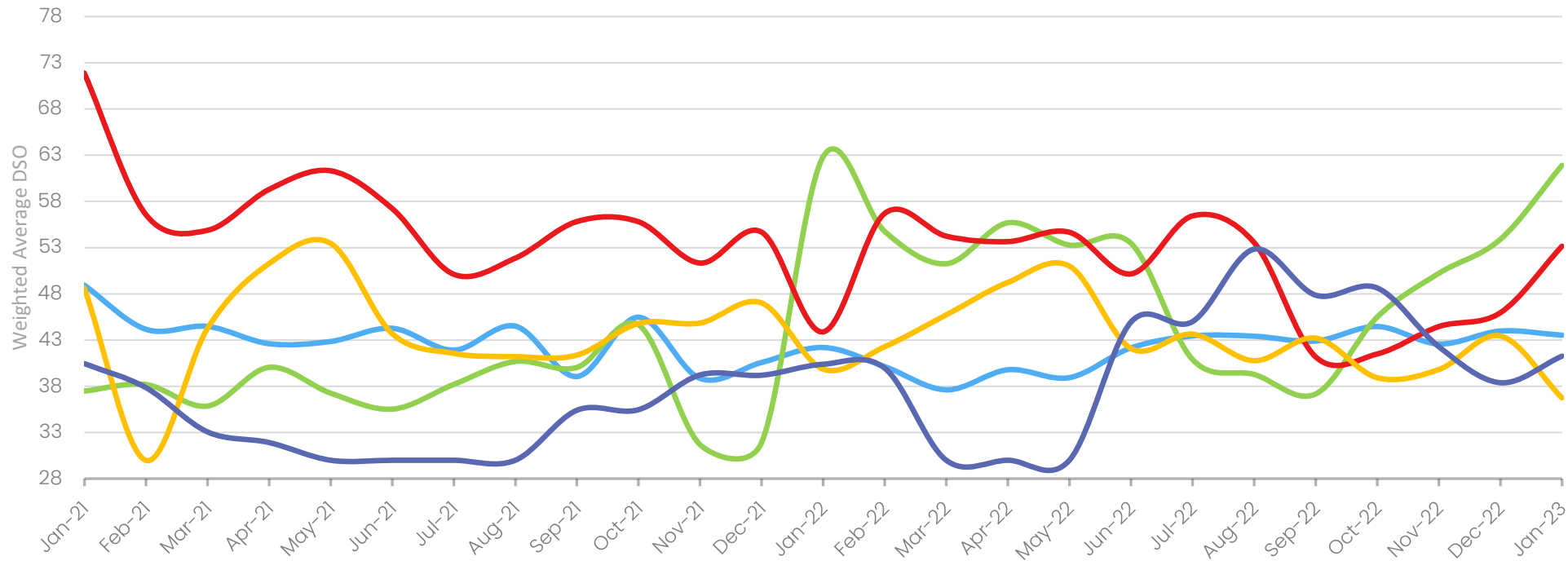
Weighted Average DSO



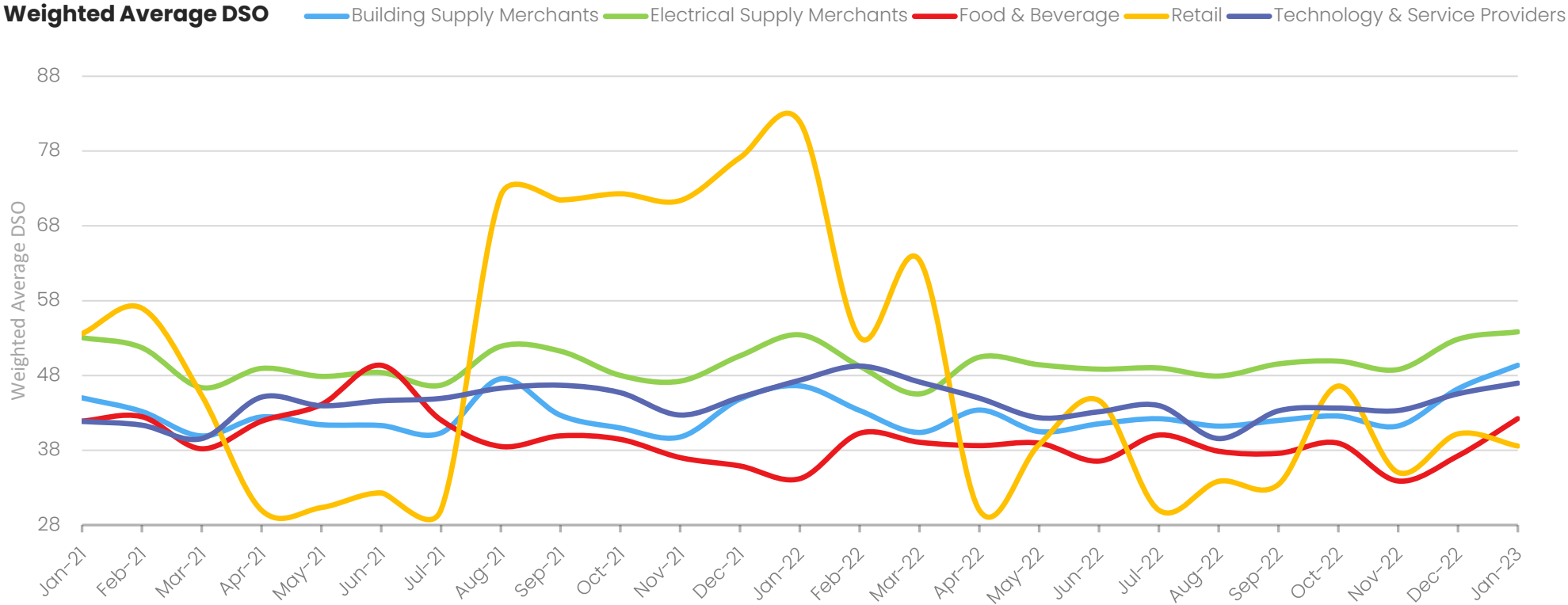
Days Sales Outstanding by Vendor Industry (4 of 6)

