

# ***Business disruptions or new opportunities***

Swedish Business Fika  
June 3<sup>rd</sup> 2020

Giedrius Nomeika  
Managing director  
LT Technologies, UAB



LT Technologies is a leading precision metal tube processing company in Lithuania.

We've been in business over 25 years and work with leading companies domestically and globally.

We produce components based on metal tubes for medical care, furniture, shop fitting, automotive, and other technical industries.



# *How do we see opportunities in Sweden*

Strong purchasing power:

- Purchasing for 150B EUR year,
- 82% from Europe,
- significant share from neighboring countries:
  - DE - 10.6 %,
  - NO - 10.4%,
  - FI - 6,9%,
  - DK - 6,8%,
  - LT - 1,327B EUR in 2019
- main sector - engineering industry.

## ***Situation in spring 2020***

- Payments for the deliveries of consumer goods stall in the mid March.
- Motivated by announcements of nationwide quarantines in Europe and closures of the shops:
  - Sales of consumer goods disappear,
  - Warehouses are full of inventories.
- Customers ask for extension of payment terms from 30 days to 90 days.
- Orders of consumer goods are postponed and subsequently cancelled.
- Other customers reduce and reschedule their orders.
- Recovery of order pipeline starts in May.

# *Situation in spring 2020 (continued)*

- Survey of companies in Sweden conducted by Business Sweden shows:
  - 80 % of managers expect medium to strong impact on sales results,
  - 2/3 anticipate negative impact on production,
  - 2/3 anticipate medium to strong impact on export and supplies from foreign countries,
  - 50 % expect disruptions in deliveries to the customers,
  - 2/3 managers have COVID-19 related contingency plans, where main instruments are:
    - postponed investments (62%),
    - reduction of production (54 %),
    - review of supply chains (43%),
    - reduction of staff (29%).

## *Heritage brought from 2019*

[...] Large companies in Sweden have hundreds of billions in debt to their subcontractors. This poses a huge challenge during the corona crisis, when small and medium-sized businesses are forced to act as a bank to the large companies, which now further seeks to delay payments. Many of these large companies have notified a great deal of staff and flagged for short-term leave, while at the same time large dividends are planned for shareholders. [...]

[...] For the entire Swedish economy, the outstanding supplier payments are about large sums. According to a 2019 study, developed by Ramboll Management Consulting AB on behalf of the Swedish Companies Registration Office and the Swedish Growth Agency, the liabilities of companies with more than 250 employees to their suppliers amounted to SEK 824 billion, of which SEK 215 billion is assumed to be the large companies' accounts payable to Swedish small and medium sized corporations. [...]

Svenska Dagbladet, 2020.04.11

# ***Risks ramping up in the engineering sector***

- Entire ecosystem of manufacturing subcontracting is facing obvious risks:
  - Companies with high debt ratio and without reserve of cash are in the high risk,
  - Bankruptcies of smaller suppliers are expected,
  - Supply agreements shall be reviewed.
- Cashflow risks are then also extended to the subcontractors in other countries may cause chain reaction.
- Significant failures in the supply chain (subcontractors) may also make impact on deliveries of big corporations.

# ***Disruption or OPPORTUNITIES?***

- Every downturn has own opportunities, but we learn only about success stories, failures are documented in the bankruptcy files, but... there are good news:
  - Obvious demand to shorten supply chains (import duties, long lead-times, other risks) to reduce dependencies from China, nearshoring activities shall pick-up the pace.
  - There will be less local manufacturing supply due to the wave of bankruptcies in process since 2019.
  - Lithuanian suppliers are fit to accommodate demand by offering reliable supply, relatively short transportation times, improved supply chain solutions by being in the near consumption market.
  - National and EU wide recovery instruments like “Next Generation EU” of 750B EUR shall support national economies re-distribute among fellow economies.

***Are we fit to take the challenge?***

***Any questions?***

email: [gno@litt.it](mailto:gno@litt.it)  
phone: +37061800030  
<http://www.litt.it>

***Thank you for your attention!***