“To (Plan) B or Not To (Plan) B, That Is The Question”

September 2016
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Source: Aquaa Partners, 2016
Why “Plan B”? Why Now?

- “Plan B” is for the “unexpected” crisis – when Plan A falls down and doesn’t work
- Plan A can fail for reasons outside one’s control
- For example, in the 2008/2009 economic crisis, the share prices and valuations of most technology companies fell by 40% to 50% or more in only a few months
  - Companies that did not have a “Plan B” suffered badly in this economic crisis
- It’s been 8 years now since the crisis and the world’s central banks have been fuelling the developed economies with QE...it is going to end sometime...and it is not going to end well...

It’s easy to be lulled into false sense of security!

Source: Aquaa Partners, 2016
Does It Matter to Private Companies If Valuations Drop by 40%-50%?

- YES, valuation matters to a private company. If the market drops by, say, 50%, private company valuations will drop by ≥ 50% and affect the company in at least the following ways:

  - **Management and Staff Share Options** – if the value of share options declines then it will be more difficult to retain and potentially recruit staff

  - **Capital Raising** – if you need to raise capital, you could face a “down round”, which can introduce several layers of complexity and complications, or you might not be able to raise capital at all

  - **JV / Share Deals** – if your share currency declines and you can’t raise cash then you’re more restrained in being able to make strategic acquisitions

  - **Exit** – if the valuation of your company declines based on market conditions it will be difficult or impossible to execute an exit, and it will almost certainly be at a lower price

  - **“Mood”** – if your company valuation declines by 50% you likely to become depressed, which is not going to help grow your customer base or recruit / retain staff

- In 2007 to 2009, VC fund raising was affected as follows……

![Aggregate Venture Capital Raised 2007-09](chart)

Source: Prequin Funds in Market

Source: Aquaa Partners, 2016
Aquaa Partners and The Tech CEO Roundtable recently conducted a survey

- 1,345 CEOs of UK and European Technology companies
- in the UK, the Netherlands, Spain, Portugal, Poland and 5 other countries

- 150 CEOs responded to the following questions:

1. Do you believe uncertainty in the markets will negatively affect your company’s orders or revenue in the next 12 months?

2. Do you have a “Plan B” in place to act on immediately as soon as you see the next market crisis or crash potentially severely affecting your business?
Q #1 “Do you believe uncertainty in the markets will negatively affect your company’s orders or revenue in the next 12 months?”

150 CEOs of Tech Companies in the UK and EUROPE* Replied:

- **"Yes"**
  - 41
  - 28%

- **"No"**
  - 106
  - 72%

European Technology company CEOs do not appear very concerned about market uncertainty

*UK, Spain, Czech, Poland, Croatia, Estonia, Ireland, Portugal, Sweden, the Netherlands and others

Source: Aquaa Partners, 2016
Q #1 “Do you believe uncertainty in the markets will negatively affect your company’s orders or revenue in the next 12 months?”

150 CEOs of Tech Companies in the UK and EUROPE* Replied:

*Czech, Poland, Croatia, Estonia, Ireland, Portugal, Sweden, Scotland and others

Source: Aquaa Partners, 2016
Q #1 “Do you believe uncertainty in the markets will negatively affect your company’s orders or revenue in the next 12 months?”

61 CEOs of Tech Companies in the UK Replied:

- "Yes" 24 (39%)
- "No" 37 (61%)

UK Technology company CEOs do not appear very concerned about market uncertainty

Source: Aquaa Partners, 2016
Q #1 “Do you believe uncertainty in the markets will negatively affect your company’s orders or revenue in the next 12 months?”

25 CEOs of Tech Companies in SPAIN Replied:

<table>
<thead>
<tr>
<th>Response</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Yes&quot;</td>
<td>6</td>
<td>24%</td>
</tr>
<tr>
<td>&quot;No&quot;</td>
<td>19</td>
<td>76%</td>
</tr>
</tbody>
</table>

Spanish Technology company CEOs do not appear concerned at all about market uncertainty

Source: Aquaa Partners, 2016
Q #1 “Do you believe uncertainty in the markets will negatively affect your company’s orders or revenue in the next 12 months?”

20 CEOs of Tech Companies in the NETHERLANDS Replied:

- "Yes" 1 5%
- "No" 19 95%

Dutch Technology company CEOs do not appear concerned at all about market uncertainty

Source: Aquaa Partners, 2016
Q #1 “Do you believe uncertainty in the markets will negatively affect your company’s orders or revenue in the next 12 months?”

41 CEOs of Tech Companies in the REST OF EUROPE* Replied:

- "Yes": 10 (24%)
- "No": 31 (76%)

Technology company CEOs in the rest of Europe do not appear very concerned about market uncertainty

*Czech, Poland, Croatia, Estonia, Ireland, Portugal, Sweden, Scotland and others

Source: Aquaa Partners, 2016
Q #2 “Do you have a “Plan B” in place to act on immediately as soon as you see the next market crisis or crash potentially severely affecting your business?”

150 CEOs of Tech Co in the UK and EUROPE* Replied Re “Plan B”:

- "Yes" 87 (59%)
- "No" 60 (41%)

Approximately 40% of European Technology company CEOs do NOT have a “Plan B” in place

*UK, Spain, Czech, Poland, Croatia, Estonia, Ireland, Portugal, Sweden, the Netherlands and others
Source: Aquaa Partners, 2016
Q #2 “Do you have a “Plan B” in place to act on immediately as soon as you see the next market crisis or crash potentially severely affecting your business?”

150 CEOs of Tech Companies in the UK and EUROPE* Replied:

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>35</td>
<td>26</td>
</tr>
<tr>
<td>Spain</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Netherlands</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Rest of Europe*</td>
<td>26</td>
<td>18</td>
</tr>
</tbody>
</table>

*Czech, Poland, Croatia, Estonia, Ireland, Portugal, Sweden, Scotland and others

Source: Aquaa Partners, 2016
Q #2 “Do you have a “Plan B” in place to act on immediately as soon as you see the next market crisis or crash potentially severely affecting your business?”

