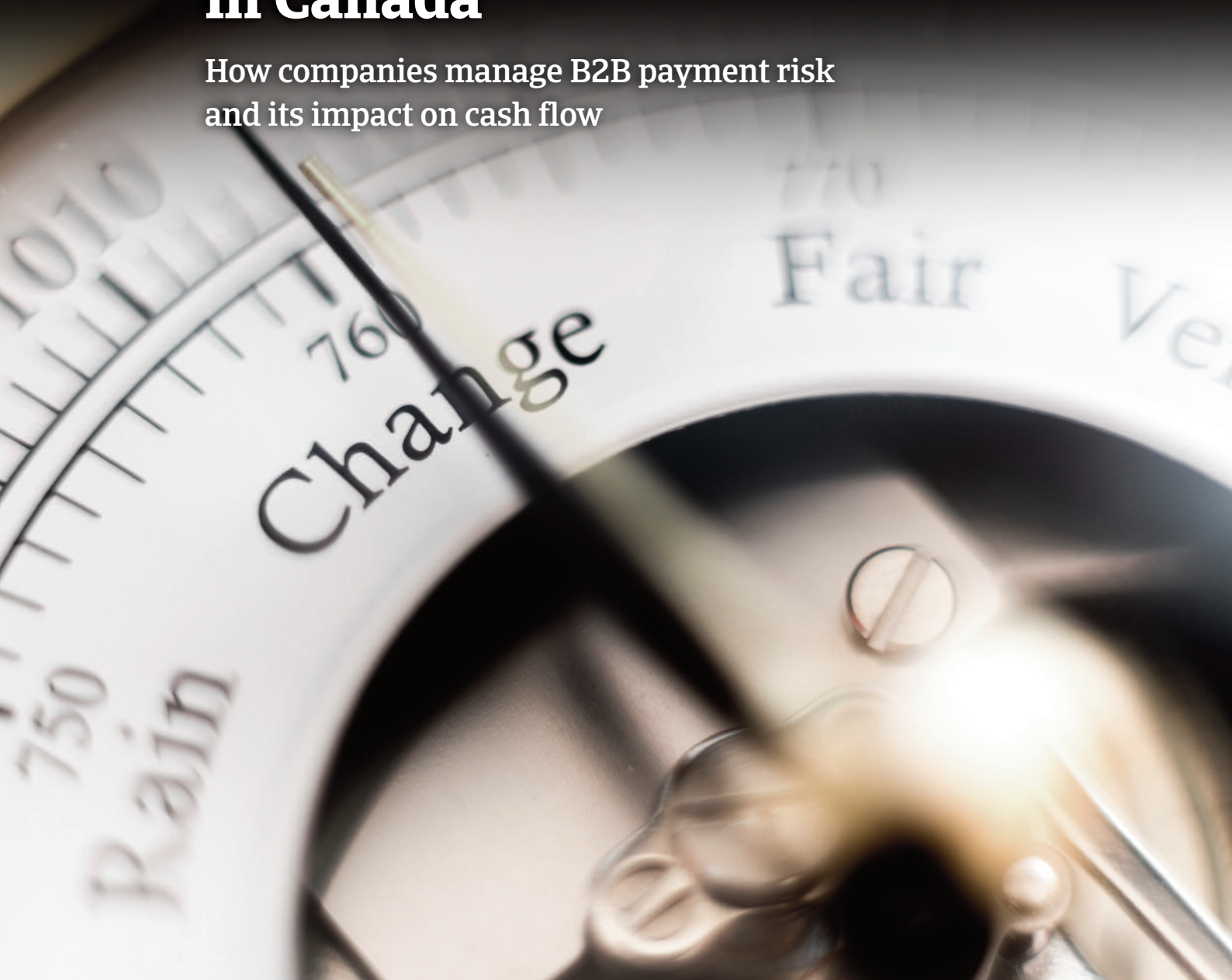




B2B payment practices trends in Canada

How companies manage B2B payment risk
and its impact on cash flow



About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Canada.

The survey was conducted between the end of Q2 and the beginning of Q3 2024. The findings should therefore be viewed with this in mind.



