



COVID-19 – Resources, action, the future

Reporting in times of uncertainty – June 2020



Contents

Foreword – Sir Jonathan Thompson	3
Introduction and Lab Infographic	4
Section 1 – Practical challenges of reporting	7
Focusing on what really matters	8
A model for reporting	9
Section 2 – Resources	10
Cash resources	11
Why is cash disclosure necessary?	11
Performance metrics	17
Section 3 – Action	19
Action: signalling in the short term	20
Action: suppliers	28
Action: capital expenditure and expenses	30
Action: government support and other concessions	33
Management control	35
Section 4 – The future	36
Purpose	37
Stakeholders and reputation	37
Scenarios and forecasts	42
Three views of recovery	45
The longer term	48
Section 5 – Appendix	55
The evolving investor need	56

Examples used

Our report highlights examples of current reporting practice that were identified by the Financial Reporting Lab (Lab) team and investors.

Not all examples are relevant for all companies and all circumstances, but each provides an example of a company that demonstrates an approach to useful disclosures. Highlighting aspects of reporting by a particular company should not be considered an evaluation of that company's reporting as a whole. Nor does it provide any assurances of the viability or going concern of that company and should therefore not be relied upon as such.

Investors have contributed to this project at a conceptual level. The examples used are selected by the Lab to illustrate the principles and should not be taken as confirmation of acceptance of the company's reporting more generally.

If you have any feedback, or would like to get in touch with the Lab, please email us at:

financialreportinglab@frc.org.uk

The Lab would like to thank all the investors and companies who took part in discussions with the Lab team.

Foreword

It has been said that reporting is not designed to be a billboard but a window. This remains very relevant today, and maybe even more so now when the window should be showing the full extent of the challenges that a company faces. I know that many boards are facing circumstances beyond anything they could have imagined. I know that because I feel that too.

As a leader of an organisation, I realise I have a responsibility to ensure that we provide clear messages and guidance to those that fund us, to our public stakeholders and to our own people.

The role of reporting has traditionally focused on the historical performance of a business. While historical information is always valuable, reporting on a business's future, its risks and its strategy is increasingly important in the current situation. Investors and the public want to understand what position companies are in, what pressures they are facing and the realistic consequences of the potential scenarios that they face. This information not only helps build an understanding of what support and flexibility companies need, but also builds understanding of how things might develop as this uncertain situation evolves. Decisions taken now will have far-reaching effects, and we encourage companies to be as transparent as possible.

Reporting where outcomes are uncertain is difficult, but we expect companies to rise to the challenge to avoid situations where helpful information could have been in the public domain and was not.

This report from the Financial Reporting Lab provides practical guidance to companies to help meet this challenge.

Sir Jonathan Thompson

Chief Executive of the FRC and Chair of the Financial Reporting Lab Steering Group



Reporting in times of uncertainty

This report forms part of a wider suite of reports from the Lab. Our reporting in times of uncertainty reports provide insight into the challenges of reporting and disclosure during COVID-19. The infographic that started this series can be found [here](#). A report on going concern, risk reporting and viability statements, published alongside this report, is available via the [Lab's publications page](#).

Financial Reporting
LAB

COVID-19 – Going concern, risk and viability

Reporting in times of uncertainty – June 2020

Reporting during times of uncertainty

Five current questions investors seek information on...

