Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

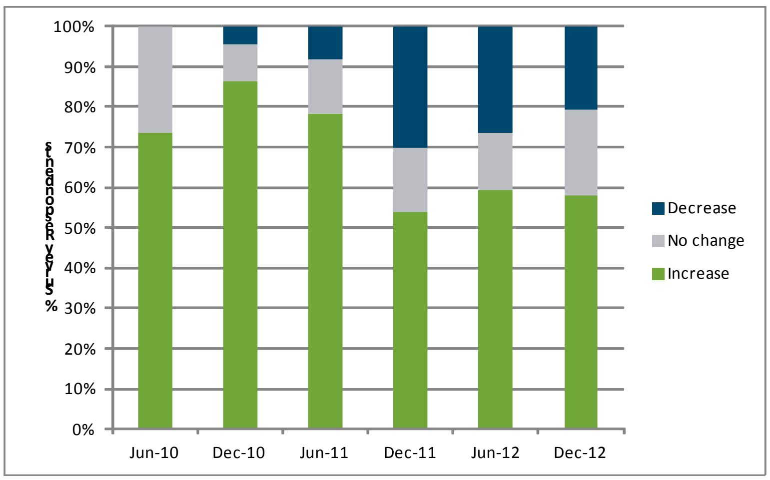
December 2012

European Business Confidence Survey December 2012 –
Positive expectations for 2013

Leaseurope and Invigors EMEA have recently completed their latest European Business Confidence Survey. The findings suggest a positive start to 2013 and a more optimistic outlook compared to that portrayed in the previous two surveys. After the uncertainty of the past 12 months, fuelled by the Eurozone crisis, most of those taking part in the latest research are either looking for improved performance across their business or, at worse, little change.

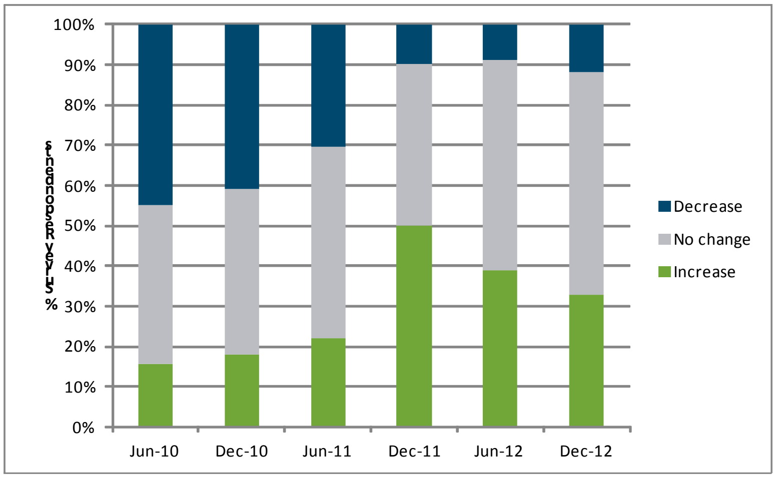
Expectations for new business growth in 2013 are predominantly positive. 58% of those taking part in the survey expect new business volumes to increase around the same level as recorded in the survey last June while only 21% anticipate a decline, down slightly from 27% previously.

Figure 1- Anticipated change in new business over next 6 months



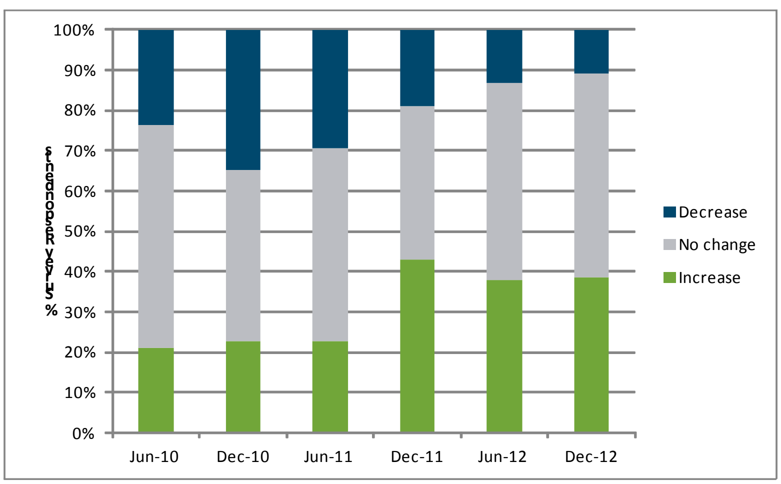
More respondents expect bad debt to increase than decrease over the next six months, though the proportion is lower than that recorded in the previous survey. In December, 33% of respondents expect bad debt to increase, down from 39% in June last year. Only 12% anticipate a reduction in bad debt, around the same percentage as the previous survey, while the majority (55%) expect no change.