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Canada

B2B payment risk management

Financial struggles persist for businesses across Canada

Poor payment practices from B2B customers have been a persistent issue during the past 12 months for almost half of the Canadian companies surveyed across various industries. The energy/fuel sector appears to be the hardest hit by payment delays arising from B2B trade on credit, with a consequent strain on businesses' financial health. Overall, there is a highly diverse landscape in B2B payment trends impacting on businesses in Canada. 25% of companies report a worsening of B2B customer payment behaviour, while a similar percentage tell us there has been an improvement. This difference is also equally split across the agri-food and consumer durables industries.

This mixed landscape of B2B payment trends translates into an average 46% of B2B trade credit invoices being overdue, while bad debts written off as uncollectable stand at an average 6% of all B2B invoices. Payment delays extend the time taken to turn overdue invoices into cash by an average of one month beyond the due date. Agri-food and consumer durables companies in Canada experience the longest delays, with a consequent strain on the financial health and operational efficiency of businesses. The main reason cited for late payments are challenges in the B2B customer payment process, while in the agri-food sector another factor is supply chain disruptions.

A range of strategies are being used by companies in Canada to mitigate the impact of late or non-payment from B2B credit customers. These include delaying investment plans, a common practice in the energy/fuel sector, and slowing down payments to suppliers, which is particularly prevalent among agri-food businesses. To meet short-term financial needs and avoid potential liquidity bottlenecks, 50% of companies rely either on trade credit or bank credit, especially in the agri-food sector. Using invoice financing to support operations is most popular in the energy/fuel industry. A cautious approach is also evident in just 42% of B2B sales currently being transacted on credit, even though this is an increase on the previous year. Payment terms have been kept stable by 52% of companies in Canada.

Another clear finding of our survey is that 54% of Canadian businesses put a strong focus on debt collection efficiency to minimise the impact of customer credit risk. This has allowed them to keep Days-Sales-Outstanding (DSO) under reasonable control during the past year. The majority of companies in Canada also tell us they prefer in-house

Key survey findings

- Almost half of companies in our survey of Canada report no change in the landscape of poor B2B customer payment behaviour during the past year, especially in the energy/fuel sector. In contrast, approximately 25% of businesses note a further deterioration in customer payment practices.
- This varied picture translates into an average 46% of B2B invoices being overdue, with a clear negative impact on companies in Canada. Bad debts now stand at an average 6% of all B2B invoices, placing a strain on financial health. The energy/fuel industry is hardest hit.
- Overdue invoices are turned into cash on average one month beyond the due date by companies in Canada, with the agri-food and consumer durables sectors experiencing the longest delays. Supply chain disruptions and inefficient payment processes are the main reasons for payment delays.
- Businesses in Canada respond to late payments by delaying investment plans and slowing down payments to suppliers. Companies look to trade credit, bank loans and invoice financing to meet short-term financial needs. There is a mixed picture on Days-Sales-Outstanding (DSO), which remained steady for 54% of companies
- 42% of B2B sales are currently transacted on credit by companies in Canada, an increase on the previous year. The main reasons for this switch of strategy are to boost sales and promote customer loyalty. 52% of businesses have unchanged payment terms, but the agri-food sector is offering more relaxed terms.
- While in-house retention and management of customer credit risk is the most popular approach, Canadian companies are increasingly looking to alternative strategies. These include securitisation, letters of credit and trade credit insurance, the latter most prevalent in the consumer durables industry.

retention and management of customer credit risk, setting aside funds to cover potential losses from unpaid invoices. This is particularly so in the energy-fuel sector. Many businesses also look to alternative credit management tools such as securitization, letters of credit and trade credit insurance, the latter most prevalent in the consumer durables industry.

Key figures and charts on the following pages

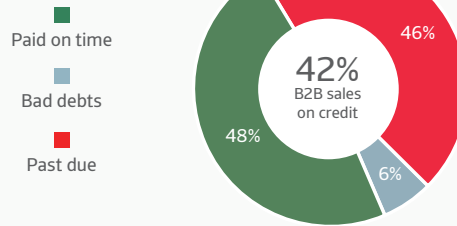


Canada

B2B payment practices trends in Canada

% of B2B invoices paid on time, past due and bad debts

(% of respondents)



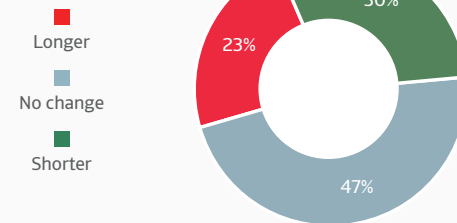
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Canada – 2024

B2B payment practices trends in Canada

% of respondents reporting changes in payment duration* over the past 12 months

(% of respondents)



*average amount of time to get paid from B2B customers

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Canada – 2024

B2B payment practices trends in Canada

What are the main sources of financing that your company used during the past 12 months?