Weighted Average DSO

— Air Conditioning / Refrigeration
 — Civil Engineering
 — Equipment Hire
 — Manufacturing
 — Pulp, Paper and Printing

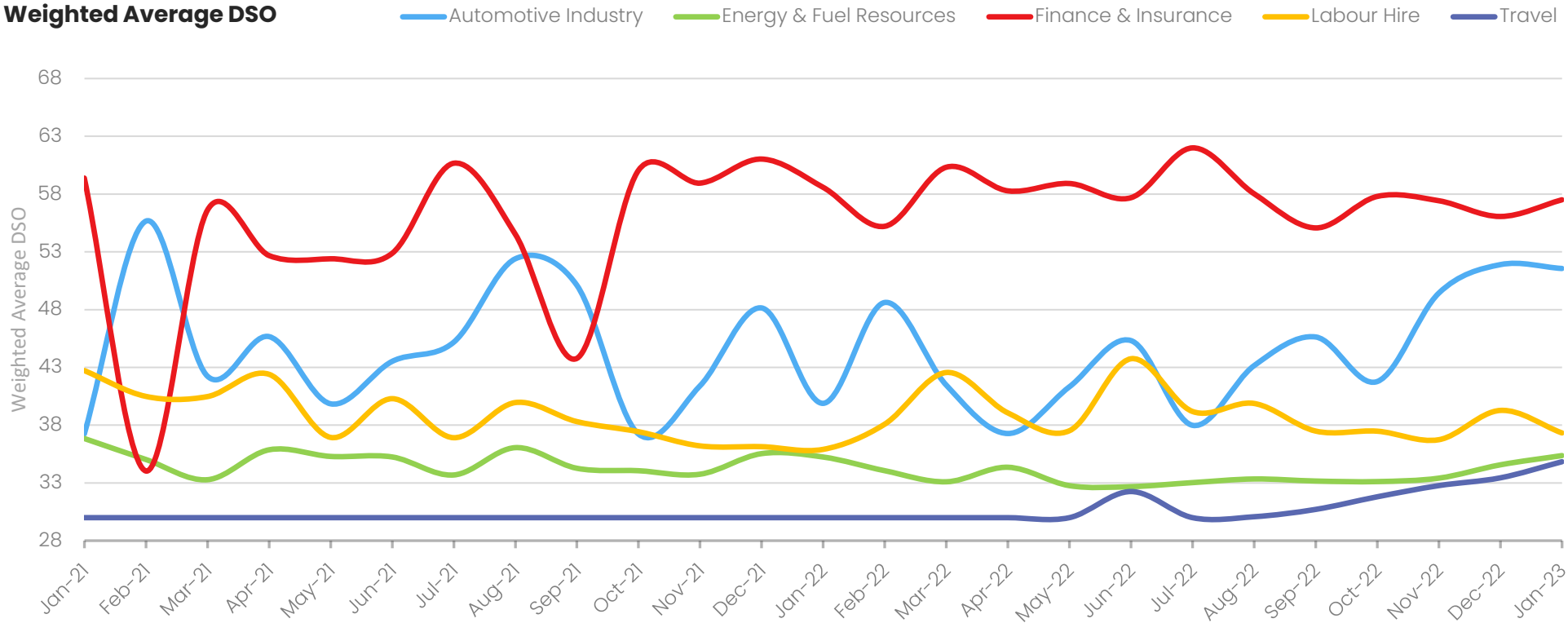


Days Sales Outstanding by Vendor Industry (5 of 6)



Days Sales Outstanding by Vendor Industry (6 of 6)