Resources	Action	The future
<p>1</p> <p>How much cash does the company have?</p> <p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> The amount and nature of cash and liquid resources. Where the cash is located within the group (legal entities, countries, currencies). Whether there are any barriers to accessing the cash (capital controls, regulatory issues). Whether there is an impact from accessing the cash, such as tax or other liabilities. 	<p>2</p> <p>What cash and liquidity could the company obtain in the short-term?</p> <p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Information about the company's short-term financing arrangements, facilities and other obligations and likely changes. Information about the creditlines (committed and uncommitted, drawn and undrawn) the company has access to. Whether the company has additional support (e.g. from related businesses, shareholders, suppliers). Whether there are any covenants that are being imposed or waived. 	<p>3</p> <p>What can the company do to manage expenditure in the short-term?</p> <p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Whether the company is changing its dividend policy or cancelling a dividend. Information on the extent to which supplier financing schemes are being used, and what commitment the provider has given to maintain access to these schemes. Information about the nature and timing of capital expenditure commitments, and whether there is any flexibility. Information about any payments that may be deferred (e.g. tax payments). Information about the company's approach to its pension funding.
<p>4</p> <p>What other actions can the company take to ensure its viability?</p> <p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Information of the nature of any government-backed support by country and any conditions that attach to this. Information about any stress testing or reverse stress testing carried out and how the viability of different parts of the group are being affected. Whether there are any intergroup guarantees and commitments. Details of how the board is monitoring the situation. 	<p>5</p> <p>How is the company protecting its key assets and value drivers?</p> <p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Plausible scenarios on revenue and costs over the short term and into a longer transition period. Details of the likely impact of short-term decisions on the company's key assets and longer-term drivers of value, e.g. people, brands, licences. Approach to support for employees. Information about how the company is managing commitments with customers where services are delayed. Information about how the company might adapt its business model and strategy in the short/medium term. 	

More guidance is available on the FRC website - <https://www.frc.org.uk/about-the-frc/covid-19>

Introduction

We face unprecedented times. COVID-19 is a new phenomenon, and investors, companies and society have not faced a global crisis like this in modern history. How companies respond to this issue will impact whether, and how effectively, they survive.

Reporting now

The Lab's infographic, issued in March 2020 alongside a [joint regulatory statement](#) from the FRC, Prudential Regulation Authority and Financial Conduct Authority, and replicated on the next page, outlines what information investors sought to understand. It was based on a number of discussions with individual investors and investor groups, and has since been supplemented with additional discussions and a survey.

This report provides more detailed guidance and examples to help companies answer the questions raised. The first section covers some practical issues regarding reporting at this time and the subsequent sections are structured around the three key reporting areas highlighted on the infographic:

- **Resources** – including the availability of cash;
- **Actions** – to manage short-term expenditure and ensure viability; and
- **The future** – how the decisions taken now ensure the sustainability of the company and impact customers, suppliers and employees.

The discussions the Lab has had with investors evolved from an initial focus on cash and liquidity across the market to a wider consideration of the specific impacts on companies' strategies, business models, employees and stakeholders. Investors want to understand each company's position, which might require the provision of more frequent information on where the company is, and which areas it is focusing on.

An evolving picture

However, it is clear that this is not a universal or linear progression. Many companies are still rightly focusing on cash and liquidity, but others are more future-focused and, as the COVID-19 situation develops, there might be a need to reconsider all three aspects – resources, actions and the future – to reflect lockdown extensions, virus control and ongoing changes to consumer behaviour.

Prioritisation of the state in which the company finds itself, and what reporting is most of use to investors at that stage, will be an ongoing process. Outlining how the company views its position, and the factors that are influencing their decision-making is also important.

We therefore expect that disclosure will evolve throughout the year (and across reporting documents) to reflect the most pressing concerns at that point in time. How this information is provided will depend on where a company is in its reporting cycle and the regulatory requirements for updating the market at a point in time. However, investors expect to be kept updated and encourage companies to provide information in the most appropriate form (whether through results announcements, trading updates, interim or annual reports) on a timely basis.

How to read the report

Readers might wish to read each section, or focus only on the aspect which is of most value to their specific circumstances.

This report includes examples in the market at the date of this report and are drawn from annual reports, websites and investor-focused communications such as investor presentations. The Lab will continue to highlight examples as these arise over the rest of the year on our summary pages [here](#).



Reporting during times of uncertainty



Five current questions investors seek information on...

