

**BUSINESS FORECASTS 2019**  
**VLAD NĂSTASE, CONCILIUM**

**Business forecasts 2019: Vlad Năstase, CEO Concilium Romania – ‘there is a need to speed up the consolidation process regarding specific areas’**

In order to face the business challenges forecasted for 2019, the Romanian business environment should speed up the consolidation process regarding specific areas or activity fields.

It is also necessary for the **Romanian Public Administration to submit more consistent efforts in order to ensure stability and predictability for the business environment**. The important legislative changes announced over short periods of time trigger discomfort for investors. The impact assessments related to the effects generated by the legislative changes should be better substantiated and also more efficiently communicated, in order for companies to be able to understand the effects and calibrate their business accordingly.

The Romanian business environment is expecting the central administration to further **develop more efficient measures to retain and to attract workforce**, so that the competitive advantage that Romania can have towards the neighboring countries could be consolidated.

**In this respect, the Romanian entrepreneurs should understand that** moving from a general business model to a correctly defined one – more specialized, in which they should be as good as possible – is the business model to follow.

**The need for technology**

**There is the need to implement some measures to increase technology**, so that to keep up with the foreign market from the point of view of the competitiveness of the supply of products and services. Investments in tech, having effect on the increase of the production capacities and on the improvement of the products quality are **the type of investments that trigger the fastest and the most reliable reaction from the banks**.

This year the **Romanian bank financing for the corporate segment will be significantly low** during the first quarter, following the impact of the Government Emergency Ordinance no. 114/2018, issued on 29 December. The banks prepare an impact assessment that should facilitate the issue of a pricing related to credit offers. The application norms are expected by the market within 45 days as of the issuing date of the ordinance, therefore only during the second quarter of the year we can expect to see a ‘revival’ of the corporate credit market. However, we also have to see the costs triggered by this action.

Year 2019 seems to be challenging both for the business environment and for the banking system, through the measures announced by the Government and the effect created in the economy, therefore there are the **premises of some new difficulty situations for part of the companies**: those ones that sold their finished products cheaper and accepted longer payment terms from their customers, considering that the costs of raw materials increased. Romania is therefore witnessing a pressure on the companies’ profitability and on the receivables collection term, both factors being followed by the banks in the credit analysis. At the same time, the access, more difficult and probably more expensive, to financing will trigger an additional pressure effect on the business liquidity and on the actual possibility to face some eventual external shocks.

### **The last train before recession**

Another tendency I see at the local level this year relates to the macroeconomic situation of our country. Romania still reports positive macroeconomic figures – an indication of positive warning for foreign players and investors that want a strategic positioning in this part of Europe. Therefore, we expect that the **M&A transactions increase this year**, both as number and as volume. **It is probably the last train from this point of view, since some analysts announce market tensions that may be preliminary indication of a recession period.**

A particular note of this period is that one that the companies in Great Britain look at Romania as a market for potential acquisitions, as a way of mitigating the effects of an announced BREXIT. Companies of Turkey may consider Romania as being a ‘safe harbor’ for their money, considering the domestic political context, and also a community country in which they can produce for a

secure sales market. This happens either because they already have West-European companies as customers and consider the extension in Romania as a contingency plan for the already existent relationship, or because certain goods <made in EU> have a market that is easier to access than certain categories of products <made in Turkey>".

In the context of staff crisis registered at the level of all reference industries, having immediate impact on the economy, **the companies holding consistent workforce hold the most valuable asset.**

**Still the business valuation model from the lending perspective must be adapted** to the new business conditions – the financing approach on *balance sheet/ cash flow* is to be followed, to the detriment of the actual approach used by most of the banks – namely the financing on *assets*. Therefore, the companies that supply innovative financing solutions, such as Concilium, have, this year, a significant business potential, due to the expertise to draft Business Plans/ Credit applications with cash-flow adapted including to the new banking requirements.

We expect that the financial intermediation services market increase this year, and, therefore, the business of turnaround companies from this point of view. Financial intermediation is still low on the Romanian market, although there is increased liquidity in the region; fortunately, several investments funds managed by Romanians have been established recently that can understand and assess better the eventual opportunities supplied by the local market (potential to access financing from investment funds, family offices, strategic investors) – financing that should be a real alternative for the Romanian business that needs capital.

## **1. LOW BANK FINANCING**

The bank financing for the corporate field will decrease during the first quarter, following the impact of the Government Emergency Ordinance no. 114/2018.

## **2. DIFFICULTIES FOR COMPANIES**

Those ones that sold their finished products cheaper and accepted longer payment terms, considering that the costs of raw materials increased.

### **3. MORE M&A TRANSACTIONS**

Probably the last train from this point of view: some analysts announce market tensions that may be preliminary indication of a recession period.

### **4. ADJUSTING THE BUSINESS VALUATION MODEL**

The financing approach on balance sheet /cash flow is to be followed, to the detriment of the financing approach on assets.

### **5. INCREASE OF THE FINANCIAL INTERMEDIATION SERVICES MARKET**

**Conciliум** is a business supplying solutions for the management and financing of companies in special situations.

Vlad Nastase is a seasoned banking professional, and after several years in top management positions he moved into the consultancy business. He brings +15 years of experience in legal, risk, financial and workout services with 10+ years in senior management positions.

In 2015 he restarted Conciliум Consulting business and build up a team of seasoned professionals with state of the art expertise in turnaround management, corporate funding and M&A projects. Concilium managed to build up an impressive portfolio of clients and was chosen as a consultant in complex restructuring projects. Mr. Nastase was also involved on the buyer side with several international investment funds that participated on NPL projects that some of the top 10 Romanian banks have initiated. He currently serves also as an independent board member for TMK Artrom, leading Romanian pipe manufacturer as well as Board Member in Turnaround Management Association- Romania Chapter.

Mr. Nastase has a university degree from the Law Faculty and an EMBA from Vienna University. He is fluent in English and has good understanding of German and French.