Weighted Average DSO

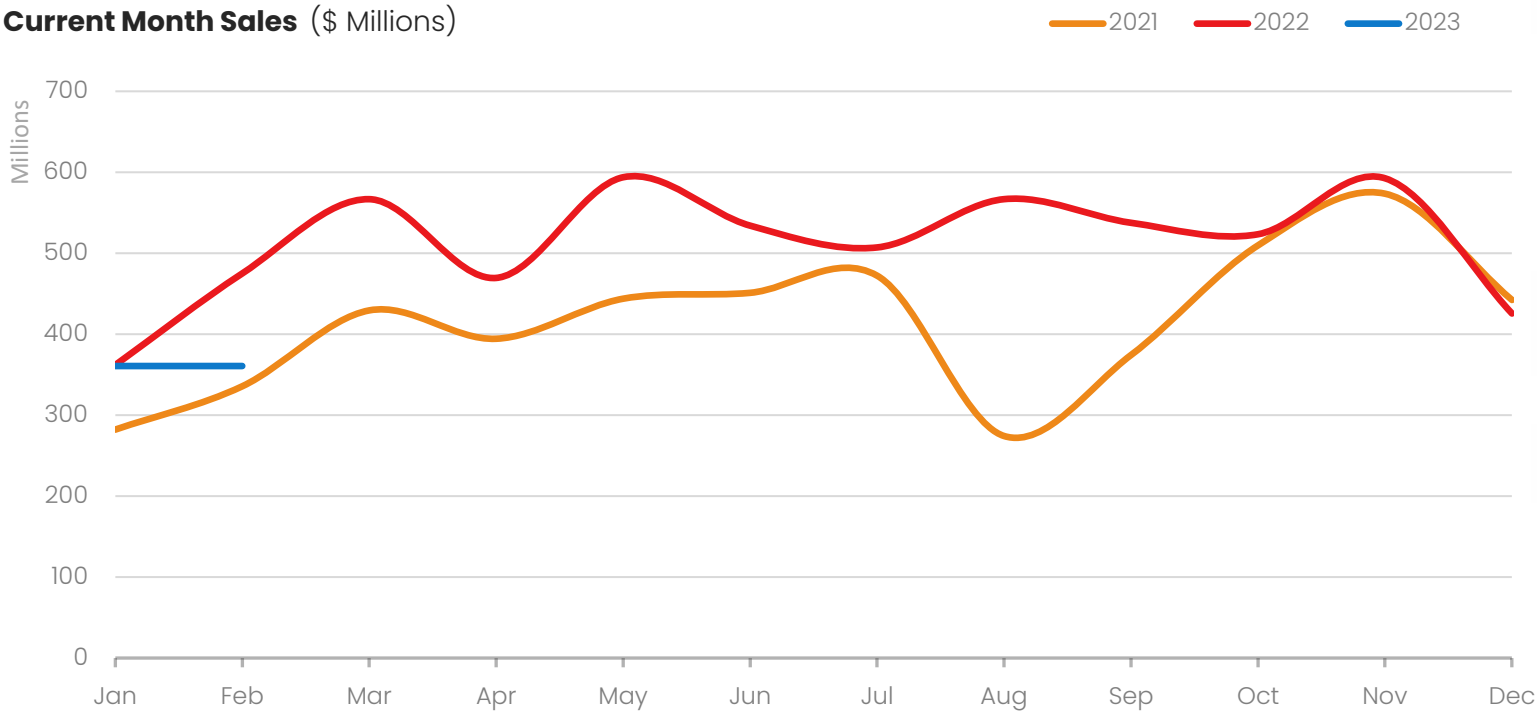




Building Merchant Insights.

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Building Merchants Current Month Sales



Month-on-Month

↓ **15.3%**

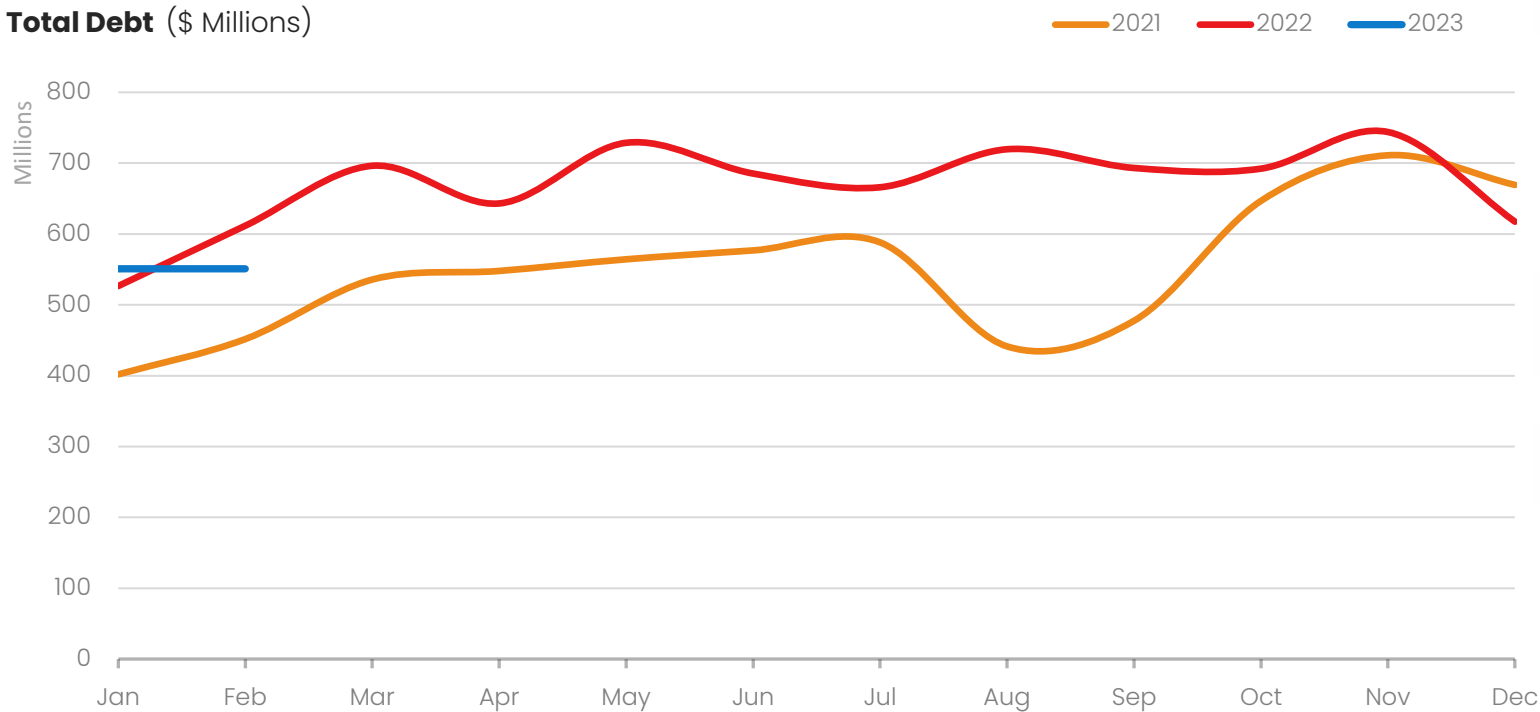
Monthly sales decreased by 15.3% from December 2022 to January 2023.