Resources		Action		The future
1	2	3	4	5
How much cash does the company have?	What cash and liquidity could the company obtain in the short-term?	What can the company do to manage expenditure in the short-term?	What other actions can the company take to ensure its viability?	How is the company protecting its key assets and value drivers?
<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> The amount and nature of cash and liquid resources. Where the cash is located within the group (legal entities, countries, currencies etc). Whether there are any barriers to accessing the cash (capital controls, regulatory issues). Whether there is an impact from accessing the cash, such as tax or other liabilities. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Information about the company's short-term financing arrangements, facilities and other obligations and likely changes. Information about the credit lines (committed and uncommitted, drawn and undrawn) the company has access to. Whether the company has additional support e.g. from related businesses, shareholders, suppliers. Whether there are any covenants that are being imposed or waived. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Whether the company is changing its dividend policy or cancelling a dividend. Information on the extent to which supplier financing schemes are being used, and what commitment the provider has given to maintain access to these schemes. Information about the nature and timing of capital expenditure commitments, and whether there is any flexibility. Information about any payments that may be deferred e.g. tax payments. Information about the company's approach to its pension funding. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Information of the nature of any government-backed support, by country and any conditions that attach to this. Information about any stress testing/reverse stress testing carried out and how the viability of different parts of the group are being affected. Whether there are any intergroup guarantees and commitments. Details of how the board is monitoring the situation. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Plausible scenarios on revenue and costs over the short-term and into a longer transition period. Details of the likely impact of shorter-term decisions on the company's key assets and longer-term drivers of value, e.g. people, brands, licences. Approach to support for employees. Information about how the company is managing commitments with customers where services are delayed. Information about how the company might adapt its business model and strategy in the short/medium term.

More guidance is available on the FRC website - <https://www.frc.org.uk/about-the-frc/covid-19>

FIGURE 1 – FRC Lab Infographic: [Five current questions investors seek information on...](#) published 25 March

Five current questions investors seek information on...

Resources

1

How much cash does the company have?

2

What cash and liquidity could the company obtain in the short-term?

Action

3

What can the company do to manage expenditure in the short-term?

4

What other actions can the company take to ensure its viability?

The future

5

How is the company protecting its key assets and value drivers?

EXAMPLES - Resources	Page
International Consolidated Airlines Group S.A	15
Next PLC	16

EXAMPLES - Action	Page
WPP PLC	20
InterContinental Hotels Group PLC	21
Royal Dutch Shell plc	24
J Sainsbury plc	25
Phoenix Group Holdings Plc	26
Balfour Beatty plc	29
EasyJet plc	31
On the Beach Group plc	32
Hawaiian Holdings Inc	34

EXAMPLES - The future	Page
WPP PLC	38
ASOS plc	40
Dixons Carphone PLC	41
Norwegian Air Shuttle ASA	43 and 49
Informa PLC	44 and 51
Next PLC	50
British Land Company PLC	52
TUI AG	53
Bosch Ltd	54

Section 1

Practical challenges of reporting

Focusing on what really matters

As well as the content elements of reporting, our discussions with investors also covered some practical elements on timing, uncertainty and method of communication. Investors recognise that there is a balance between providing timely information and ensuring that there is sufficient oversight of that information to ensure that it is good quality:

- **Focus on the big picture, for now** – In the short term, investors highlight that they need information on the most significant areas. Companies should focus on the most relevant issues such as liquidity, solvency and operational matters (see a model for how this might link through to longer-term reporting on the following page).
- **The only certainty is uncertainty** – Companies and boards are focused on ensuring that communications are accurate and provide clarity. However, where situations are very uncertain, rapidly changing or unclear, companies may shy away from detailed disclosure. However, any information gap caused by limited disclosure is likely to be filled by third parties. Investors, data providers and hedge funds are already creating models (often using alternative data sources) of the impact on individual companies and using these to invest. When deciding what to report, companies should consider the likely level of market understanding of their current position and the actions they are taking.
- **Annual reports are not the only mechanism** – [The FRC, FCA and the PRA](#) have published guidance focused on the reporting process and timing of annual reporting. However, many companies have already completed the 2019 reporting cycle. Investors note that maintaining transparent communications on COVID-19 is crucial, not just for their understanding, but also for their suppliers and employees. In addition to regulatory reporting requirements, the company's website is also a useful channel for communication. The Lab has put together some top tips on using the website and video for communication in times of uncertainty; this will be available shortly.
- **Consistency in reporting** – While much of the FRC and Lab guidance focuses on the Annual Report, in times of uncertainty there is a need to focus on shorter-term reporting. Ensuring that such ad-hoc reporting presents information that is consistent with information in a company's annual reporting (such as the KPIs used) is helpful for investors. Where differences do occur, a clear explanation of why this is appropriate in the circumstances should be highlighted and described.