61 CEOs of Tech Companies in the UK Replied Re “Plan B”:

- "Yes" 35 (57%)
- "No" 26 (43%)

Approximately 45% of UK Technology company CEOs do NOT have a “Plan B” in place

Source: Aquaa Partners, 2016
Q #2 “Do you have a “Plan B” in place to act on immediately as soon as you see the next market crisis or crash potentially severely affecting your business?”

23 CEOs of Tech Companies in SPAIN Replied Re “Plan B”:

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Percent</td>
<td>52%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Approximately 50% of Spanish Technology company CEOs do NOT have a “Plan B” in place

Source: Aquaa Partners, 2016
Q #2 “Do you have a “Plan B” in place to act on immediately as soon as you see the next market crisis or crash potentially severely affecting your business?”

19 CEOs of Tech Companies in the Netherlands Replied Re “Plan B”:

14 (74%) said “Yes”

5 (26%) said “No”

Approximately 25% of Dutch Technology company CEOs do NOT have a “Plan B” in place

Source: Aquaa Partners, 2016
Q #2 “Do you have a “Plan B” in place to act on immediately as soon as you see the next market crisis or crash potentially severely affecting your business?”

44 CEOs of Tech Co in the REST OF EUROPE* Replied Re “Plan B”:

- "Yes" 26 (59%)
- "No" 18 (41%)

Approximately 40% of the Technology company CEOs in the rest of Europe do NOT have a “Plan B” in place

*Czech, Poland, Croatia, Estonia, Ireland, Portugal, Sweden, Scotland and others
Source: Aquaa Partners, 2016
Selected Comments from 50 Technology Company CEOs in the UK and Europe

“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”

“there is no "market environment" affecting anything - this is just more anti-Brexit propaganda, with a pro-EU slant. The UK will prosper outside the sclerotic totalitarian EU, which will ultimately collapse.”

“How can you have a plan B or C when you don't even know what's going to happen and how will it impact you? If I knew which way the tide will turn, I would have had one!!”

“We are currently benefiting from the slide on the £ as over 90% of our business is in the US. We are also evolving to being more of a software company and less focused on selling services.”

“We have offices in various markets to spread risk.”

“We are in a buoyant global market”

Source: Aquaa Partners, 2016
Selected Comments from 50 Technology Company CEOs in the UK and Europe

“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”

“mainly i guess scaling back would be an option”

“No relevant for my line of business”

“We split the business over the eu and asia. If the eu would drop down, we will change focus to Asia”

“A "plan B" for market crash is not realistic or even viable. If there is a crash, then i cant predict its course. We focus on good growth and a healthy balance sheet!”

“Ecommerce is double digit growth market, hardly affected by Brexit”

“I'm in gaming industry which is so far crisis-proof”

Source: Aquaa Partners, 2016
Selected Comments from 50 Technology Company CEOs in the UK and Europe

“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”

“We are taking a closer look at lead indicators from Marketing and Sales to watch for any impact.”

“Global company with offices in UK, US, Singapore, Hong Kong. Indonesia, Malaysia with revenues spread globally”

“We use the weaker GBP to help win deals abroad”

Source: Aquaa Partners, 2016
“Plan B” Is Primarily For An “Unexpected” Crisis

Shareholders Expect a Company’s CEO and Board to Have A “Plan B” Ready and Be Ready to Execute It Quickly

A Crisis Is Coming, Yet There Is Still Time...
How Quickly Can A Crisis Hit?

Let’s Review The “Before” and “After” of the Lehman Collapse During 2007 to 2009...
The 2008 Crisis Took 12 Months To Build - Then It All Collapsed At Once

A timeline of bailouts, buyouts and takeovers of financial services companies in the U.S. and Europe since the subprime mortgage crisis began.

Figures are assets as last reported and do not include the value of securities that some companies, notably Fannie Mae and Freddie Mac, guaranteed.

Source: Aquaa Partners, 2016

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Market interventions by the Federal Reserve or the European central banks

A DEC. 12 Central banks of the United States, the European Union, Canada and Switzerland announce a plan to provide at least $90 billion in short-term financing to banks.

Source: Bloomberg

B DEC. 18 The European Central Bank injects $500 billion into the financial system. The Bank of England auctions of $20 billion in three-month loans.

C MARCH 7 The Federal Reserve offers up to $200 billion in 28-day loans to banks and big financial institutions.

D MARCH 11 The Federal Reserve offers investment banks up to $200 billion in Treasury securities in exchange for mortgage-backed securities.

E MARCH 21 The European Central Bank offers up to $24 billion in loans to help banks shore up balance sheets. The Bank of England offers up to $10 billion in loans.

F SEPT. 18 The Federal Reserve, the European Central Bank, the Bank of England, the Bank of Japan and the central banks in Switzerland and Canada make $180 billion available in currency swaps.
In 2008/9 – UK / European Tech Output Collapsed With The Global Economy

- UK technology companies’ output saw a 25% decline within the 12 months from Jan-08 to Jan-09
  - Output started declining several months before the Lehman collapse
  - All industry sectors were affected

(Index, 50 = No Change)

Source: Markit (commissioned by KPMG)

**Geographical diversification does not guarantee protection**

Source: Aquaa Partners, 2016
Software-as-a-Service (SaaS) Company Valuation Multiples Took a 50% Hit

The value of publicly quoted SaaS companies dropped by more than **50%** within a span of only **5 months** from the collapse of Lehman Brothers in Sep 2008 (Sample: 49 Global Public SaaS Companies).

*Sample: 49 Global Public SaaS Companies
Source: Software Equity Group
Source: Aquaa Partners, 2016*
Growth Company (SaaS) Case Study: SDL plc Fell 43%

SDL plc (software and professional services company), as a growth company, saw its share price grow by 35% from Jan-08 to Sep-08 before dropping 40% in just 3 months following the collapse of Lehman Brothers in mid Sep-08.

"There is a lot of pain still to be had in the equity markets, particularly aimed at the risky end of the spectrum" – Jeremy Grantham, Grantham, Mayo and Van Otterloo, 2007

Source: Aquaa Partners, 2016

Source: Yahoo Finance
Growth Company (SaaS) Case Study: SDL’s Revenue Growth Rate Declined

SDL felt the full effect of the financial crisis in 2009 when its YoY revenue growth rate dropped from 35% to 8%.

