MEDIA RELEASE

22 October 2013

60% OF INVOICES PAID LATE

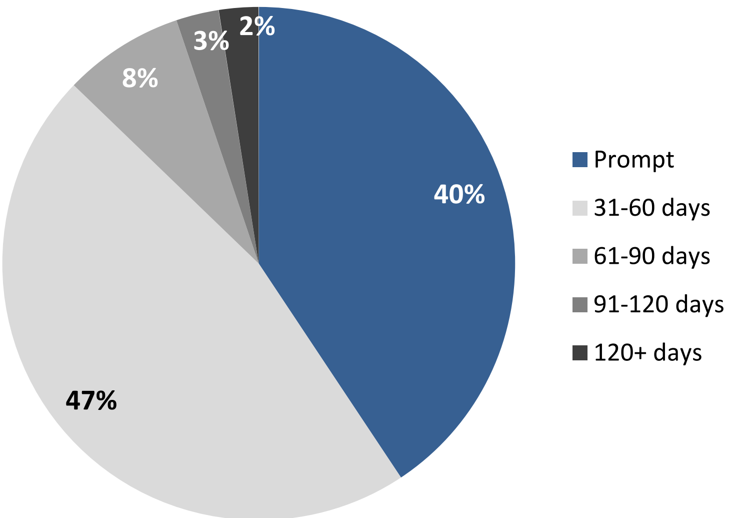
Late payments jump in retail and construction sectors

Australian businesses are failing to pay their bills on time more often than not, with 60 per cent of invoices settled beyond the standard 30-day payment period.

The high rate of late payments, as revealed by Dun & Bradstreet's latest Trade Payments Analysis, has seen businesses pay their bills in an average of 53 days during the third quarter of the year; more than three weeks beyond standard terms.

While payment times have improved marginally compared to the previous quarter, they are a day slower than during the same period last year, indicating that the financial position of many companies remains fragile as they negotiate soft business conditions.

Time to pay invoices: Q3 2013



Highlighting the challenges of Australia's current trading environment, D&B's most recent *Business Expectations Survey* found that 41 per cent of companies had a customer or supplier that became insolvent or was otherwise unable to pay them during 2013.

Additionally, one-in-two companies (48 per cent) expect that cash flow will be an issue for their operations in the final quarter 2013.

According to Gareth Jones, CEO of Dun & Bradstreet, businesses' ability to regulate their cash flow and pay their expenses in a timely manner has been impacted by the economy's static performance this year.

"As with many of our measures on business and economic performance over the past year, trade payment times have been in something of a holding pattern," said Mr Jones.

"The absence of a significant and sustained improvement in business conditions, and high operating costs, continue to place strain on company finances and profitability.

"As a consequence, businesses are delaying their payments which in turn slows the movement of money through the economy and limits the stimulus effect that trade credit can provide.

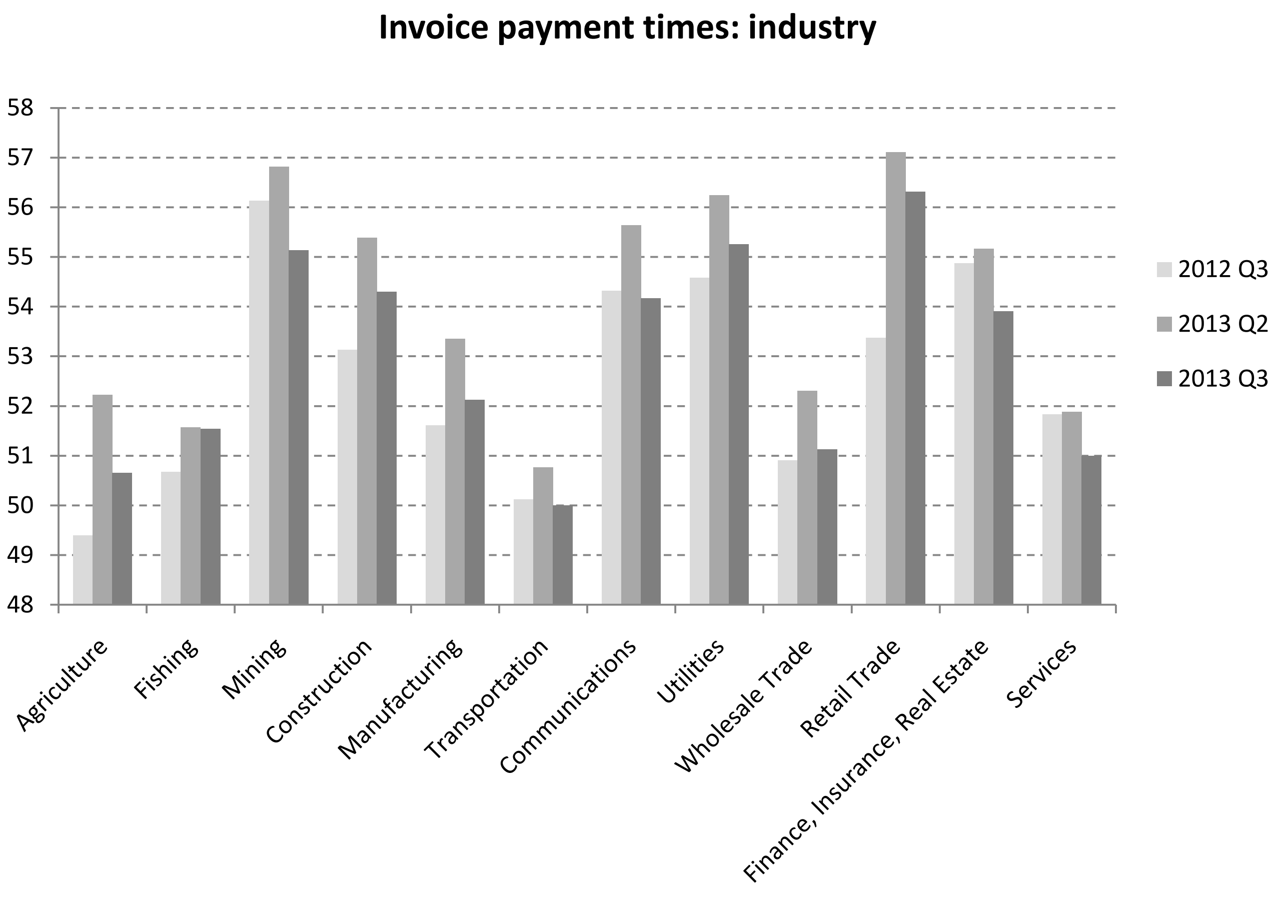
"A healthy trade credit system injects millions of dollars into businesses; small organisations in particular, which can find it more difficult to access mainstream finance to fund their operations," he added.