- 50% Trade credit
- 48% Invoice financing
- 47% Bank loans
- 23% Internal funds

(% of respondents - multiple response)

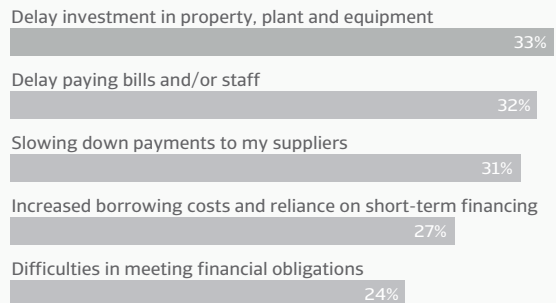
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Canada – 2024

B2B payment practices trends in Canada

Over the past 12 months, have late payments from your B2B customers led your company to experience any of the following situations?

(% of respondents - multiple response)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Canada – 2024

Canada

Looking ahead

Widespread concern about rising trend of insolvencies

More than half of businesses in our survey of Canada tell us they are bracing for a further worsening of insolvency levels during the year ahead as they continue to grapple with financial challenges including the high costs of servicing debts. A notable 55% of companies, particularly in the energy/fuel sector, express this major concern, with a potential impact of severe financial distress ahead. Some agri-food and consumer durables companies are a little more optimistic, anticipating no significant change in insolvency levels, while 42% of businesses say they expect Days-Sales-Outstanding (DSO) to remain steady in the coming months. 30% of companies foresee improvement in debt collection efficiency, and the remainder a deterioration in DSO.

A mixed verdict is expressed by Canadian companies about prospects for B2B customer payment behaviour. 45% of businesses, mainly in the consumer durables sector, anticipate no significant change from the current landscape characterised by poor B2B payment practices. While the agri-food sector is mostly optimistic about potential improvements in the year ahead, Canadian energy/fuel companies expect a deterioration in payment behaviour. There is more positivity, however, about future sales growth, with 65% of businesses anticipating a surge in demand for products and services, especially in the consumer durables sector. 46% of companies also expect improved profitability, notably in the energy/fuel industry.

The primary concern looking ahead for companies in Canada revolves around the impact of environmental and sustainability regulations on their operations. Adapting to and complying with new regulations requires significant changes for businesses, including investment in technology, processes and training. This anxiety is particularly found in the energy/fuel industry, which faces stringent regulation. Another widespread concern is the outlook for the domestic economy, despite a recent growth uptick. Businesses in our survey tell us they are sceptical about the sustainability of this improvement and expect a mild economic downturn, a sentiment particularly expressed in the Canadian agri-food sector.

Cybersecurity threats and geopolitical risks are among a range of other concerns for both the short-term and long-term expressed by Canadian companies. With an increasing business emphasis on digitisation, cybersecurity is a particular worry across all industries in terms of potential disruption to operations and the vital issue of data integrity.

Key figures and charts on the following pages

Key survey findings

- There is widespread pessimism among companies in Canada about the outlook for insolvencies, with 55% of businesses anticipating a worsening level in the year ahead. This is particularly felt in the energy/fuel industry and could lead to severe financial distress for many. Most other companies expect no change.
- Days-Sales-Outstanding (DSO) is expected to remain stable by 42% of Canadian businesses in the coming months. 30% of companies anticipate an improvement in debt collection efficiency, but some in the consumer durables sector believe there will be a deterioration in DSO.
- 45% of companies in Canada expect no change in the trend of B2B customer payment behaviour in the year ahead. The majority of the rest are optimistic about improvement, especially in the agri-food industry. In contrast, energy/fuel businesses are bracing for a deterioration in payment practices.
- A surge in demand for their products and services is expected by 65% of Canadian businesses, especially in the consumer durables sector. In contrast, expectations concerning profitability in the year ahead are more tempered. 46% of companies anticipate a rise in profits, notably in the energy/fuel industry.
- The primary concern looking ahead for companies in Canada is the impact of environmental and sustainability regulations on business operations, particularly in the energy/fuel industry. There is also anxiety about the outlook for the domestic economy despite a recent growth uptick, especially among agri-food businesses.
- Other major challenges for Canadian companies, in both the short and long term, include cybersecurity threats, the impact of geopolitical risks, intense competition, and compliance issues with industry regulations that could affect business operations.