Source: SDL Annual Reports

*FYE 31 December

Source: Aquaa Partners, 2016
The share price of Telekom Austria (provider of a range of fixed-line, broadband Internet, multimedia services, data, and IT solutions) remained relatively stable leading up to Lehman’s collapse in Sep-08 before the company lost more than 25% of its value within a space of only 3 months to Nov-08.

Source: Yahoo Finance

Source: Aquaa Partners, 2016
Online Gambling Case Study: 888 Holdings Fell 56%

The share price of 888 Holdings (online gaming entertainment and solutions provider) grew slowly leading up to Lehman’s collapse but then lost more than 55% of its value in less than 3 months to Dec-08.

Source: Yahoo Finance

Source: Aquaa Partners, 2016
Online Gambling Case Study: 888 Holdings’ Revenue Declined

888 Holdings felt the full effect of the financial crisis in 2009 when its YoY revenue growth rate dropped from 20% to -4%.

*FYE 31 December
Source: 888 Holdings Annual Report

Source: Aquaa Partners, 2016
Internet Case Study: Rightmove plc Fell 46%

The share price of Rightmove plc (online real estate portal) remained relatively flat to trending up leading up to Lehman’s collapse before the company lost nearly 50% of its value in less than 3 months to Dec-08.

Source: Yahoo Finance

Source: Aquaa Partners, 2016
Internet Case Study: Rightmove plc’s Revenue Declined

Rightmove plc felt the full effect of the financial crisis in 2009 when its YoY revenue growth rate dropped from 31% to -13%.

*FYE 31 December
Source: Rightmove Annual Report

Source: Aquaa Partners, 2016
The share price of Computacenter plc (provider of computer services to public and private sector customers) remained relatively flat to trending up leading up to Lehman's collapse but then the company lost 44% of its value in just over 2 months.

Source: Yahoo Finance

Source: Aquaa Partners, 2016
Computacenter plc felt the full effect of the financial crisis in 2009 when its YoY revenue growth rate dropped from 8% to -2%.

*FYE 31 December
Source: Computacenter Annual Report

Source: Aquaa Partners, 2016
Software Case Study: Sage plc Fell 27%

The share price of Sage plc (enterprise software company) remained relatively flat to trending up leading up to Lehman’s collapse but then the company lost 27% of its value in just over 1 month.

Source: Yahoo Finance

Source: Aquaa Partners, 2016
Media Case Study: ITV plc Fell 45%

The share price of ITV plc (a commercial TV network) remained relatively flat to trending up leading up to Lehman’s collapse but then the company lost 45% of its value in just over 1 month.

Source: Yahoo Finance

Source: Aquaa Partners, 2016
Media Case Study: ITV plc’s Revenue Declined

ITV plc felt the full effect of the financial crisis in 2009 when its YoY revenue growth rate dropped from -3% to -7%.

Source: ITV Annual Report

*FYE 31 December
Source: ITV Annual Report

Source: Aquaa Partners, 2016
Media Case Study: Cello Group plc Fell 58%

The share price of Cello Group plc (provider of market research, consulting, and direct marketing services) remained relatively flat leading up to Lehman’s collapse but then the company lost 58% of its value in less than 5 months.

Source: Yahoo Finance
Media Case Study: Cello Group plc’s Revenue Declined

Cello Group plc felt the full effect of the financial crisis in 2009 when its YoY revenue growth rate dropped from 27% to -8%.

*FYE 31 December  
Source: Cello Group Annual Report

Source: Aquaa Partners, 2016
Even the largest and most “stable” companies were not immune to the financial crisis. The share price of Capita plc (international business process outsourcing and professional services company), for example, remained relatively flat leading up to Lehman’s collapse but then the company lost 16% of its value in just over 1 month.

Source: Yahoo Finance

Source: Aquaa Partners, 2016
Capita plc felt the full effect of the financial crisis in 2009 when its YoY revenue growth rate dropped from 18% to 10%.

*FYE 31 December
Source: Capita Annual Report

Source: Aquaa Partners, 2016
Bank Lending to Non-Financial Companies (NFCs) in the EU Declined From June-08 to Feb-09

The rate of growth of bank lending to NFCs in the EU acted as a leading indicator of the financial crisis as it began to slow down prior to Lehman’s collapse.

“Financial institutions are reluctant to lend, deepening the economic slowdown.” – BBC, November 2008

Bank lending is stagnating in 2016 despite zero and negative interest rates

Source: Aquaa Partners, 2016
As of September 2016, Another Global Crisis Is Building

8 Years of Central Bank Support Has Created Fragile Markets

But This Time Central Banks Will Be More Limited In What They Can Do To “Save” The Markets…
2016 - Ratio Of Debt To GDP - Increased In All Advanced Economies Since 2007

Source: Aquaa Partners, 2016

EUROPE - Government Debt as % of GDP of 19 Countries Has Skyrocketed

Definition of Debt to GDP Ratio: Most countries around the world rely on sovereign debt to finance their government and economy. When this debt is used in moderation, it can position an economy to grow more quickly. But too much debt can lead to problems. The debt-to-GDP ratio is designed to help investors determine if a country has too much debt. A **higher debt-to-GDP ratio is acceptable when an economy is rapidly growing, because its future earnings will be able to pay off the debt more quickly, but not acceptable in an economy that is not rapidly growing.**

The level of government debt as a percentage of GDP of 19 major European countries has catapulted ever since the financial crisis of 2008.