Year-on-Year

→ **0.0%**

Monthly sales for January 2023 was on par with the January 2022 volume.

Building Merchants Total Debt



Month-on-Month

10.8%

Total Debt decreased by 10.8% from December 2022 to January 2023.

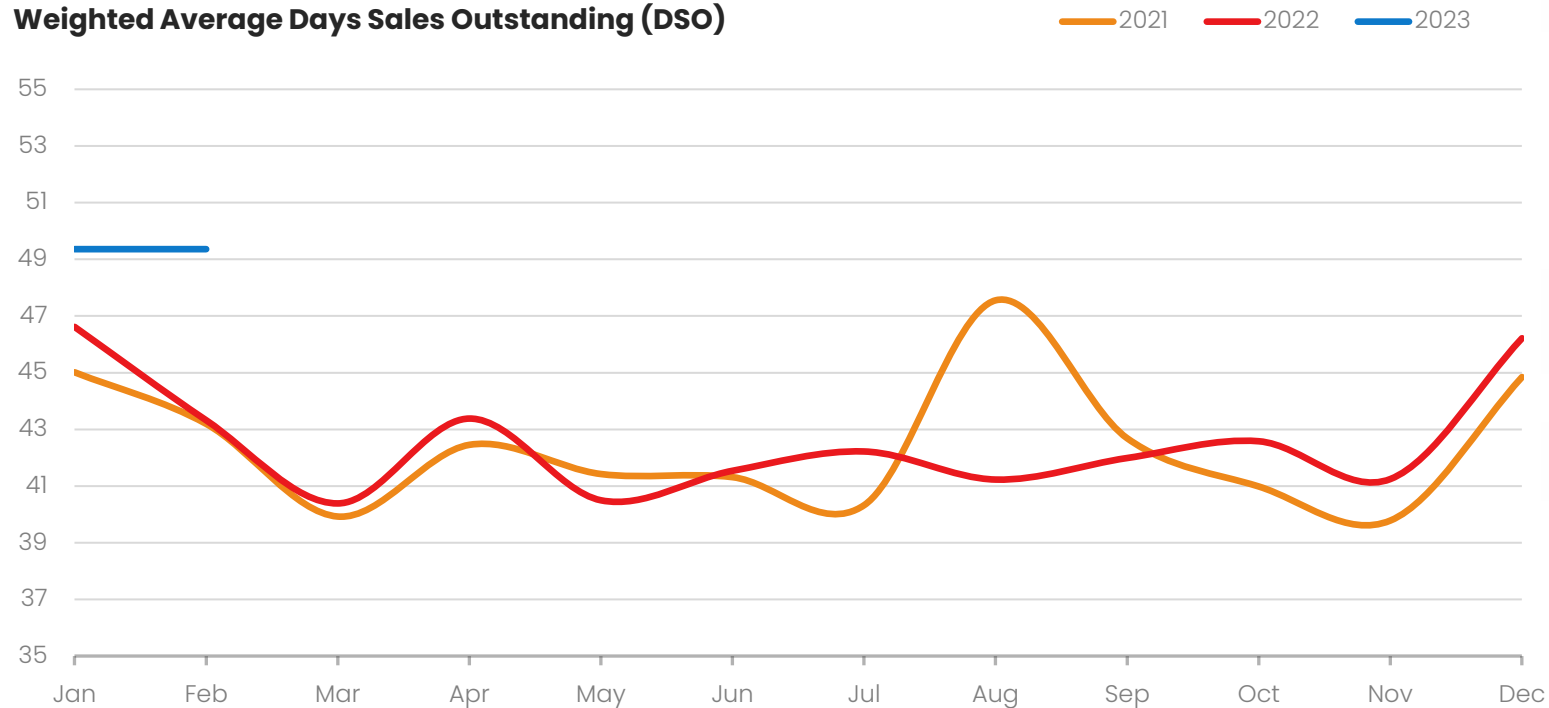
Year-on-Year

4.6%

Total Debt was 4.6% higher in January 2023 compared to January 2022.

Building Merchants Days Sales Outstanding

Weighted Average Days Sales Outstanding (DSO)



Month-on-Month

 **6.8%**

Weighted average DSO was up by 6.8% December 2022 to January 2023.