Figure 2 - Anticipated change in bad debt over next six months



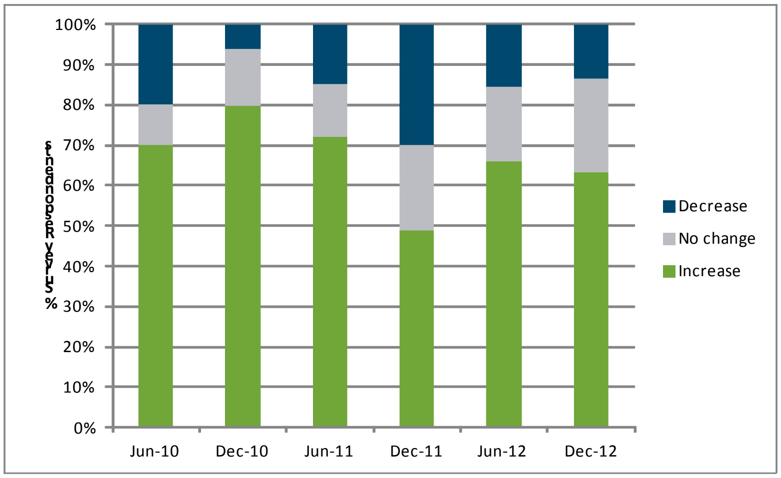
Despite increases in bad debt, many survey respondents are optimistic about margins. 39% of those taking part forecast that margins in their organisation will increase over the first half of 2013, around the same level as that recorded in the previous survey. By contrast only 11% of respondents anticipate that margins will decrease, while half expect no change.

Figure 3 - Anticipated change in margins over next six months



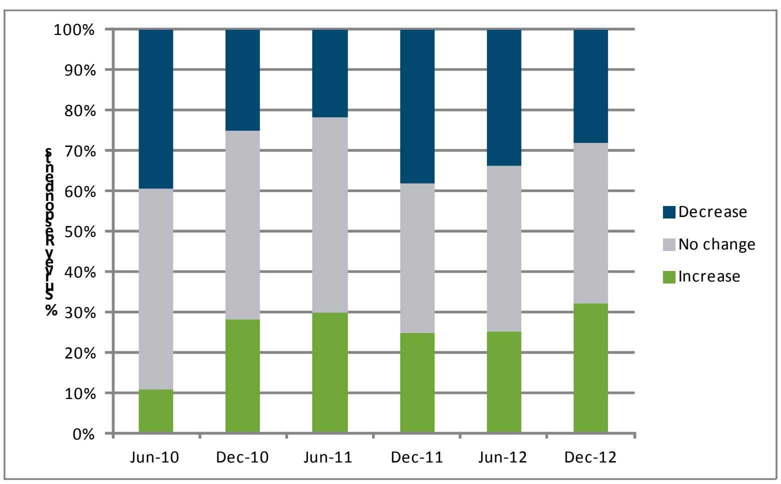
The outlook for profits within European leasing organisations also remains positive. Nearly two thirds (63%) of those polled in December anticipate that net profits for their business will increase over the next six months, around the same percentage as that recorded last June. Just 14% of respondents expect net profits to decrease while the remaining 23% forecast no change.

Figure 4 - Change in net profit for business over next six months



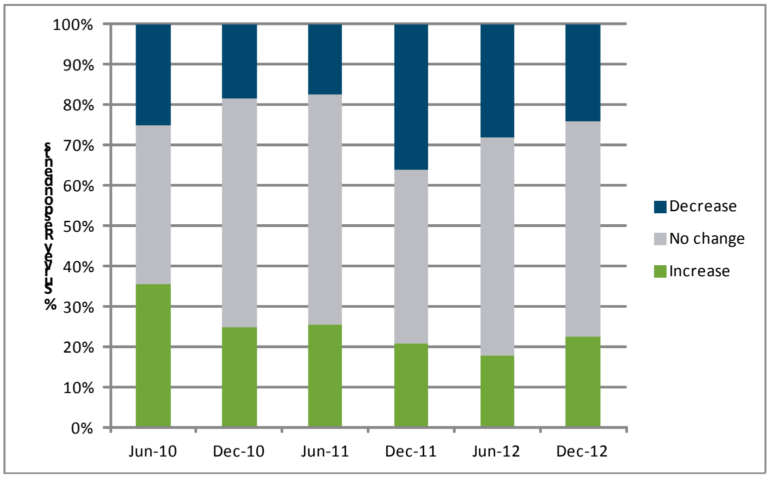
The latest survey shows a mixed outlook for leasing industry expenditure, though most organisations represented in the research appear to be keeping budgets unchanged for 2013, despite increasing business volumes and profits. However for operating expenses and marketing expenditure, a growing proportion of respondents expect expenditure in these areas to increase over the next six months rather than be cut.