![Graph showing government debt as a percentage of GDP from 2002 to 2016](chart.png)

Source: ECB

Source: Aquaa Partners, 2016
SPAIN Government Debt to GDP – Growing and High

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
SPAIN GDP Growth Rate - Low

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
ITALY Government Debt to GDP – Growing and Very High

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
ITALY GDP Growth Rate – Low

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
PORTUGAL Government Debt to GDP – Very High and Flat

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
PORTUGAL GDP Growth Rate – Very Low

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
UK Government Debt to GDP – High and Growing

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
UK GDP Growth Rate – Low

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
FRANCE Government Debt to GDP – High and Growing

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
FRANCE GDP Growth Rate – Low

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
BELGIUM Government Debt to GDP – High and Flat

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
BELGIUM GDP Growth Rate – Low But Flat

Source: Tradingeconomics.com
GERMANY Government Debt to GDP – Medium and Declining

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
GERMANY GDP Growth Rate – Medium

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
SWITZERLAND Government Debt to GDP – Low and Stable

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
SWITZERLAND GDP Growth Rate – Low and Declining

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
CHINA
CHINA Government Debt to GDP – Low But Increasing Rapidly

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
CHINA GDP Growth Rate – High But Declining

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
CHINA’S Real Estate Bubble

In Q1’16, residential prices in Shenzhen were **up nearly 80%** YoY, while those in Shanghai were **up by c.a. 65%**

“Because of loosening lending standards introduced to keep the housing bubble going, China now looks alarmingly like the US before its run-up to the subprime mortgage crisis.” – Capital Economics, 2016

Source: Bloomberg, Dent Research

Source: WSJ

Source: Aquaa Partners, 2016
Here is a quote from Nancy Lazar (of Cornerstone Macro) on China in August 2016:

The reluctance to put capital to work goes a long way to explaining the precipitous decline in China’s company earnings. “China’s company earnings have been slowing for two years, and outright declining for almost one year” wrote Nancy. “Since companies aren’t making money, they’re cutting employment. The composite PMI for employment has been below 50% for 2 years, suggesting consumer spending slows significantly.” A lack of private investment, declining earnings and falling employment certainly don’t sound like the ingredients for robust economic growth. The impact of global currents on U.S. financial markets remains bearish.

Source: Cornerstone Macro, Caldwell & Orkin
UNITED STATES
US Government Debt to GDP – High and Increasing

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
Source: Aquaa Partners, 2016
US GDP Growth Rate – Low and Flat

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
European companies and investors may be looking to the US for growth and yield, respectively, but the US economy is growing at its slowest pace in decades.

- This chart shows the average annualised growth rate of the past 11 US economic recoveries
  - The US economy has grown just 2.1% per year since 2009. That makes the current recovery by far the slowest since World War II
  - In Q2’16, the economy grew at an annualised rate of only 1.2%. That’s not even close to the average annualised growth rate of 4.7% of the last 10 recoveries

Source: Aquaa Partners, 2016

Source: Commerce Department; WSJ, July 29, 2016
US - 10-Year US Treasury Bond Yield (1790 to 2016) – At All-Time Low

Elliot Management’s Paul Singer says this bond bubble is “the biggest bond bubble in world history.”

Feb. 1790
US government borrows $19,608.81, marking the beginning of the US national debt under the new Constitution. The previous year, Treasury Secretary Alexander Hamilton had negotiated to consolidate the states' war debts.

April 1861
US Civil War breaks out

August 1971
President Richard Nixon takes the US off the gold standard; yields rose in following years.

Sept. 1945
The end of World War II and the ensuing boom of US economy; low yields are replaced by higher ones during the post-war period.

Oct. 1987
US stock market crashes.

Oct. 1929
US stock market crashes. The Great Depression follows.

June 1981
To damp inflation, Fed Chairman Paul Volcker raises short-term interest rates to 20%; yields hit record high in three months.

Sept. 2001
Terror attacks in the US kill nearly 3,000 people.

Sept. 2008
Collapse of Lehman Brothers Holdings Inc. and global financial crisis.

June-July 2016
UK referendum in favour of quitting the European Union, or Brexit; yields hit record close on July 5.

Source: Global Financial Data; WSJ, July 1, 2016

Source: Aquaa Partners, 2016
US – Moving Towards “Zero Point” As Total Debt Grows 2.5x GDP Since 1971

- The US has been on a debt spree since the early 1970s
  - Trade deficits, government deficits, unfunded entitlements and private debt have all increased during this period

The US is hurdling toward a “zero point”, possibly in 2017, after every dollar of debt has produced less and less GDP steadily since 1996… the more money printed, the less effect it has…the US is running out of time...

GDP per Dollar of Debt


Source: Aquaa Partners, 2016
JAPAN Government Debt to GDP – Very High and Growing

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
JAPAN GDP Growth Rate – Very Low

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
JAPAN - Net Foreign Bond Investment By JAPANESE Investors On The Rise

Next, a chart on Japan shows net foreign bond investment by Japanese investors (cumulative) – they are leaving Japan.

Source: MoF, Barclays Research

Source: Aquaa Partners, 2016
High Debt, Low GDP Growth…

…What About Unemployment Levels?
Unemployment rates in several European countries have been declining over the past few years, but:

(a) Unemployment is still high
(b) Many workers have left the workforce and are no longer reported in the employment statistics and
(c) Youth unemployment remains unacceptably high

And yet with such high unemployment (and high debt to GDP and low GDP growth), investors are buying the government obligations of these countries at zero or negative rates as an insurance fee? Because it’s an “uncertain” world?

**EUROPE - European Unemployment Rates Remain HIGH**

<table>
<thead>
<tr>
<th>Country</th>
<th>Unemployment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>20.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>11.6%</td>
</tr>
<tr>
<td>Portugal</td>
<td>10.8%</td>
</tr>
<tr>
<td>France</td>
<td>9.9%</td>
</tr>
<tr>
<td>Belgium</td>
<td>8.50%</td>
</tr>
<tr>
<td>Ireland</td>
<td>8.3%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.0%</td>
</tr>
<tr>
<td>UK</td>
<td>4.9%</td>
</tr>
<tr>
<td>Germany</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Source: Tradingeconomics.com as of July 2016
Source: Aquaa Partners, 2016
High Debt,

Low GDP Growth and

High Unemployment

Mean...

...NEGATIVE Interest Rates
Several of Europe’s central banks started cutting interest rates below zero two years ago to encourage lending.

"Monetary policy has basically run its course in stimulating the economies,” – Michael Heise, chief economist at Allianz Group, June 2016

Source: Aquaa Partners, 2016
ITALY 12-Month Government Note (BOT) Auction

Government paper in the Eurozone is progressively issued at deeper negative yields. The chart illustrates the Italian 1-year bill auction prices.

Source: Investing.com

Source: Aquaa Partners, 2016
Average yield on 5-year Federal notes (Bobls) slides below zero to -0.5%.

Source: Investing.com
GERMANY 10-Year Bund Auction

Government paper in the Eurozone is progressively issued at deeper negative yields. The chart illustrates the German 10-year Bund auction prices.