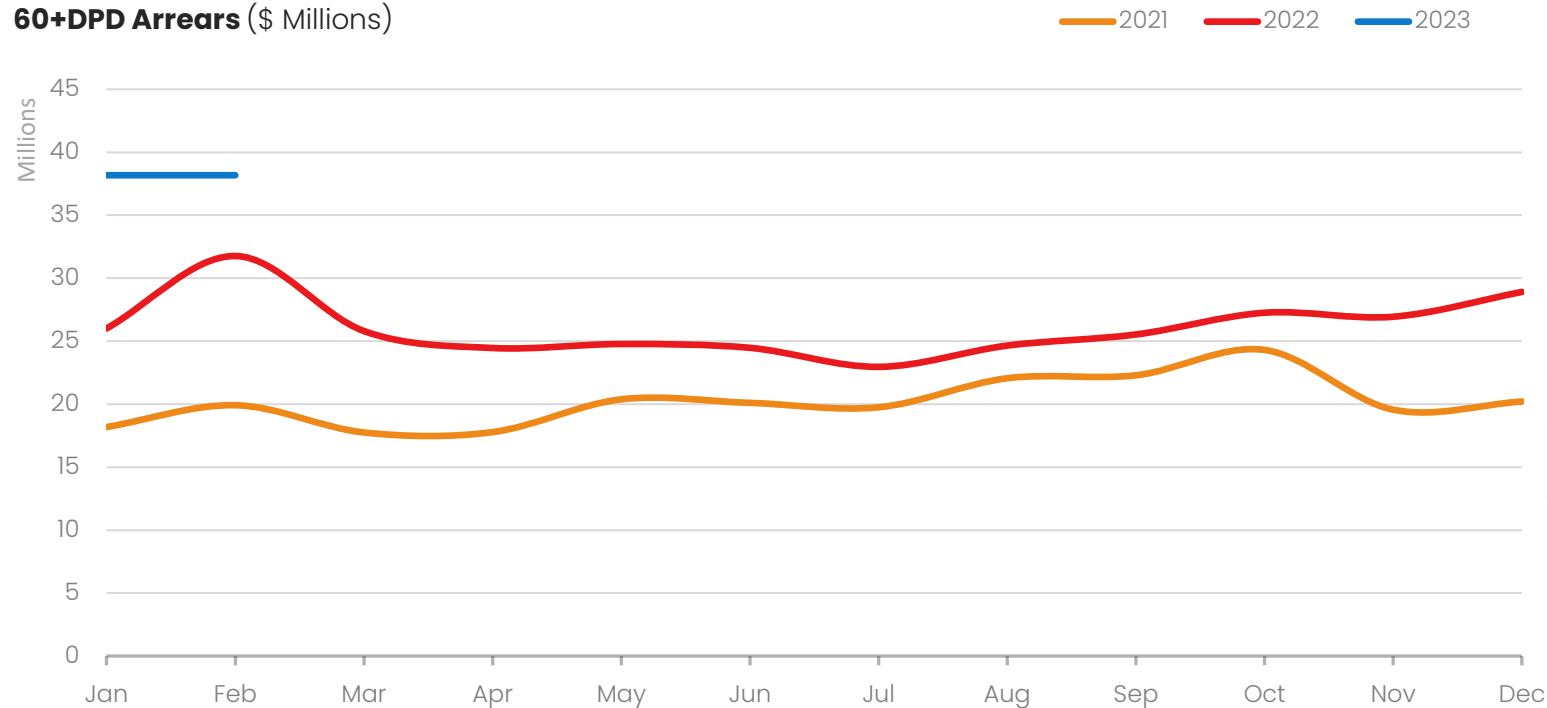
Year-on-Year

 **5.9%**

Weighted average DSO was 5.9% higher in January 2023 vs January 2022.

Building Merchants Arrears in Dollars (60+DPD)

60+DPD Arrears (\$ Millions)



Month-on-Month

 **32.1%**

60+DPD arrears were up 32.1% from December 2022 to January 2023.

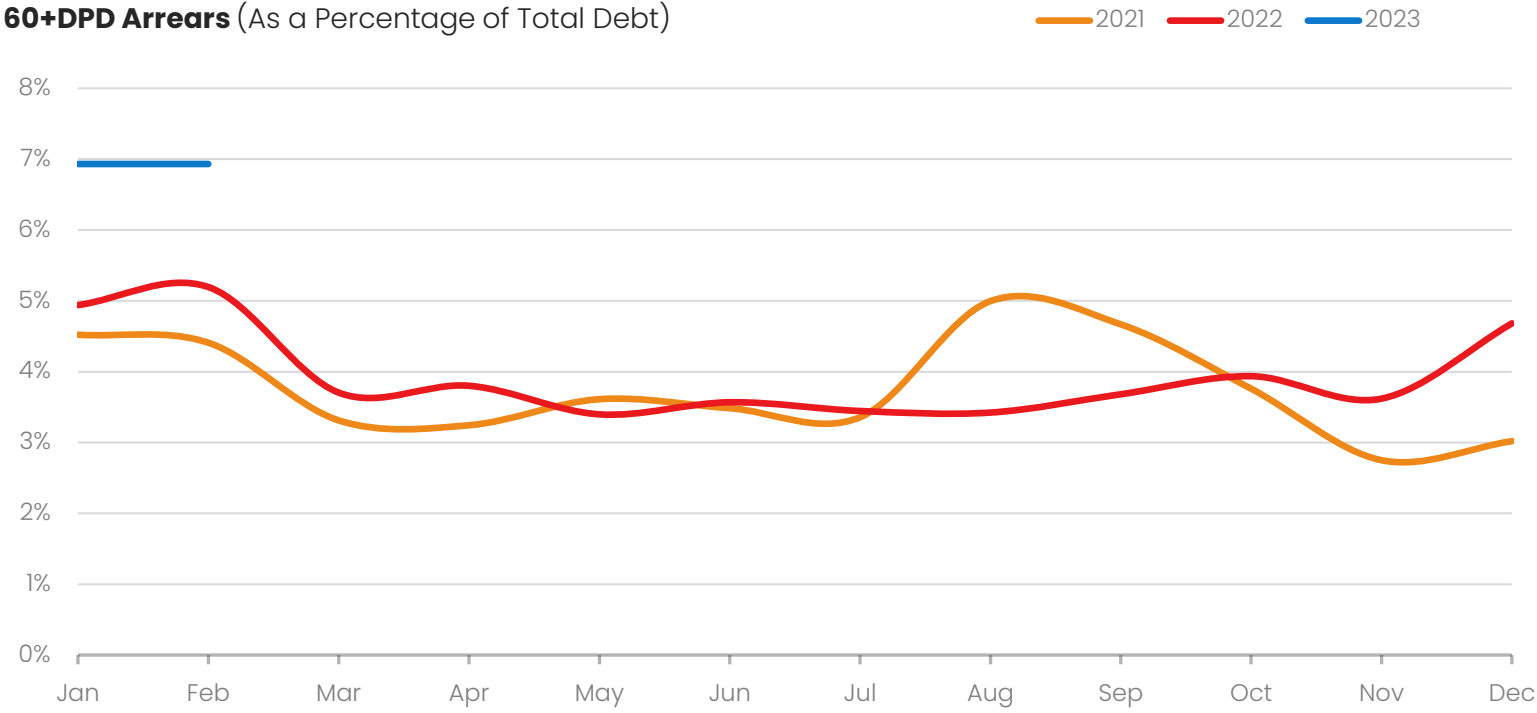
Year-on-Year

 **46.8%**

60+DPD arrears were up 46.8% from January 2022 to January 2023.