Video

The Lab has been looking at how companies use video for corporate communication as part of our project on [Video, Virtual and Augmented Reality](#). While we expect to issue a full report later in the year, we saw value in highlighting the potential for video to be a critical method of communication in the current uncertain times, so we released a blog on [Reporting in Times of Uncertainty – the use of video](#).

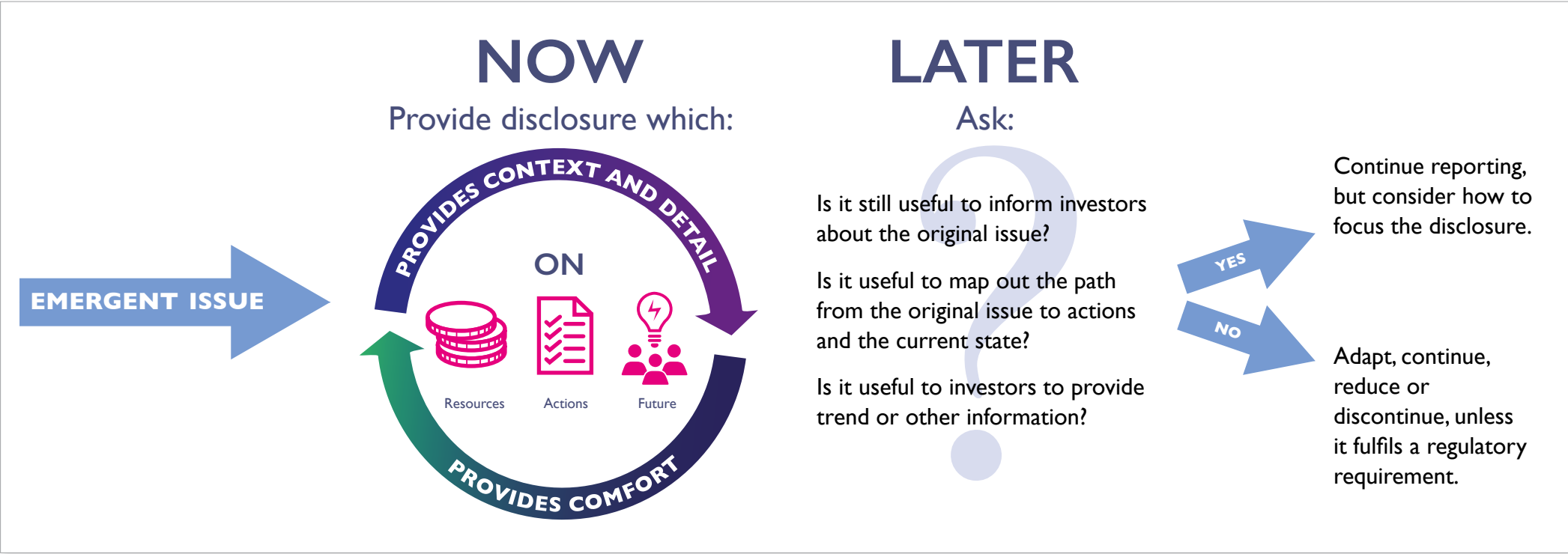
A model for reporting

Any need for reporting creates a work effort for companies, and this can be especially impactful when finance and management teams are already under tight resource pressure. Both investors and regulators seek information that is specific to the company rather than boiler-plate disclosures, which are of little value.

Our early discussions with investors on reporting during COVID-19 followed a pattern similar to the model we developed when looking at the reporting of supplier payment issues (see diagram). Investors wanted to quickly understand the issue, the context and then more specific issue focused disclosure dependent upon the most relevant issue for the individual companies.

As previously noted, this reporting might well be outside of annual reports or half-year reporting. This creates some practical challenges for companies, but ultimately should also allow the annual report to remain a summary that highlights the material aspects of the situation.

