

Special Briefing

Impact Report of the Louisiana Flood Situation

Preliminary Business Impact Analysis Due to the Flood

OVERVIEW

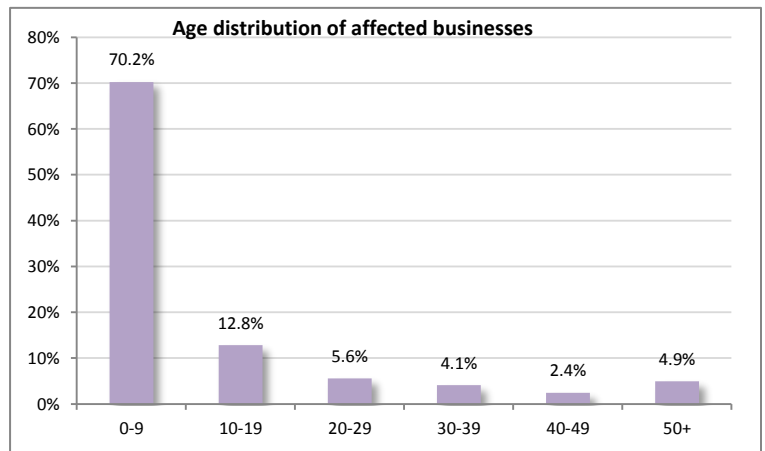
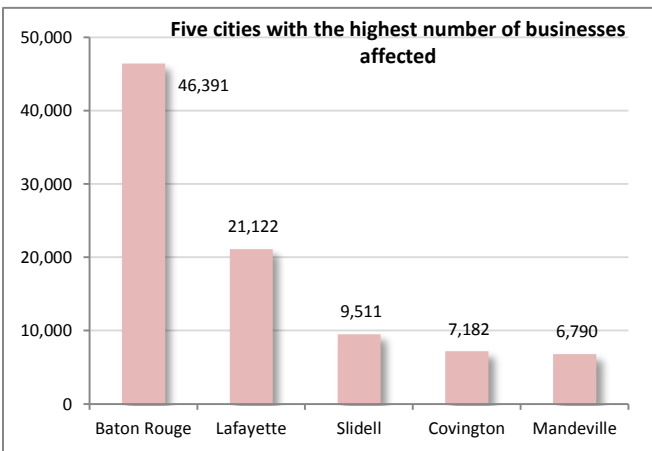
The prolonged rainfall followed by the catastrophic flooding that has been designated as the “worst natural disaster to hit the United States since Superstorm Sandy” has already claimed human lives, destroyed about 60,000 homes and affected several thousands of businesses. The floodwaters fed by several rivers (principally the Amite and Comite rivers) and waterways, have submerged 20 southern Louisiana parishes including thousands of miles of state roads, ringing up the early estimate of the economic cost of the flood up to around \$1.5 billion.

ANALYSIS METHODOLOGY

D&B reviewed its database of over 195 million businesses to perform this preliminary analysis. We analyzed the impact to businesses, employment, and sales volume as well as the financial stability of those businesses in the affected the southern Louisiana parishes, along with key industries.

BUSINESS AND SOCIO-ECONOMIC IMPACTS

Dun & Bradstreet estimates that the floods have impacted **over 192,000 active businesses**, out of which 57% are small businesses with less than 100 employees. Several towns suffered damage with the top 5 cities with highest number of businesses affected being **Baton Rouge, Lafayette, Slidell, Covington and Mandeville**, affecting close to **100,000 employees** across various sectors in these 5 cities alone.

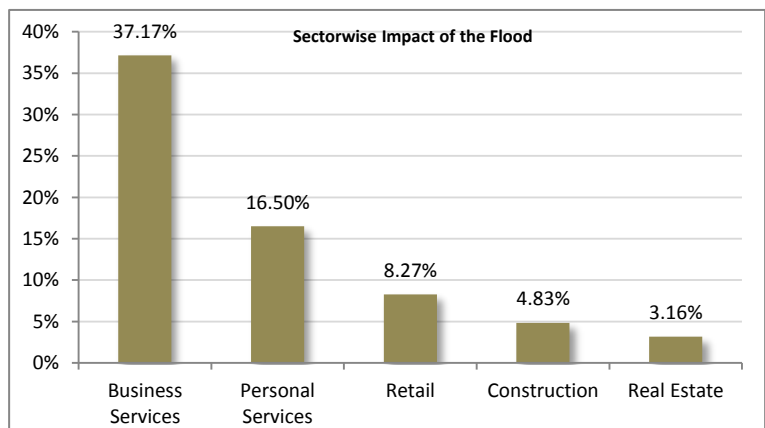


Moreover, most businesses affected in the floods remain fairly young – within 0-9 years of age, with about 38% of these businesses being within 0-4 years of age. These young businesses remain considerably vulnerable and will find it rather difficult to open their doors when the flood situation starts improving.

POTENTIALLY IMPACTED INDUSTRIES

The top five industries in the state with the largest number of jobs that can potentially be impacted by the wildfire are **Business and Personal Services, Retail, Construction and Real Estate**.