Building Merchants Arrears in Percentages (60+DPD)

60+DPD Arrears (As a Percentage of Total Debt)



Month-on-Month

↑ 225bps

60+DPD arrears were 225bps higher in January 2023 compared to December 2022.

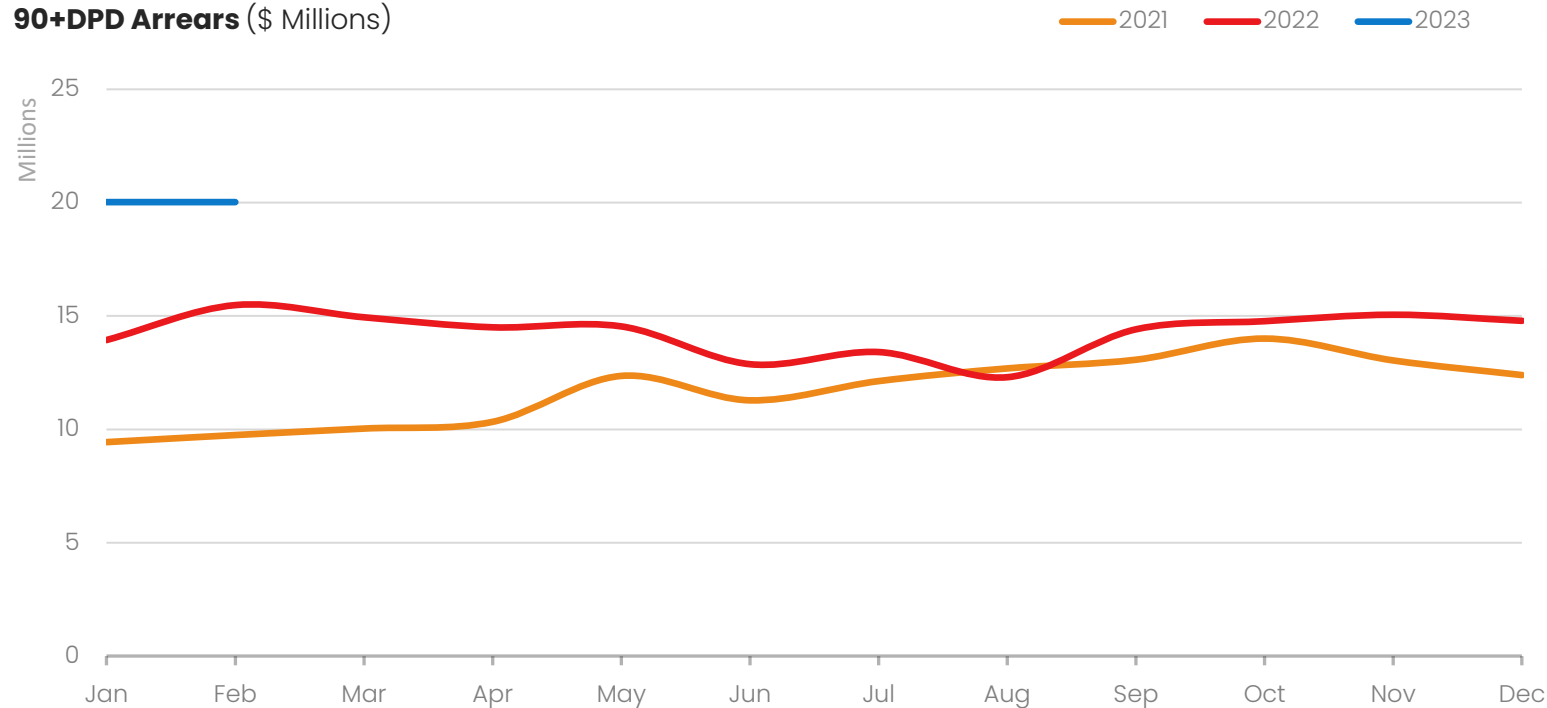
Year-on-Year

↑ 199bps

60+DPD arrears were 199bps higher in January 2023 compared to January 2022.

Building Merchants Arrears in Dollars (90+DPD)

90+DPD Arrears (\$ Millions)



Month-on-Month

 **35.3%**

90+DPD arrears were up 35.3% from December 2022 to January 2023.

