

**F&P**

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March 27, 2020

# **COVID-19 CAPITAL MARKETS UPDATE**

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How do Swedish listed companies communicate with their shareholders during the crisis? What happens around the AGMs? When do they issue profit warnings?

Fogel & Partners monitors the capital market communication trends in Sweden and has summarized the main events in this document.



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## Updates related to the capital market

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**The Swedish Government has in recent days proposed a large rescue package to support companies, including some of the below points:**

- Temporary reduction of employers' social security contribution and individual contributions.
- Short-time work allowances that companies can apply if they can show temporary and serious financial difficulties.
- Government to assume sick pay responsibility during April and May. Self-employed persons will also be compensated.
- The Swedish Export Credit Corporation's credit framework is proposed to be increased and can be used to provide both state-supported and commercial credit to Swedish export companies.
- Liquidity reinforcement via tax accounts. Companies can defer payment of employers' social security contributions, preliminary tax on salaries and value added tax that are reported monthly or quarterly.
- Increased loan facilities and credit guarantees for Swedish businesses.
- The Central Bank is loaning up to SEK 500 billion to companies via the banks to safeguard the supply of credit to Swedish companies. During the year, the Central Bank also intends to buy securities for up to an additional SEK 300 billion.
- Swedish Financial Supervisory Authority (SFA) is lowering the countercyclical buffer rate by 2.5 percentage points and setting it at 0 per cent.

### **General news:**

- The minister for Finance Magdalena Andersson criticized several Swedish companies for not withdrawing dividend in these uncertain times. The Minister received questions from the media whether the decision to keep dividends will affect the companies if they later apply for financial support the government's support package and the Minister signals that the government will investigate the matter further and that they are open to make the legislation stricter.

# What has happened the last 24 hours?

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## Examples of actions



The company announced that the pandemic will have a negative financial impact on Telia Company's TV & Media unit and that the dividend proposal is decreased.

*26 March 2020, 12:50.*



Gunnebo announced that the company foresees a decline in demand in the first quarter, to varying degrees in our Business Units, which is expected to continue into the second quarter of 2020.

*26 March 2020, 13:00.*



Karnov assessed that the pandemic will not have any impact on the online part of the business but might affect the offline part of the business. However, the company expects to be non-significant which to some extent will be offset by timing during later periods.

*27 March 2020, 08:30.*



Gränges announced to withdraw the dividend proposal, postpone the Annual General Meeting and has initiated measures to reduce the impact of the coronavirus outbreak.

*26 March 2020, 19:30.*



Klövern's Board of Directors announced a revised decreased dividends proposal with reference to the financial uncertainty caused by the spread of the virus.

*26 March 2020, 16:00.*



Investor announced to postpone the AGM in order to further evaluate the situation for example the dividend and the potential effects due to the current situation with high uncertainty and several changes in a short period of time relating to the rapid spread of covid-19.

*27 March 2020, 08:15.*

**Since the last update on 26 March**, several companies have issued profit warnings, withdrawal of proposed dividends.

In the last 24 hours:

**4** companies on Nasdaq Stockholm have issued profit warnings

**8** companies on Nasdaq Stockholm have announced withdrawal or reducing of dividend proposals

## The total numbers this far...

#61

companies have communicated negative impact or profit warnings



#28

companies have communicated neutral/positive impact



#33

companies have implemented or will implement cost savings programs



#64

companies have withdrawn or reduced their dividend



Communication activities since March 19



## Profit warnings / negative impact



**intrum**



Examples of companies who have issued **profit warnings** or **communicated negative impact on business from covid-19**

### Examples of guidance

*“Although operating results for the first and second quarters will be lower than our previous internal expectations, we anticipate what is happening now will create substantially larger business volumes to work within the latter part of 2020 and the years ahead.”*  
- Intrum

*“The COVID-19 pandemic will have a negative financial impact on Telia Company’s TV & Media unit. At present the effects on the rest of Telia Company’s business are limited but the impact on TV & Media means that the 2020 outlook for the Group on EBITDA and operational free cash flow will not be reached.”*  
- Telia

*“The business development during January and February 2020 has in most markets been in line with Sandvik’s expectations, with the exception of China where the coronavirus situation led to one week of prolonged closing of our operations around the Chinese New Year. [...] Most production units in the Sandvik Group have been able to continue operating, however due to government restrictions the production is currently on hold in Italy, India and partially in other regions.”*  
- Sandvik

### F&P comments

**#61**

profit warnings on Nasdaq Stockholm as of 27 March 2020

Profit warnings and negative guidance is spreading to most sectors, and not only within travel & leisure, industrials and retail. Main reasons described are **demand uncertainty**, **supply chain** problems and **impact from regulations**.