Figure 5 - Anticipated change in operating expenses over next six months



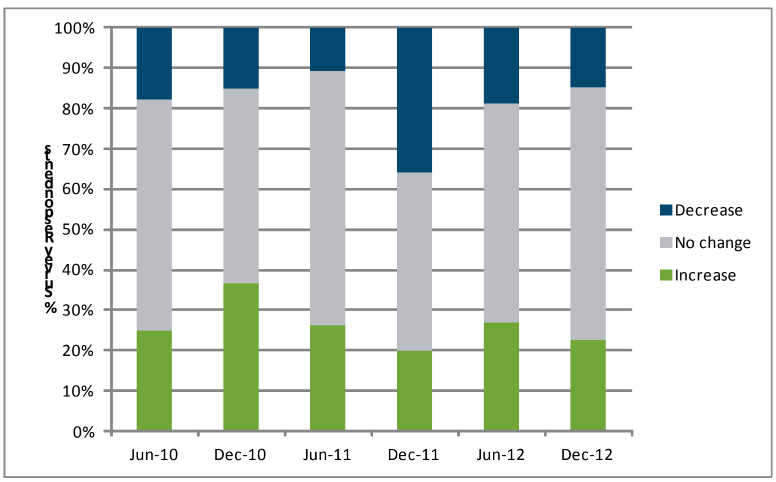
Just under a third (32%) of those polled in December expect operating expenses to increase, up markedly from 25% in the previous two surveys. 28% of respondents predict operating expenses will decrease over the next six months with the remaining 40%% anticipating no change. Fewer expect any growth in marketing expenditure in 2013, just 22%, which is up slightly on the 18% recorded in June last year. Over half of the survey participants (53%) anticipate no change in marketing spend while a quarter expect it to be reduced during the first half of this year.

Figure 6 - Anticipated change in marketing expenditure over next six months



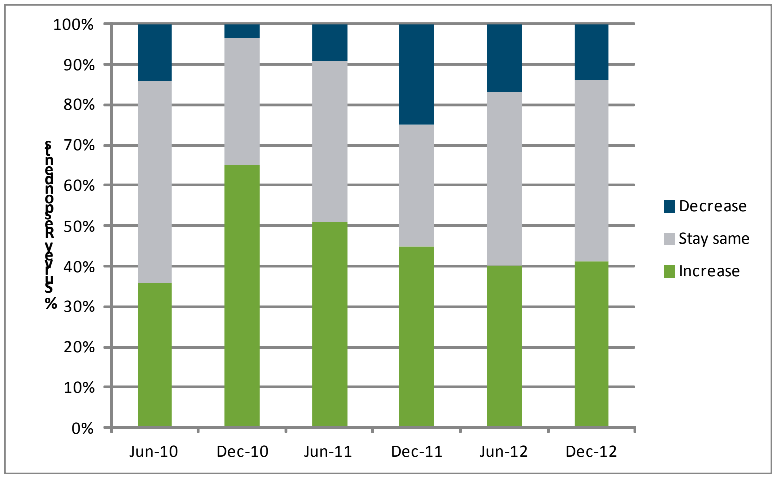
Expenditure on training looks set to remain stable for the first half of 2013. Nearly two-thirds of respondents (63%) polled in December 2012 anticipate that training expenditure will remain unchanged during the first half of 2013, up from 54% recorded in June last year. 23% expect training expenditure to increase, while just 14% predict training budgets will shrink, down from 19% in the previous survey.

Figure 7 - Anticipated change in training expenditure over next six months



The outlook for expenditure on systems for the first half of 2013 also appears to be unchanged. Just under half (45%) of respondents forecast that systems expenditure in their organisations will remain the same over the next six months, similar to 43% recorded in June last year. A further 41% expect expenditure to increase, while only 14% of those taking part in the latest survey predict systems spend to decline in their organisations. In contrast to our conclusions in the previous survey, it appears that leasing companies are continuing their investment in IT systems in order to reduce operating costs and help reshape their businesses.