Source: Investing.com

Source: Aquaa Partners, 2016
Spain’s 10-year government bond yield has fallen below 1%. This is the first time in history that Spanish yields have fallen below that threshold. Spain still has an unemployment rate just over 20% and its GDP remains 5% below the peak before the financial crisis.

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
The Spanish government bond yield curve is rapidly flattening. Chart 2 shows the shift over one week.

Source: Bloomberg

Source: Aquaa Partners, 2016
The Irish 10-year government bond yield has dropped below 0.4% - a new low.

Source: Bloomberg LP

Source: Aquaa Partners, 2016
The French 5-year government bond yield moved deeper into negative territory.

Source: Investing.com

Source: Aquaa Partners, 2016
FRANCE - French Tourism Down 10% in 2016

The French Minister of Tourism reported that visits to the country by foreigners fell 10% so far this year in response to terrorist attacks. While this is a problem for French hotels and taxis, it also spells trouble for airlines. Major American and British airline carriers both reported double-digit declines at the end of Jul-16. If terrorist attacks continue on the continent, which seems likely, airlines could be in for more pain in the months and years ahead.
The UK – Brexit Impact?
UK - 10-Year UK Gilt Yield Declines to 0.6%

10-year gilt yield is now at record lows, plunging from 1.40% (a day before the Brexit vote) to 0.62% as at 19 August, 2016

Source: Tradingeconomics.com

Source: Aquaa Partners, 2016
The total outflow from UK investment funds during the month of the Brexit vote was even steeper than those seen at the depths of the financial crisis, according to Hargreaves Lansdown (UK financial services firm).

Source: The Investment Association; FT, August 2, 2016

Source: Aquaa Partners, 2016
UK - Threat of UK’s Current-Account Deficit on Domestic Businesses

- Most of UK’s CEOs seem to be overlooking the potential ramifications of Brexit. UK’s current-account deficit is also an area that has often been shrugged off by CEOs. But given the UK’s recent decision to leave the EU, this may all change.
  - Since deficits are financed by foreign investors and by the selling of domestic assets overseas, leaving the EU will make it more difficult for the UK to attract such investors due to the country’s uncertain future in the single market.
  - Going forward, funding the deficit may require a weaker pound or higher interest rates.
- Both of which could squeeze domestic spending and weaken demand for imports. This would have a direct impact on UK businesses which could see a significant decline in their revenue and ultimately their bottom line.

Mind the Gap

The U.K.’s yawning current-account deficit, the largest of its peers, could become harder to finance now that the nation has chosen to exit the European Union.

Current-account deficit/surplus for the G-7 countries

- Source: Organisation for Economic Cooperation and Development; WSJ, August 14, 2016

“As long as the economy keeps growing no one looks at the current account” – Ilaria Maselli, senior economist for Europe at the Conference Board. August 2016

Source: Aquaa Partners, 2016
According to JPMorgan, global growth is expected to accelerate – with one exception – the UK.
UK - Weak GBP Drives Up Inflation

UK’s market-based inflation expectations to continue to move higher on weak sterling.

Source: FT

Source: Aquaa Partners, 2016
The FTSE100 is at a 14-month high (in GBP terms) post-Brexit vote. Currency devaluation can be very effective in inflating risky assets.

Source: Investing.com

Source: Aquaa Partners, 2016
UK - Will The Bank Of England Cut Interest Rates Even Further?

According to BofAML, the Bank of England may be uneasy about accelerating QE from current levels because of the damage to UK's pension funds. Instead, it may cut the overnight rate again.

Source: FT, August 19, 2016

BAML eyes Bank of England cut to 0.1% in November

Quantitative Easing (QE) is at least as much about confidence as “real” transmission channels: the BoE’s ‘failure’ to purchase all the bonds it wanted on the second day of the latest QE program could have damaged that confidence channel at the margin. QE’s effectiveness was anyway limited by pension fund deficit problems and already low yields. Another rate cut would, in our view, be the least bad option for the BoE.

Source: FT, August 19, 2016
Negative Interest Rates Mean TROUBLE
No Growth, High Debt, High Unemployment – Negative Rates Stimulate Growth?

Several of Europe’s central banks started cutting interest rates below zero two years ago to encourage lending – but this poses risks:

- Commercial banks might decide to pass on the cost of the negative rates to their customers
  - The likely effect of this is of course customers might simply withdraw their savings. In a worst-case scenario, this could create a run on the banks in Europe with customers hoarding their money rather than paying interest on deposits
- If the banks continue to absorb the costs, it could cut deeply into their profits
- Negative interest rates also have a profound impact on the FX markets
  - Capital flight from the lower interest rate ECU markets to more favorable returns in positive interest rate currencies

So far (after two years), the policy to cut interest rates to below zero by several of Europe’s central banks has been ineffective in boosting bank lending. The key issue is that companies are less likely to borrow for new investments when demand for their goods and services is not increasing. Alan Greenspan, the former Fed chief, is pessimistic about the chances of the Eurozone surviving in its current form. “It will break down, as indeed it is showing signs of in many different areas,” he recently stated.

"Monetary policy has basically run its course in stimulating the economies,” – Michael Heise, chief economist at Allianz Group, June 2016

Source: Aquaa Partners, 2016
"I cannot perceive that we can maintain these levels of interest rates for very much longer. They have to start to move up and when they do they could move up and surprise us with the degree of rapidity which may occur" – Alan Greenspan, Economist and former Chairman of the Federal Reserve, August 2016
Rothschild Investment Trust (RIT) has returned about 2,000% since it began in 1988. Now RIT’s 2016 half-year statement sheds some interesting light on how Rothschild is handling today’s investment environment:

“The six months under review have seen central bankers continuing what is surely the greatest experiment in monetary policy in the history of the world. We are therefore in uncharted waters and it is impossible to predict the unintended consequences of very low interest rates, with some 30% of global government debt at negative yields, combined with quantitative easing on a massive scale.”