**lundin mining**



**KARNOV  
GROUP**

**Examples of companies who have communicated neutral impact on business from covid-19**

## Examples of guidance

*“Karnov assess that the virus pandemic will have no impact on online revenue on a short-term basis. For the remaining 15% of revenues which is Karnovs non-subscription based offline business, mainly books and sales of legal training courses, it is expected that the virus pandemic will have some effect on a short-term basis. However, the effect is expected to be non-significant which to some extent will be offset by timing during later periods.”*

- Karnov Group

*“The Group expects the first quarter revenue and EBITDA to be largely in line with expectations. The Group expects revenue for second quarter to be comparable to Q2 2019. Furthermore, the Group expects to see a material contraction in second quarter EBITDA as a direct result of restrictions upon the public and ability to maintain services.”*

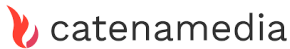
- Medicover

## F&P comments

**#24**

neutral comments on Nasdaq Stockholm as of 27 March 2020

Several companies have announced that their operations so far are relatively unaffected. However there are still many companies who haven't commented Covid-19 and are likely to not be severely affected.



**Examples of companies who have communicated positive impact on business from covid-19**

## Examples of guidance

*"We are overwhelmed by the demand we have met in Sweden, from healthcare providers, authorities, companies and individuals. This also worries me, as it shows that the lack of protective medical equipment is widespread."*

- Bactiguard

*"Revenues increased by 5.7 percent compared to the same period in 2019. [...] EBITDA increased by 16.6 percent compared to the same period last year. [...] Catena Media expects a continued positive development within the Casino segment and does not foresee any negative impact of COVID-19 on revenues during the second quarter."*

- Catena Media

*Getinge has since the outbreak of the COVID-19 pandemic seen an increased global demand for ventilators, extra corporeal life support (ECLS) equipment and advanced monitoring for Intensive Care Units. To meet the global demand Getinge will temporary increase its production of ventilators by 60% in 2020 compared to 2019 at its production facility in Solna, Sweden."*

- Getinge

## F&P comments

**#4**

positive comments on Nasdaq Stockholm as of 27 March 2020

Worth noting is that no positive guidance has been issued in the last 8 days, with the exception of Catena Media.

## Companies



## Examples of guidance

*“Due to the great uncertainty created by the spread of the coronavirus. [...] After the record year 2019 Mycronic has a strong financial position and liquidity. The company wants to be well prepared to take advantage of future opportunities that might arise, and the Board of Directors therefore wishes to be prudent.”*

– Mycronic

*“Demand on Gränges’ end-customer markets is adversely affected by the outbreak of Covid-19. Gränges is adapting its operations to the current market situation. [...] Temporary layoffs and reduced working hours are being implemented across Gränges’ operations, in accordance with local regulations.”*

– Gränges

*“The board of Medicover has decided to not propose a dividend to the Annual General Meeting as previously announced in the year-end report.”*

- Medicover

*“As a precautionary measure, to give Lindab financial leeway, the Board of Directors has proposed the dividend to be reduced from the original proposal.”*

- Lindab

## F&P comments

**#64**

companies have announced that dividend proposals for 2019 will be withdrawn as of 27 March 2020

Continued uncertainty for the coming year is the main reason for the proposed withdrawal of dividends. Recent development is not described as a main cause among most companies.



## Companies



## Examples of guidance

*"As a result of the Covid-19 pandemic, Gunnebo is taking steps to meet the anticipated consequences and is adapting its operations to secure long-term financial stability. This means, among other things, temporary closure of production units in India and Italy in line with government decisions, as well as necessary capacity adjustments and cost reductions in the company's global operations. Gunnebo also foresees a decline in demand in the first quarter, to varying degrees in our Business Units, which is expected to continue into the second quarter of 2020."*

- Gunnebo

*"The measures we are now implementing lead to an adjustment of the cost base for the new Serneke Sweden and its more efficient working methods. In addition, the current situation in the world with the effects of covid-19 requires additional acuity and decisiveness. [...] Serneke takes the next step in a large reorganization that the company initiated in the fall of 2019. The changes now being implemented leads to reduced costs of about SEK 200 million annually."*

- Serneke

## F&P comments

**#33**

companies have announced cost savings programs as of 27 March 2020

As with the proposed withdrawal of dividends, the reason for cost savings programs are mainly described as proactive measures ahead of what is assessed to be a turbulent year.

## F&P comments

Several companies have announced that their annual general meetings will be postponed or reorganized into a digital/hybrid version. Many recommend the shareholders to vote through a proxyholder and will improve the possibilities to attend the AGM digitally.

## Digital or hybrid versions of AGM



## AGM postponed



## Examples of actions undertaken by companies:

- Webcasting of the entire AGM
- Use of digital identification tools for voting
- Encouraging and assisting shareholders to use proxies
- Key company representatives to participate through video link
- Not serving and food or refreshments
- Encouraging shareholders who feel ill/belong to a risk group, to not attend the AGM

## Examples of guidance

*“Biotage still has a good financial situation but at the same time, the effects from COVID-19 are creating uncertainties about how the company’s business will develop. And in particular when you take into consideration how fast the conditions are changing, Biotage’s Board of Directors has made the judgement that they for precautionary reasons need more time for analysis and assessment of the situation before evaluating the dividend proposal for 2019 as regards amount and timing.”*

- Biotage

*“Due to the current situation with high uncertainty and several changes in a short period of time relating to the rapid spread of covid-19, Investor’s Board of Directors has decided to postpone the Annual General Meeting (AGM). This is done in order to further evaluate the situation and its potential effects on the Board’s proposal to the AGM, such as the proposal of dividend.”*

- Investor