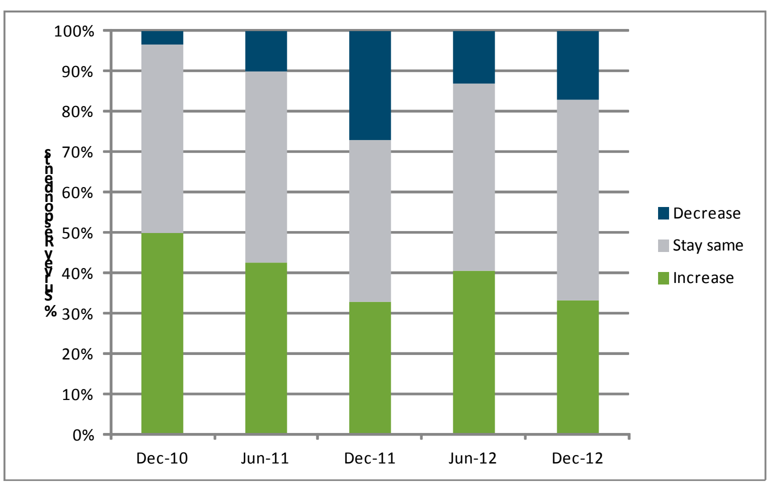
Figure 8 - Anticipated change in systems expenditure over next six months



Compared to previous research, the December 2012 survey revealed fewer differences in expectations on future staffing levels between sales and non-sales staff. For sales staff the balance of opinion remains positive though increasing numbers of respondents anticipate no change.

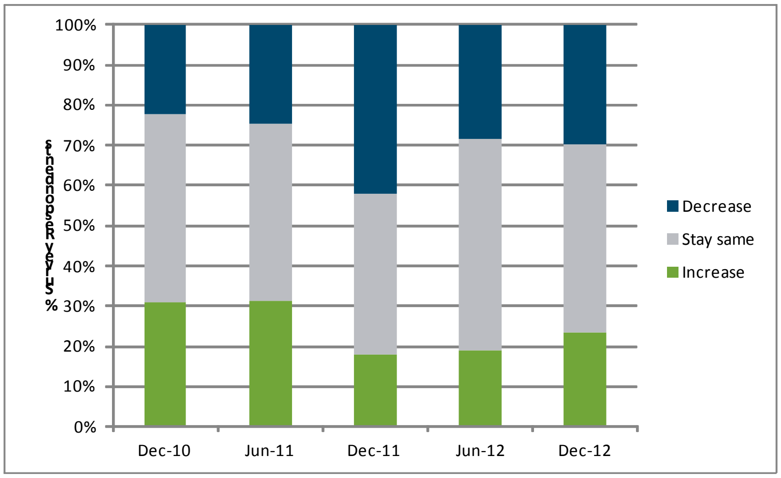
33% of those surveyed in December anticipate that sales staff numbers will increase in their organisation over the next six months, down from 41% in June 2012. Only 17% of respondents now expect sales staff numbers to decrease, up slightly from the previous survey, while half of those polled predict no change.

Figure 9 - Anticipated change in sales staffing levels over next six months



The outlook for non-sales staffing levels has improved slightly in the most recent survey, though a significant number of respondents still anticipate reductions in this area. 23% of respondents expect their organisations to increase non-sales staff over the next six months, up slightly from the previous two surveys. Just under half of those polled (47%) predict that staff numbers will remain unchanged, while the remaining 30% expect a reduction in non-sales staff numbers, unchanged from the level in June 2012.

Figure 10 - Anticipated change in non-sales staffing levels over next six months



The most recent survey suggests that business sentiment in the European asset finance industry has improved over the past year as companies adjust to the current economic environment and the worst fears of the Eurozone crisis have not been realised. Expectations on new business volumes, margins and bad debt continue to show small improvements, trends which are reflected across bank-owned lessors, independent leasing companies, and captives alike.

Over the past year the European asset finance industry has undergone considerable restructuring and repositioning as companies respond to economic and legislative challenges. Clearly these are ongoing as Europe faces another year of low economic growth. Nevertheless the industry has demonstrated its ability to adjust, even though this may be difficult in the short term. As some players withdraw from established markets, others move in to take their place, and this year will demonstrate the extent to which they are able or willing to replace the capacity lost.

The next Leaseurope – Invigors EMEA Business Confidence Survey will be published in July 2013.

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