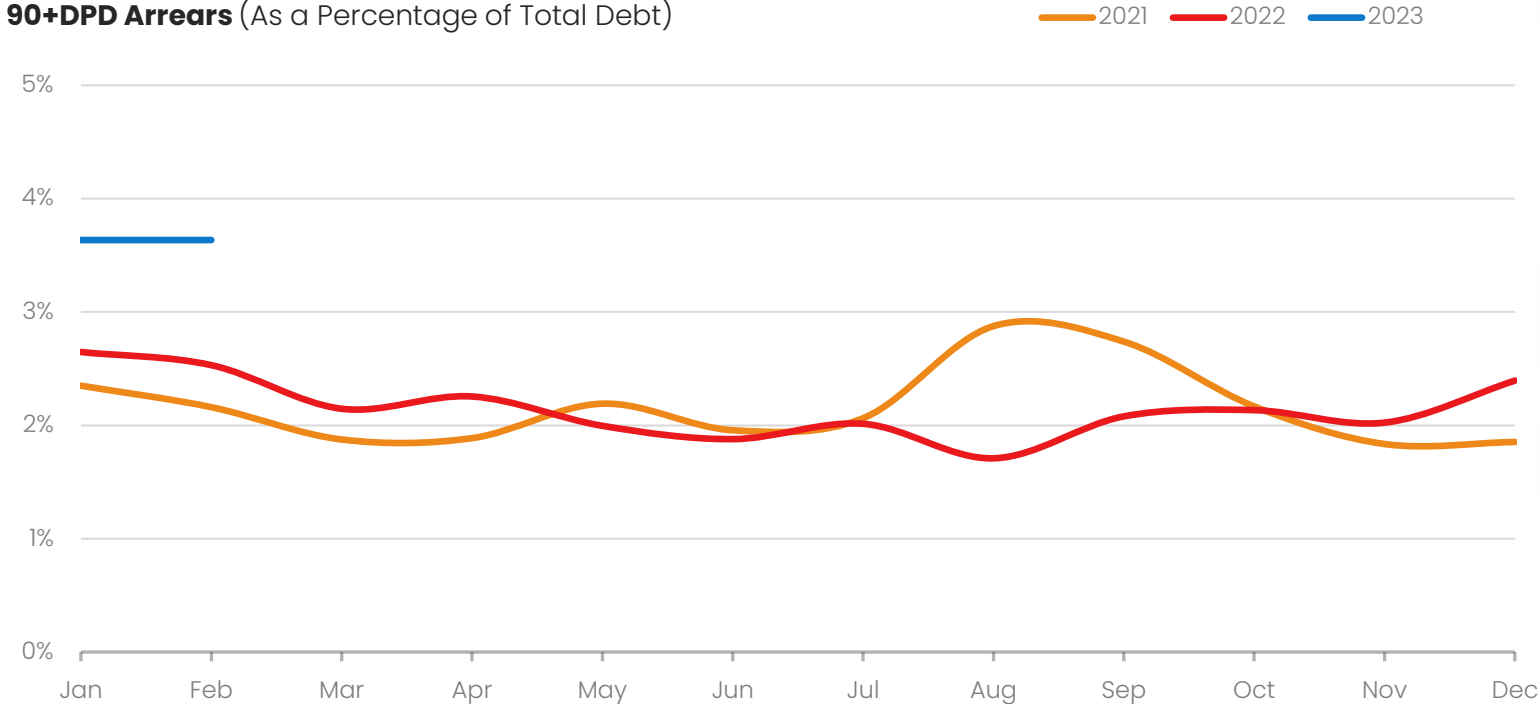
Year-on-Year

 **43.6%**

90+DPD arrears were up 43.6% from January 2022 to January 2023.

Building Merchants Arrears in Percentages (90+DPD)

90+DPD Arrears (As a Percentage of Total Debt)



Month-on-Month

↑ **124bps**

90+DPD arrears were 124bps higher in January 2023 compared to December 2022.