Source: Aquaa Partners, 2016
WSJ: German Savers Lose Faith in Banks, Stash Cash at Home

- Low interest rates and the prospect of fees on bank deposits are helping drive a boom in home-safe sales
- In a country where few people buy stocks, the possibility of having to pay fees on deposits has turned savers’ world - and their piggy banks - upside down
- Banks and other financial institutions themselves are also keeping more cash.
  - Reinsurance giant Munich Re AG said earlier this year it would cache over €20 million in cash in a safe, alongside gold bars the company stockpiled two years ago.

Source: WSJ, August 28, 2016

Source: Aquaa Partners, 2016
$13 Trillion of Negative Yielding Debt Means BIG Trouble
Negative Bond Yields – Now At $13.4 Trillion

The value of negative-yielding bonds has hit $13.4tn (as at August 12, 2016). That compares with $11tn before the Brexit vote.

Negative yields are forcing investors to consider alternative options in order to generate reasonable returns including the buying of junk bonds, ultra-long dated government debt, riskier corporate bonds, investing in the US stock market, etc.

“IT’S CLEAR THAT CENTRAL BANKS ARE DOMINATING MARKETS. THERE’S A RACE TO THE BOTTOM. CENTRAL BANKS ARE THE MAIN DRIVERS OF THIS, IT’S NOT FUNDAMENTAL.” – GREGORY PETERS, SENIOR INVESTMENT OFFICER AT PRUDENTIAL FIXED INCOME, AUGUST 2016

Source: Aquaa Partners, 2016
65% of Sovereigns, Supranationals and Agencies Bonds Now at Negative Yields

Barclays points out that 65% of the SSA (Sovereigns, Supranationals, and Agencies) bond market (organisations such as the World Bank or the European Investment Bank) is now trading at negative yields.

Bond guru Bill Gross of Janus Capital says: “Global yields are at the lowest levels in 500 years of recorded history. $13 trillion of negative rate bonds. This is a supernova that will explode one day.”

Source: Aquaa Partners, 2016
The value of global debt trading at negative interest rates surged another $300 billion over the week ending 13 August.

Here’s what $300 billion equates to:

- **29 Ford-class, 110,000-ton nuclear aircraft carriers.** (That’s almost three times the number the US Navy has now commissioned.)
- **200 identical replicas of the 163-floor Burj Khalifa, the tallest building in the world.**
- **50 “Hyperloops”** (a high-speed ground transportation concept that would allow folks to travel from Los Angeles to San Francisco in 30 minutes)

*This $300 billion is the equivalent amount of negative-yield debt created in just one week*

Source: Palm Beach Research Group, August 17, 2016
Source: Aquaa Partners, 2016
Central Bank Activity Has Distorted the Markets

Wall Street Journal, 18 Aug 2016: "The markets have become so distorted by central bank activity that they are no longer transmitting very useful information about the economy at all."

How does one reconcile this year's 30% rise in the price of gold - usually considered a hedge against inflation - with long-term swap rates suggesting inflation will remain low for years?

Source: Bloomberg; WSJ, August 18, 2016

Source: Aquaa Partners, 2016
Companies Now Specifically Structuring Bonds For The ECB To Buy

The European Central Bank’s corporate-bond-buying program has stirred so much action in credit markets that some investment banks and companies are creating new debt especially for the central bank to buy. Also The Bank of Japan said late last year it would buy exchange-traded funds comprising shares of companies that spend a growing amount on “physical and human capital,” essentially steering fund managers to make such ETFs available to buy.

Source: Aquaa Partners, 2016

Source: WSJ, August 22, 2016
European Banks Are Perilously Close to a Crisis
This chart shows the performance of the STOXX Europe 600 Banks index since August 2015. This index tracks 48 of Europe’s largest banks.

- The European bank index has plummeted over 40% over the past year
- The longer negative rates stay in place, the more margin erosion there will be and the more damage they will do to Europe’s banking system. Other European banks may soon have no choice but to implement their own bank account tax

Source: Casey Research, Thomson Reuters;
Impact of Brexit Vote on Major EU Bank’s Share Prices

Major EU banks lost almost 25% of their value within a span of 2 days after the Brexit vote.

Source: Zero Hedge, June 28, 2016

Source: Aquaa Partners, 2016
RBS To Impose Negative Rates On Some Major Client Margin Accounts

RBS said on 19 August it will impose negative rates on some major client margin accounts. Euro-based accounts will clearly be impacted.

Bank of Ireland and HSBC have also said they will charge business customers with large balances to hold their cash.

*Source: telegraph.co.uk, August 19, 2016*
Deutsche Bank – The Next Lehman?

Deutsche Bank’s share price is now down 85% from its early 2008 high, and 64% from its 2015 high, and 24% from the Brexit vote. German research firm ZEW estimates Deutsche Bank’s losses could outstrip its market capitalisation. Applying Federal Reserve stress test metrics, the research firm concluded that the bank could be completely worthless if the global economy took a large hit. This confirms what investors already seem to believe. German banks – as well as Spanish, Italian, Greek and French banks – still carry a lot of non-performing debt that acts like an anchor on the Eurozone economy.
Stock Markets Are Rising…

While

…Earnings Are Falling??
Stock Markets - Earnings Keep Falling, But Stocks Keep Rising

This chart shows the S&P 500 versus the earnings per share (EPS) for companies in the S&P 500.

- Corporate earnings have been falling since 2014
  - Normally, an earnings drought like this would cause stocks to fall
  - But the S&P 500 just hit a new all-time high. Stocks are becoming increasingly more expensive
- A rising stock market typically precedes better business conditions for companies. It typically means more sales and more profits on the horizon

But do unstable political conditions – i.e. Brexit, Trump, Sanders, Corbyn, Le Pen, Podemos, Ciudadanos, Grillo, etc. – and unstable economic conditions – i.e. negative interest rates, high debt to GDP ratios, low to negative GDP growth, high unemployment, etc. - today tell us that we should be expecting higher sales and profits?

Source: Bloomer; Casey Research, August 16, 2016
Case Study - HP’s Shares Rallying While Revenue and Profit Has Declined

HP sells PCs, printers and ink – so little growth, but cash flow is the attraction. This gives HP the ability to pay dividends and buy back stock, something investors are especially obsessed with these days since current bond yields are historically low. HP’s shares have surged more than 20% so far this year.

