

# F&P

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April 23, 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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## Summary of Q1-reports



Essity is describing that the pandemic resulted in a sharp increase for some of its products. It is however stated that this stockpiling will negatively affect sales in future quarters. In the long run, the pandemic could lead to increased demand as a result on greater focus on hand hygiene

23 April 2020



Axfood communicated that the company has been positively impacted by the increased demand for grocery products but had to balance this with a larger number of employees on sick leave. Several creative solutions to support local business and help people in risk groups are described.

22 April 2020



Epiroc initiates its CEO-comment by stating that its first priority is to ensure the health and well-being of colleagues, customers and business partners, and their families. The impact on its operations and customers is described, however little guidance is provided.

22 April 2020



Ericsson communicated in their Q1 report that strategic contracts regarding 5G might be impacted by the pandemic, but the operational improvements will continue and are expected to partly offset the negative impact.

22 April 2020



GHP Speciality Care stated that the quarter was challenging due to the ongoing spread of the corona virus. And that they, as a health care company, are both impacted by the situation and can help to improve the situation.

22 April 2020



Getinge announced that the company experienced increased sales during the quarter as a result of higher demand for products for treating patients diagnosed with COVID-19, but due to the uncertainty they do not want to present a forecast for the rest of the year.

22 April 2020

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



## Examples of guidance

” During the first quarter, Axfood’s operations were impacted by changed shopping behaviours among consumers as a result of the spread of the novel coronavirus, COVID-19. Consumers’ hoarding of groceries resulted in strong sales growth during the latter part of the period. Certain businesses within Axfood were however negatively affected, such as Axfood Snabbgross, Urban Deli, and Eurocash.”  
- Axfood

” The COVID-19 pandemic resulted in a sharp increase in sales in many markets for Consumer Tissue, Incontinence Products, Baby Care, Feminine Care and Professional Hygiene as a result of stockpiling among consumers and distributors.”  
- Essity

” “The quarter was dominated by the COVID-19 pandemic and the huge need for advanced ventilators and ECMO therapy at intensive care units around the world. Our leading global positions in these fields contributed to a 47% organic order growth”  
- Getinge

## 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. For companies in specific sectors which have seen a sales increase, this effect is often accompanied by comments on issues or potential issues caused by Covid-19.



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

## Examples of guidance

” Our ambition is to cautiously restart our manufacturing operations in Europe, North America and Brazil on low levels at the end of April and beginning of May. We will then gradually increase output to a new, lower level of demand. During the rampup, we will be working hard together with our suppliers to minimize disturbances. [...] Looking ahead, we take confidence in the fact that our customers are active in businesses that are important to keep society functioning and that our products and services are vital in building sustainable transport systems and infrastructure for the future. ”  
Volvo

” [...] For Q2 somewhat lower than normal sequential sales growth is expected as there are uncertainties impacting short-term growth negatively. [...] Covid-19 and actions taken by governments to slow down the spread are making service delivery and supply harder due to lockdowns and travel restrictions in many countries. – While there have been no material effects so far on the demand situation, it is prudent to believe that the slowdown in the general economy may lead some operators to delay their investment programs. [...] However, the Ericsson managed services contract is expected to be negatively impacted over time, starting in Q2. [...] Operational improvements will continue and are expected to partly offset the negative impact.”  
- Ericsson

## F&P comments

Negative guidance for Q2 is often based on an acknowledgement that Covid-19 will have a negative impact but that the extent is impossible to assess. Several companies, although not affected in Q1 provide negative guidance for Q2 and FY2020.



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ELECTRONICS

BUFAB

SOFTRONIC

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

## Examples of comments

”*“Our mission in this crisis is to keep our customers connected, informed and support businesses to adapt to new ways of working. The resulting behaviour shift has meant that data traffic has increased by more than 30 percent on our fixed networks and by 15-20 percent on the mobile networks, which has also seen an increase in voice traffic by as much as 70 percent in some countries. This illustrates that customers have recognized and appreciated our services. .”*

- Telia

”*“Virtually overnight, pressure on stores and our e-commerce operations increased as customers began hoarding basic groceries. The hoarding resulted in strong sales growth during the period, but it also put a major strain on the supply chain, which struggled to maintain a reasonable level of service..”*

- Axfood

”*“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 usually many non-financial or non-operational comments and sentences for what is common for quarterly reports.



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

# #6

companies have withdrawn earlier provided guidance for Q2/20 as of 23 April 2020

## F&P comments

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