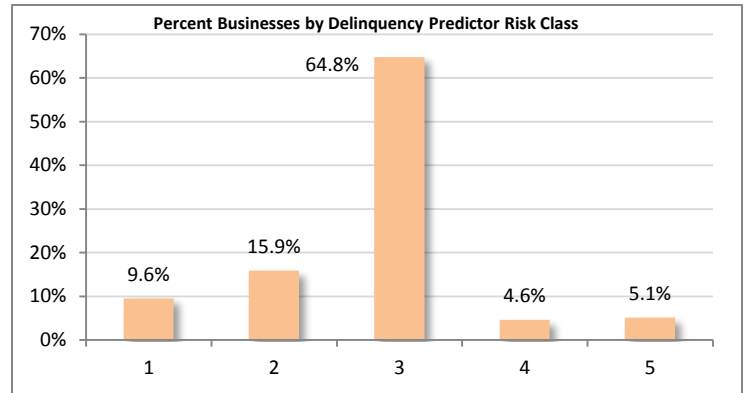
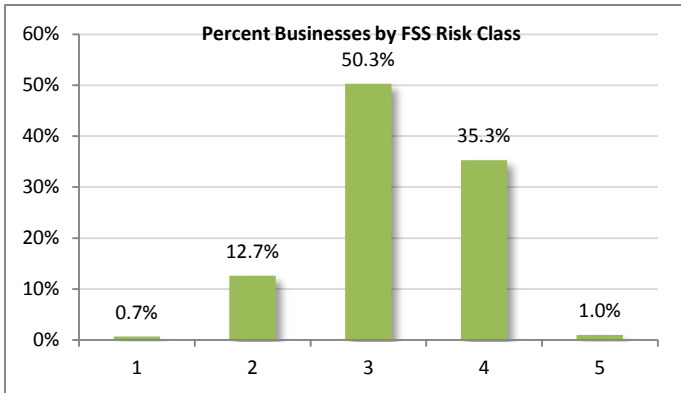
These industries have the highest representation in terms of the number of businesses affected and account for about 65% of all the employees and almost 68% of about \$36.3 Billion Sales volume of the businesses affected by the disaster. Besides these verticals, Natural Resources, Shipping and Tourism form an important part of the State’s Real



Gross Domestic Product (\$216.04 Billion in 2015).

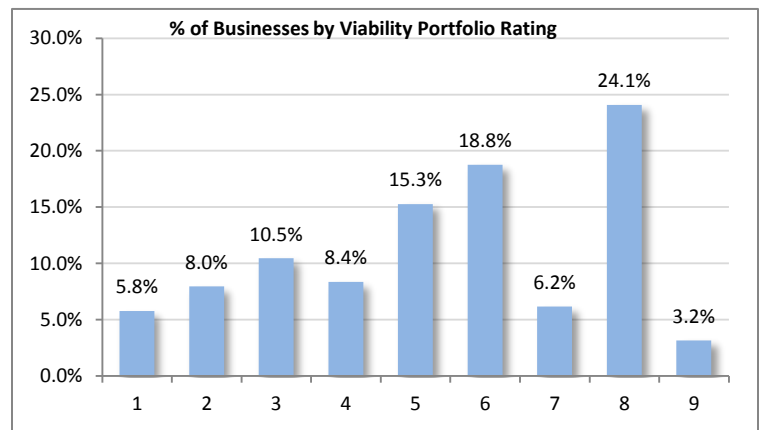
LIKELIHOOD OF BUSINESSES TO SUFFER FINANCIAL DIFFICULTIES

The D&B Financial Stress Score predicts the likelihood that a business will cease operations within the next 12 months. D&B found **68,380 businesses** (about 36%) in the affected Louisiana parishes that had worse than average financial outlook, making it ever more difficult to recover during the aftermath of the floods.



The D&B Delinquency Predictor predicts the likelihood that a company will pay its bills in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from its creditors, or cease operations without paying all creditors in full over the next 12 months. A small percentage (about 10% or 18,616 businesses) of the affected businesses belong to the two riskiest classes of this Score. These businesses are expected to have a harder time paying their bills in the next few months, without assistance from Federal or State agencies to cover their economic losses.

The D&B Viability Rating, which the likelihood that a company will go out of business, become inactive, or file for bankruptcy over the next 12 months. Given the immense property damage and interruption to their day-to-day commerce caused by the catastrophic storms and flooding, all businesses in the affected parishes are expected to suffer a blow to their viability prospects. However, about 33% (precisely 64,150 businesses) of the businesses that belong to the 3 riskiest classes of the Viability Portfolio Rating Score will find it harder that the average business to get back on their feet as things begin to return to normal in these 20 parishes.



FUTURE ECONOMIC IMPACTS

The historic floods hit Louisiana at a time when the State's economy was already under a strain from the global drop in oil prices which has already led to significant job losses in the Oil and Gas sector over the last two years. This has hiked Louisiana's unemployment rate to 6.3% following considerable job losses in the sector. Low oil prices also cut deeply into state government revenues, slashing projected taxes significantly in the most recent fiscal year.

Factoring this vast economic impact of these disastrous floods— with thousands of businesses and their employees displaced by it — economic outlook for the affected region as well as for Louisiana State as a whole is expected to suffer. As the flood waters begin to subside in the next several days, the rebuilding process will gradually begin and give some boost to employment and local economic activity, albeit remaining concentrated in a few verticals initially. However, given the preexisting economic woes of the State, the extent of the damages and the fact that several homeowners did not possess flood insurance policies, several parameters need to fall into place before full recovery of the ravaged region is achieved.

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