HP's Share Price in 2016

Net Revenue for 3 months ended April 30 ($m)

Source: WSJ, August 23, 2016; SEC
Source: Aquaa Partners, 2016
For the first time since the dot-com boom was in full swing, all three major US stock indexes reached new records on the same day (August 11, 2016). Interestingly, the tech sector is back above a fifth of S&P 500 market capitalisation. Don't be fooled. With negative yields on $12.6 trillion of global sovereign and corporate bonds, and record low yields in the US, there is nowhere else for investors to go. Additionally, according to Janet Yellen, the US Federal Reserve Chair, a change in circumstances could even put negative rates “on the table” in the US.

“Paradoxically when people are most pessimistic about their own future, stock prices are at their highest,” – Robert Shiller, Yale University, August 2016
There are stark similarities with what happened in the US stock markets in 1999 during the “.com” boom to what is happening right now.

In 1999 investors punished dividend payers for not having enough ways to spend money on transformative tech.

The contrary is true in 2016. Wild pessimism about the global economy has led investors to chase dividend payments, demand buybacks and punish companies that invest. Now cash is king.

- And yet, the market rises. “Nobody seems to be particularly optimistic about much of anything and yet the stock market in the U.S. seems to do nothing but go up,” - Ben Inker, Co-head of asset allocation at Boston fund manager GMO.

- Pessimism has depressed bond yields, reducing the discount rate and so making even fairly stagnant future profits look more attractive in today’s money. Higher prices are justified, without needing much in the way of earnings growth.

- This reflects the basic market belief that the world economy is weak enough to keep central banks pumping out free money, but not so weak that company profits will dive. As Mr. Inker said, “That’s a very small sweet spot.”

Just as expectations of future profits from the first wave of “.coms” proved horribly wrong, so expectations that central banks will keep rates low pretty much forever might also prove mistaken. If Pets.com’s IPO and failure in 2000 epitomizes Internet excess, investors in the future might look back in wonder at the willingness of today’s investors to justify lending money to highly indebted governments.
In the US equity markets, at a 2.2% dividend yield, stocks are the "new bonds". The S&P500 hits another record (as well as the Dow and the Nasdaq indices).

Source: Bloomberg LP
Over 70% S&P 500 Stocks Div Yield Now Exceeds The 10-Year Treasury Yield

Here is the percentage of S&P 500 stocks with a (trailing) dividend yield that is above the 10-year Treasury yield.

Source: BofAML US Equity and Quant Strategy, Standard & Poor’s, Bloomberg

Source: Aquaa Partners, 2016
The dividend payout ratio (the proportion of earnings paid out as dividends) of the S&P 500 is approaching the 2009 high. Is this trend hurting Capex and to some extent US productivity?

Source: FactSet

Source: Aquaa Partners, 2016
And In Case We Needed More Evidence

That Trouble Was Building…
European M&A Activity on the Decline

Despite a strong Q116 in terms of M&A deal value, Q216 was down nearly $100bn against Q215. Volume is also down against 2015 on an annualised basis.

Source: Aquaa Partners, 2016
Corporate profits have been caught in a downward spiral ever since growth peaked at more than 50% in 2010.

"Over the past half-century, we have never seen a decline in earnings of this magnitude without at least a 20% fall in stock prices, a hurdle many use to define a bear market" – Jesse Felder, 2016

Source: US Bureau of Economic Analysis, IWB, August 1, 2016

Source: Aquaa Partners, 2016
But, There Is Still Some Good News……
42% of US workers say they never or hardly ever use the internet for work-related tasks

% of full- or part-time workers who use the internet to do work-related tasks in a typical day

- Never: 25%
- Hardly ever: 17%
- Sometimes: 21%
- Frequently: 37%

Source: Survey conducted Sept 11-21, 2014 “Social Media and the Workplace”
Regardless of Business Opportunities That Exist Today,

We Don’t Know **When** The Next Crisis Will Hit,

or **What** Exactly Will Cause It,

But What We Do Know Is That…..

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A Crisis **Will** Hit.

Maybe Soon.

Every Company Needs a “Plan B”.

Right Now.
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APPENDIX
Comments from 70 Technology Company CEOs in the UK and Europe

“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”

"In my business (outsourcing our IT consultants - nearshoring or offshoring) crises or prosperity is good time for making a business. In case of: a) crises: Western companies are looking for decreasing their costs and then go to Polish IT consultants market, go to me and my company b) prosperity: there is a lack of IT expert in local markets then they will have to look for other markets like Poland. p.s. my software house/consultants are in our offices in Poland in UK, Ireland, USA we have only sales offices/representations. Regards Tomasz"

"We already benefit from the Brexit within our logistic operations. Plan B means more focus on other countries outside EU"

"Keep costs low and stable, never stop investing in improvements that add value to your customers. Business might slow down, but as long as your service offering and price-quality ratio outperform your competitors, you will survive."

"we are too small to have our own business analysis department which can prepare plan B"

"three threads make a piece of string - so have a plan A, B and C"

"In IT Change happens everyday, i.e constant adaption is crucial. It is not a matter of a Plan B but how to move from A to C via B."

"Vendors/Suppliers are as if not more nervous than the channel and this is adding to the 'macro' attitude as is media inflation. Our Plan B is simple, replicate Plan A but at a lower cost and deliver more value adds to our customers."

"You should always have a Plan B!!"

"Answering your questions 1. No I don't expect the markets to influence our revenue, we are working in different market place and have different types of customers we have survived 3 crisis without the help of banks. 2. Yes, we have planed new solutions and even decided to develop our own VC products so we are able to offer a much better solutions technically and financially. This way we hope that customers will still save money lower costs for an affordable price."

Source: Aquaa Partners, 2016
“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”

"We need to be agile, flexible and always carrying a contingency suite of actions."

"Ecommerce is double digit growth market, hardly affected by Brexit"

"The need for change of existing business models and the essential IT components and services that are needed for this will outperform the possible negative business impact of Brexit."

"It will be cheaper now to open a local UK office due to drop in pound value, we deal in US $"

"Most of our contacts in the UK are looking to move to Amsterdam with their head office!"

"Plan B for my business is about safeguarding customers data and having the right to trade with the EU on data. This plan includes a location shift for data processing capability that assures continuous client operations."

"We are taking a closer look at lead indicators from Marketing and Sales to watch for any impact."

