

# F&P

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April 29, 2020

## COVID-19 Q1 UPDATE

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How do Swedish listed companies communicate the impact of Covid-19 in their quarterly reports? What impact has it had so far and how do they comment on outlook?

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



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## Our observations, although early and based on a small data set, include companies

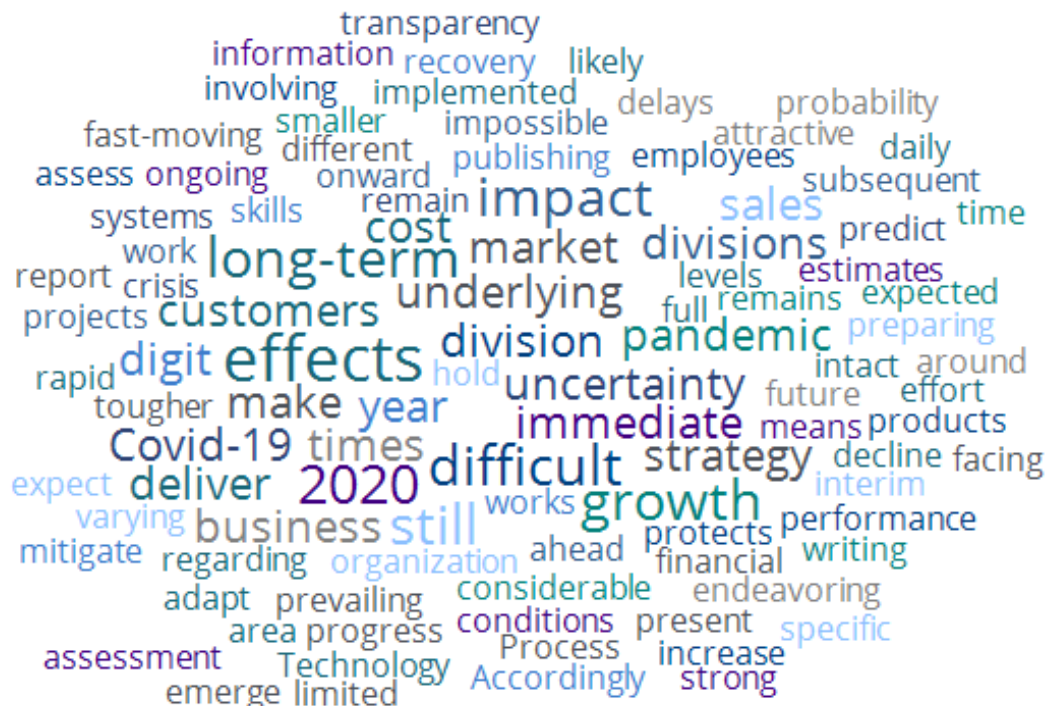
- strongly emphasising robustness and resilience of its revenue and earnings;
- withdrawing all guidance and outlook;
- initiating CEO-comments with statements on the current “state of the world”
- dedicating entire pages in quarterly reports and presentations to the Covid-19 impact;
- enhancing transparency, especially when describing Covid-19 impact;
- highlighting contributions to the community and healthcare; and
- commenting on government decisions affecting the business.

## Communication takeaways

Companies continue to emphasize that they contribute to society, propose solutions and bear their responsibility in these unusual times. Worth noting is that less than usual focus is put on financial or operational performance. Several companies in recent days communicated the measures taken should not only lower costs now but also ensure high growth once the demand situation returns to normal.

In order to emphasize robustness and resilience, companies could benefit from providing data around sensitivity analysis, break-down of markets and segments affected – without making it a recurring theme in future quarterly report. Further, companies’ limited ability to provide meaningful guidance increases the risk for mis-pricing and could lead to increased vulnerability for take-over attempts, but also improved opportunities for acquisition-driven companies.

The wordcloud below illustrates the most commonly used expressions in the outlook sections of the Q1-reports published so far:



## Summary of Q1-reports

### ASSA ABLOY

Assa Abloy have initiated a number of cost-saving measures such as reduced working hours, temporary and permanent layoffs, travel bans, reducing external services and delaying projects.

29 April 2020



Astra Zeneca presented top and bottom line growth, “reflecting the immense efforts of supply-chain, commercial and other colleagues around the world to get vital medicines to patients.”

29 April 2020



Midsona states that Covid-19 resulted in higher demand for its products, but caused logistical issues and doesn't rule out to lose large sales volumes due to delivery problems. Once the crisis is over, Midsona has financial and organizational muscles to “utilize the excellent acquisition opportunities.”  
28 April 2020



ÅF Pöry emphasized its broad exposure to a number of industries and markets, and that deliveries to the majority of clients still are unaffected. Remote work is working well, which “showcases the digital maturity of our company.”

28 April 2020



Swedish Match write that “in our view, enhanced transparency and communication are paramount in this period of unprecedented uncertainty.” Demand and operations have been largely unaffected.