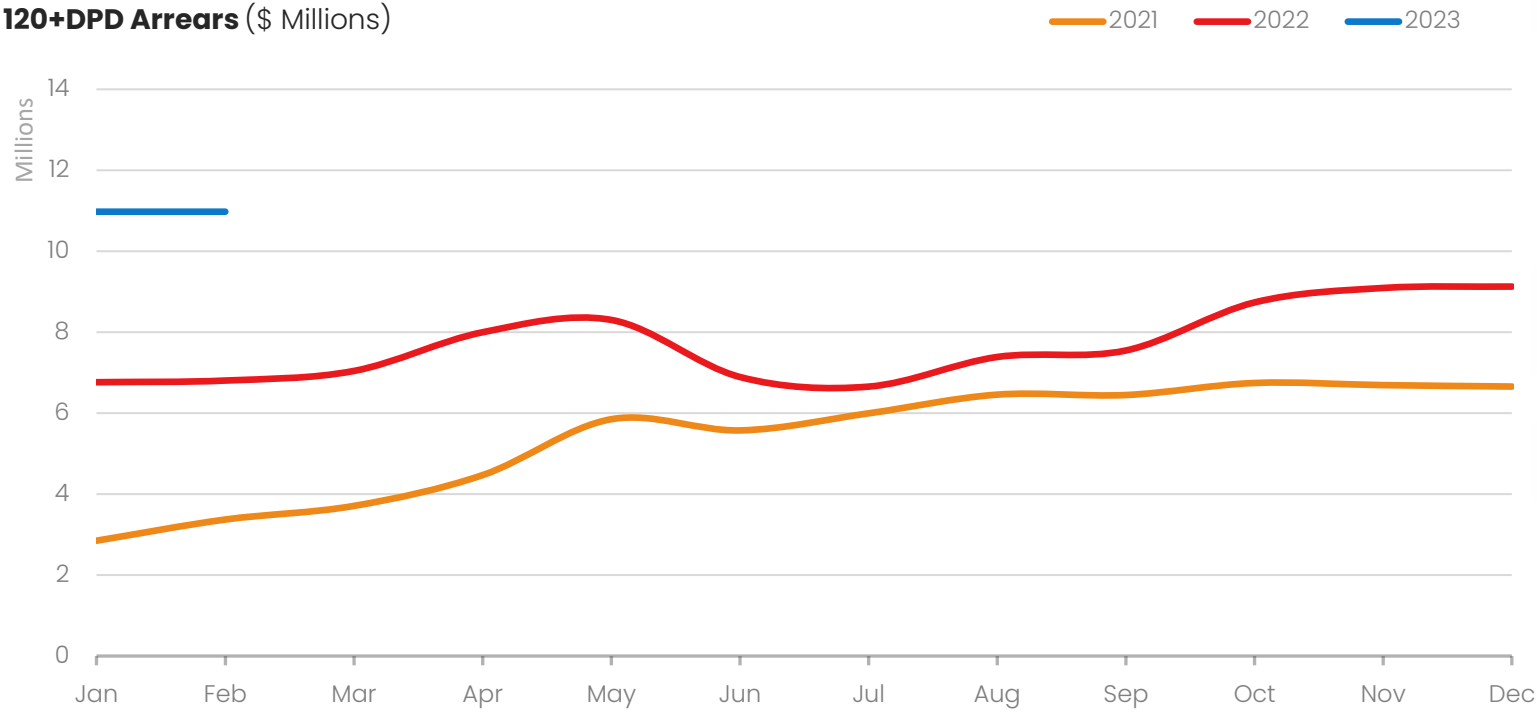
Year-on-Year

↑ **99bps**

90+DPD arrears were 99bps higher in January 2023 compared to January 2022.

Building Merchants Arrears in Dollars (120+DPD)

120+DPD Arrears (\$ Millions)



Month-on-Month

↑ 20.2%

120+DPD arrears were up 20.2% from December 2022 to January 2023.

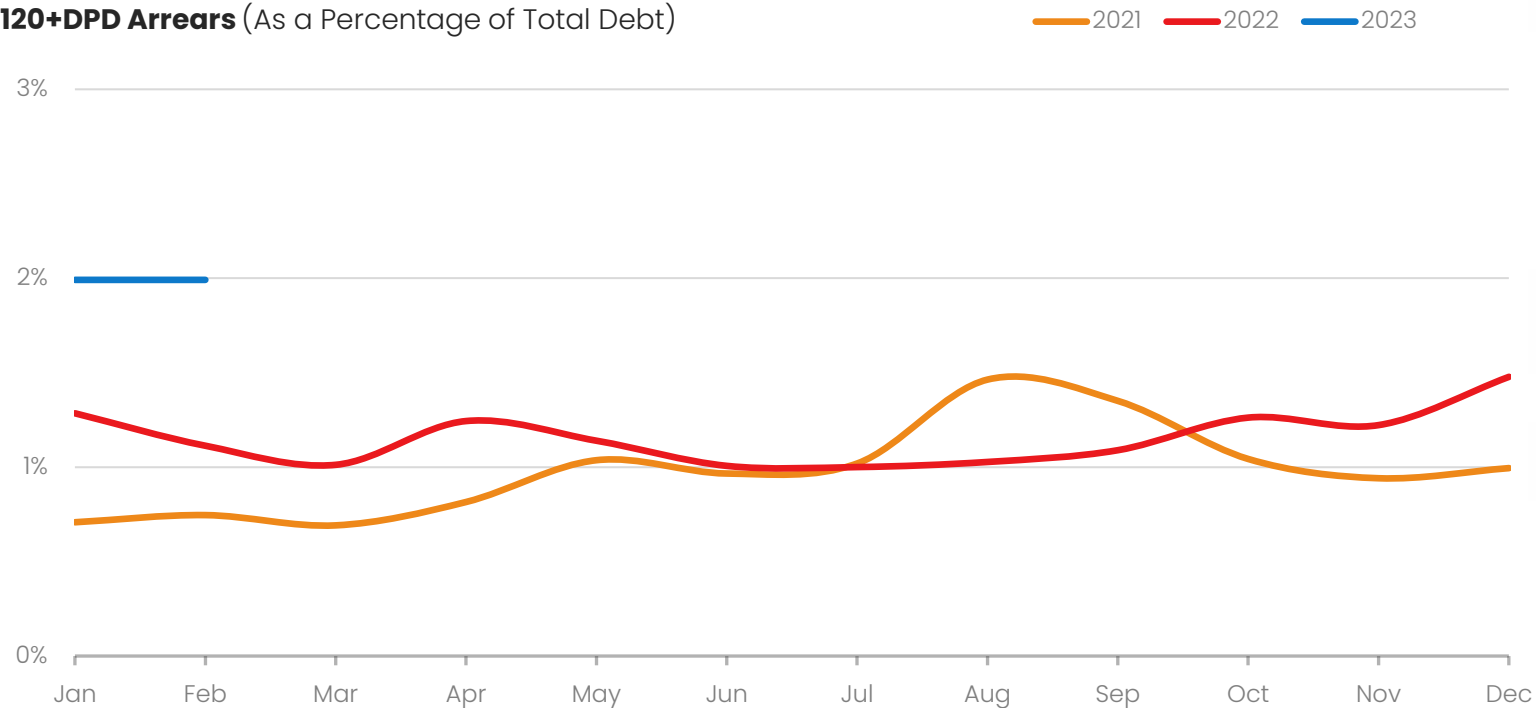
Year-on-Year

↑ 62.2%

120+DPD arrears were up 62.2% from January 2022 to January 2023.

Building Merchants Arrears in Percentages (120+DPD)

120+DPD Arrears (As a Percentage of Total Debt)



Month-on-Month

↑ **51bps**

120+DPD arrears were 51bps higher in January 2023 compared to December 2022.

Year-on-Year

↑ **71bps**

120+DPD arrears were 71bps higher in January 2023 compared to January 2022.