"always a challenge to change plans if you are a optic of a multinational entity. They mostly do not change or are not agile enough to adopt new market conditions in a short timeframe"

"We are in a buoyant global market"

"It is our opinion that the upcoming shift post-Brexit will positively affect IT businesses across post-transitional countries, such as Croatia. We have already noticed a slight increase in revenue and profit due to companies establishing stronger relationships to businesses such as ours, since political relationships are bound to weaken."

"Our software and technology is aimed at savings companies money and in a volatile market or a downtown market this can drive sales up as organisations rush to optimise costs. The only plan B really is to listen to customers and monitor sales cycles and act with pricing or engagement changes if necessary"

Source: Aquaa Partners, 2016
Comments from 70 Technology Company CEOs in the UK and Europe

"Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?"

"My professional activity as a consultant is mainly based in Spain and Switzerland, but it would be great to expand in the Anglo market. The Brexit wouldn't help in this case, but I would make use of existing tools like LinkedIn to explore that possibility"

"As we work con a global market, a potential crash In UK will only affect partially to our Business plan."

"In our experience it's very important to make a "Plan B" :)

"We have just been acquired by a company 1000x our size. It is their problem now ;)

"Not relevant for my line of business"

"Colombia and Australia"

"As we are and online marketing agency, we work especially for travel and ecommerce companies. We think that Brexit is going to affect us very hard, in both exports through ecommerce and in hotel bookings in the south of Europe."

"We are not exposed to British market direct or indirect."

"diversification of clients, some of them are doing better when market is going up, some of them are more willing to outsource software development to Poland (to cut costs) when market is going down"

"We have offices in various markets to spread our risk."

"I'm in gaming industry which is so far crisis-proof"

"Few issues: access to corporate financing, clients in UK, R&D centre to be relocated to Rumania"

"No but we are well prepared"

"So far, local events in the industry (e.g. platform policy changes) have had far greater impact on our business than global events due the nature of our service (tens of millions of customers worldwide, 2 congested distribution channels)."

Source: Aquaa Partners, 2016
“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”

“As a business trading exclusively within the UK we are, to some extent, masters of our own destiny. Talking ourselves into trouble and allowing our teams to use Brexit uncertainties as a mechanic to explain trading problems and sales issues instead of driving up productivity and driving through these issues is almost certainly a cop out for poor planning and weak management. Of course Brexit will create uncertainty and market issues but get over it and use it as an opportunity not a shackle to performance!”

“there is some kind of crisis all the time, so there is a must to have number of plans B, C, D”

"A "plan B" for market crash is not realistic or even viable. If there is a crash, then I cant predict its course. We focus on good growth and a healthy balance sheet!"

"Maximise outsourcing to nearshore locations and minimise direct employment to optimise flexibility"

"Focus more on short term investments or very long term investments that span over crisis period. Be more in cash."

"We provide highly specialized solution for metadata management in large enterprises. We are still too young and small to prepare for the complete change of the whole market. If companies loose all interest in efficiency and compliance when working with a lot of data, we must find another problem to solve :)

"The impact on major Insurers from Brexit terms"

"We split the business over the EU and Asia. If the EU would drop down, we will change focus to Asia"

"Mainly interested in developments UK-US trade relationship"

"Global company with offices in UK, US, Singapore, Hong Kong. Indonesia, Malaysia with revenues spread globally"

Source: Aquaa Partners, 2016
Comments from 70 Technology Company CEOs in the UK and Europe

“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”

"We have built up cash reserves and have a strong balance sheet so we do not fear a short term correction - albeit I personally think it is nonsense and that the market is over-reacting. We are focused on a long term plan and will use any short term disruption to increase investment and hire great talent. This situation is trivial in comparison to the financial crisis and near collapse of our global banking system. Anyone that panics should not be a (tech) CEO IMO as leaders lead."

"Everyone should have a plan B regardless of industry or risk. It is part of any normal business planning process isn’t it?"

"Our Plan is adaptable, and the market will always move one way or another, you just need to adapt to the conditions."

"We anticipate a relatively small slowdown / delay of new business. This is similar to what we saw in 2009. We are not exactly counter-cyclical, but we can grow in general downturns (we did in 2009). We have a range of contingency measures but no single “plan B” to pull the trigger on."

"It is a self fulfilling prophesy and given we trade globally we don’t feel we need to act."

"Personally I am extremely negative about Brexit, which will (I believe) be very bad for the UK for a long time if we don’t get full single market access and, more importantly, keep bank pass porting in the City of London. However, the vast majority of my company’s revenues are from outside the UK, so a weak £ should benefit us."

"mainly I guess scaling back would be an option"

"Our business is predicated on empowering communities to help themselves"

"We are eating market share into a large market on a proposition relating to cost savings so a reduction in market size or increased focus on cost-saving from our customers would result in minimal (and potentially positive) impact on our business volumes. In preparation for uncertainty we have started reducing the fixed cost base of the business to become more resilient against volatility of revenues."

Source: Aquaa Partners, 2016
**Comments from 70 Technology Company CEOs in the UK and Europe**

**“Do you have any comments regarding the market environment affecting your business and the importance of having a 'Plan B' to combat the next market crash / crisis?”**

"How can you have a plan B or C when you don't even know what's going to happen and how will it impact you? If I knew which way the tide will turn, I would have had one!!"

"there is no "market environment" affecting anything - this is just more anti-Brexit propaganda, with a pro-EU slant. The UK will prosper outside the sclerotic totalitarian EU, which will ultimately collapse."

"Try to diversify revenue streams, don't be too tied to a one market."

"We are currently benefiting from the slide on the £ as over 90% of our business is in the US. We are also evolving to being more of a software company and less focused on selling services."

"Important to look to grow the business and take advantage of any competitor weakness"

"Always have a plan B."

"Use the weaker GBP to help win deals abroad"

"We are one of the original 250 TechCity companies and have thrived in the worst recession in living history. We have resilience 'baked' to our business model."

"Brexit is a self induced crash waiting to happen. Confidence is key to our traditional UK markets. We are investing in sales and marketing in N America, SE Asia and the Antipodes. We have a plan to move our development centres into the EU, should we lose free movement of labour."

**Source:** Aquaa Partners, 2016