D&B's *Trade Payments Analysis* shows that retailers and construction sector companies recorded a notable year-on-year increase in the number of very late payments. There was a 19 per cent jump in retail sector payments and a 25 per cent increase in construction sector payments that were made at 61-90 days.

The construction sector has found business conditions difficult this year, with the downturn in Australia's mining investment activity forcing greater competition for fewer projects.

Meanwhile, retailers have been impacted through much of 2013 by weak sales growth and a strong Australian dollar, with consumers displaying a preference for financial prudence above discretionary spending.

Significantly, retail sector payments made at between 90–120 days increased by 36 per cent year-on-year, while there was a 43 per cent jump in payments made beyond 120 days. This jump in severely late payments indicates a weakening of retailers' financial position and their capacity to manage their cash flow. Total payments by the retail sector slowed by three days compared to the third quarter of 2012.



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Across industries, large companies have been the slowest to pay their bills during the past quarter, with those employing more than 500 staff taking an average of 56 days. At this rate, the nation’s largest companies are taking three days longer than any other business size to settle their accounts.

Small businesses employing fewer than five staff paid their invoices at the national average of 53 days during the third quarter, while the fastest paying companies were those employing between 50 and 199 people.

“The slight improvement in the trade payments data really only maintains a broadly flat trend for payment days over the last couple of years,” said Stephen Koukoulas, Economic Adviser to Dun & Bradstreet.

“Low interest rates and a steady expansion in the economy, albeit it at a slightly below trend pace, is meaning that the time it takes firms to pay their bills has not yet fallen to levels seen before the global financial crisis.

“As the pace of economic growth accelerates into 2014, we would expect to see payment times fall as cash flow benefits from firms’ willingness and improved ability to pay their bills more quickly,” Mr Koukoulas added.

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About Trade Payments Analysis

Business-to-business payment information is a highly predictive data set and a critical element in credit risk scores and business failures forecasting.

The distinct advantage of trade information over other forms of company data is its ability to provide insight into current performance. Company financials, which are considered to be critical to effective decision making, are reported relatively infrequently and as a consequence, organisations may be required to make decisions using data that is up to 12-months old. Conversely, because trade information is reported monthly, it reveals how an organisation is paying its existing obligation.

Trade data is also effective across all business sizes, being the most predictive element in SME scores and the second most predictive (behind financials) in other credit scores. The predictive nature of trade data combined with its timely availability enables businesses to properly assess credit risk.

This includes the identification of both high and low risk customers, thereby enabling firms to minimise the risk of late payments and bad debts and identify the good credit accounts that will create long-term, profitable credit relationships.

About Dun & Bradstreet

Established in 1887, Dun & Bradstreet is Australia and New Zealand's oldest credit information bureau. Backed by its extensive financial database, D&B helps businesses to make informed credit decisions, and consumers to access personal credit information.

D&B works across the entire credit lifecycle to deliver data-driven solutions in sales and marketing, credit reporting and debt management.

Through analysis of financial and behavioural information, D&B also provides current and predictive assessments of the economy, business conditions and credit activity.