The heavy reliance of businesses in Canada on international trade makes them particularly vulnerable to geopolitical tensions. Companies report anxiety about losing access to key markets, which could mean significantly reduced revenue streams, and also worry about overall market volatility. A further concern for many businesses is uncertainty about changes in government policies and regulations, which could mean higher costs and a risk to profitability.

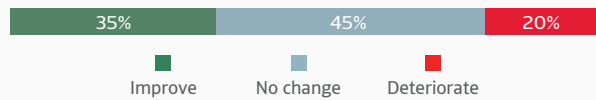


Canada

B2B payment practices trends in Canada

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



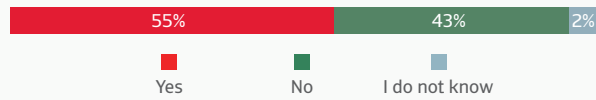
Sample: all survey respondents

Source: Atradius Payment Practices Barometer United States – 2024

B2B payment practices trends in Canada

Do you see an increased insolvency risk for your customers in the next 12 months?

(% of respondents)



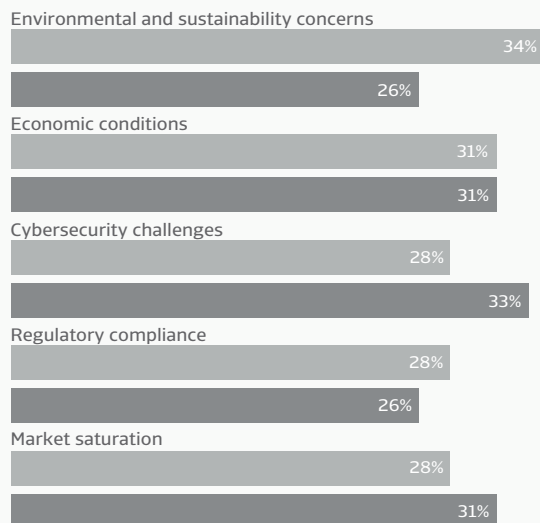
Sample: all survey respondents

Source: Atradius Payment Practices Barometer United States – 2024

B2B payment practices trends in Canada

Looking ahead: top 5 concerns expressed by businesses polled

(% of respondents - multiple response)



■ Short-term (one to two years from now)

■ Long-term (ten years and beyond)

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Canada – 2024

B2B payment practices trends in Canada

How do you expect your average DSO to change over the next 12 months?

- 30% Improve
- 42% No change
- 28% Deteriorate

(% of respondents)

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Canada – 2024

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Canada are the focus of this report, which forms part of the 2024 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 235 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Canada were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** Companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact, and for quota control, was conducted at the beginning of the interview.
- **Sample:** 235 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2024. The findings should therefore be viewed with this in mind.

Sample overview – Total interviews = 235

Business sector	Interviews	%
Manufacturing	85	36
Wholesale trade	119	51
Retail trade/Distribution	17	8
Services	14	5
TOTAL	235	100
Business size	Interviews	%
SME: Small enterprises	47	20
SME: Medium enterprises	73	31
Medium Large enterprises	82	35
Large enterprises	33	14
TOTAL	235	100
Industries	Interviews	%
Agriculture + Food	91	39
Energy Fuel	58	25
Consumer durables	86	36
TOTAL	235	100

Methodological note

Last year different industries were included in the survey for the United States. This makes year-on-year comparisons unfeasible for certain topics for the current year. For a detailed overview of last year's survey results for Canada please refer to the specific report available on the [Atradius website](#).

Interested in finding out more?

Please visit the [Atradius](#) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **Canada and worldwide**, please visit atradiuscollections.com.

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