27 April 2020



Cloetta expects that demand for its products will be lower and that operating profit for Q2 will be significantly lower than prior year.

24 April 2020

Examples of companies who have issued **positive or neutral** guidance for Q2/2020 in their Q1 reports



## Examples of guidance

” We remain committed to delivering on our financial targets in 2022. It is too early to conclude on the economic consequences of COVID-19, but we are ready to take mitigating steps over time. Our immediate priorities are clear; the continued support of our customers, the safety of our employees and ensuring business continuity during these extraordinary times.”  
- Nordea

” We find ourselves in a market situation that is both uncertain and difficult to assess, and expect the effects of the Covid-19 outbreak to have a negative impact on net sales in the second quarter. We still see good levels of activity in many parts of our customer segments. However, negative effects in the automotive industry and delayed projects and investment decisions in other segments are to be expected. There are positive signs that several countries are now starting to lift their restrictions and some of our clients that have felt the impact are expected to resume operations relatively soon.  
- ÅF Pöyry

” Few other actors have the financial and organisational muscles to utilize the excellent acquisition opportunities now arising in the wake of the pandemic. The mood in our own organisation is aggressive and positive, but humble for the future.”  
- Midsona

## F&P comments

Positive guidance is often presented for a specific division or sub-segment of the company, or used more generally when emphasizing the robustness of the company's earnings. Companies referring to further contributing to society, as part of the outlook, and comments on lifted restrictions have started to occur in the last few days.



**Examples of companies who have issued negative guidance for Q2/2020 in their Q1 reports**

## Examples of guidance

”Assuming that the demand in our core markets will continue to be significantly affected by Covid-19, as experienced in many markets since February, we expect our sales and our operating margin in the coming months to be significantly lower than in the first quarter. However, when demand recovers and with our strong new product pipeline, we are confident that we will have the ability to further strengthen our position as the global leader in access solutions.”  
Assa Abloy

” The company is planning for normal business operations during coming quarters. However, elevated risks linked to the effects of the COVID-19 pandemic remain such as increased shortterm absence, disrupted logistics, raw materials supply and the availability of spare parts. Preventive measures have been initiated in all of these areas including planning for slightly increased concentrate stocks in Smelters to reduce the risk of production losses.  
- Boliden

The expected impact from COVID-19 is that the demand for branded packaged products will be lower during the second quarter and that the demand for pick & mix will be significantly reduced. Cloetta also assesses that the operating profit, adjusted, for the second quarter will be significantly lower than prior year  
- Cloetta

## F&P comments

Several companies, although not affected in Q1 provide negative guidance for Q2 and FY2020. Negative expected effects are often combined with comments on how to mitigate these effects.



BEIJER REF



Fabege

Beijer  
ELECTRONICS

BUFAB

SOFTRONIC

Examples of companies who have commented on the COVID-19 impact in their Q1 reports

## Examples of comments

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*For us this resulted in a sudden and dramatic surge in sales as a result of hoarding, which for a time created major challenges for the entire operation. Even though this highly intensive period is over, the effects of the ongoing COVID-19 pandemic will likely affect society and our operations for a long time into the future."*

- Ica

”

*"As a result of the Covid-19 pandemic, we have taken extensive measures such as short-term work allowance, staff reductions, deferred investments and further cost reductions to mitigate future effects on operations. About 1,600 employees are placed on short-term work allowances, most of them connected to the automotive industry, but also includes administrative staff.*

- ÅF Pöyry

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*The COVID-19 pandemic has swept the world, engulfing region after region. Being a global company, we were first affected in February when China closed down Wuhan and restricted travel."*

- Haldex

## F&P comments

Comments on impact on Q1 are often very detailed, and divided into impact on operations, supply chain, employee health etc. There are many non-financial or non-operational comments and sentences compared to what is common for quarterly reports. Companies who have seen a net positive Covid-19 effect still often quote certain negative effects.



Examples of companies who have withdrawn **guidance** for Q2/2020 in their Q1 reports

## Examples of comments

”We are preparing the business for a range of different demand development scenarios and feel confident that we will be able to act accordingly as the situation develops. SKF has a strong financial position and has a track-record of resilient margins and strong cash flow in a downturn. With this in mind, and given the uncertainty in the current global economic situation, it is not feasible to provide a reliable demand guidance for the second quarter.”  
-SKF

”Due to the cross-border travel restrictions and safety concerns associated with Covid-19, most of Stora Enso’s annual mill maintenance shutdowns have been postponed to the second half of 2020. Only Heinola Mill annual maintenance shutdown is scheduled for the second quarter of 2020.  
-Stora Enso

## F&P comments

Most companies withdrawing previously provided guidance are referring to the unprecedented market conditions and that it in this situation isn’t possible to make a qualified prognosis.