FIGURE 2 – Reporting on emerging issues



Section 2

Resources



Cash resources

“There is no such thing as bad weather, only inappropriate clothing. [The] same goes for fortune. There is no such thing as bad fortune. Only inappropriate expectations and reactions”

Sir Ranulph Fiennes

The COVID-19 situation is a significant and highly disruptive event and covers almost all geographies and sectors. What is important is how companies respond, and ensuring they have adequate resources to do so. Investors want to understand quickly what resources and liquidity the company has access to. While ultimately company resources such as technology, employees and the supply chain will be important, it is cash position (and its utilisation) that is critical in the short term, as it provides flexibility.

Why is cash disclosure necessary?

Understanding the generation, availability, and use of cash is fundamental to the investment process, both in the assessment of management's historical stewardship of a company's assets and in supporting the analysis of future expectations. This is true under normal market conditions, but becomes even more critical in times of market stress. Without cash, businesses do and will fail. Without a longer-term financing strategy, business models may not be sustainable.

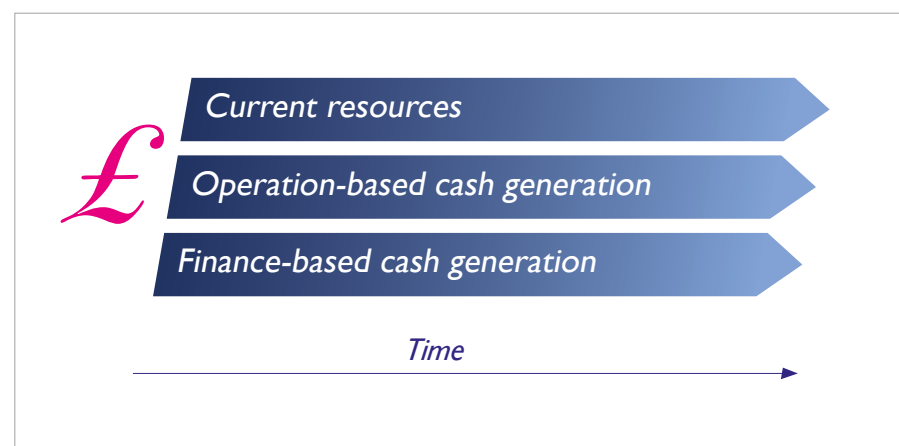
Traditionally, the core disclosure that supports investor questions about cash is the cash flow statement. It provides information about the historical flow of cash. However, in our project report [“Disclosures on the Sources and Uses of Cash”](#), we concluded that the disclosures that can be more helpful to investors in answering their questions about cash are often provided outside of the cash flow statement, and often outside of the annual report completely. These disclosures often provide information about the cash that the company can access now rather than its historical position. Our recent discussions with investors indicate that this is even more important in the current situation.

However, investors recognise that in the short and medium term the balance of cash resources and generation might change and evolve. Good disclosures therefore cover three elements; the current cash position, operational cash generation and expected finance-based cash inflows. Providing information about the amount, context and timing of each is very helpful.

Survey results

As part of this project, the Lab undertook a survey with investors and others focused on the types of information that they would like to see from companies in the current environment. A total of 89 respondents completed the survey (which ran from mid-March and closed at the end of April.) Throughout this report we will highlight insights from the survey, and an infographic of some of the other results is included in the [Appendix](#).

FIGURE 3 – Good disclosure covers the balance and timing of three sources of cash



Areas of focus

In our cash project, investors told us that they want, at a high level, an overall discussion of a company's cash drivers, supported by further details. This is still true today, although the time horizon of the drivers, the sources and the uses is now focused on months rather than years.

The two critical questions that investors are seeking answers to are:

- What cash and liquid resources does the company have now?
- What cash and liquid resources could the company get access to in the short term?

“... at the moment the focus for companies and investors is basically... how much cash have you got now and how much cash can you get hold of?”

Investor

What cash and liquid resources does the company have now?

Available and current cash

The current uncertainty means that investors value companies that have the most significant financial flexibility in the short term. Investors want to understand more detail about the context of cash and its availability in the short term, whether from investor presentations, interim reports or other timely communications. The level and amount of detail required will depend on the individual company as well as the quality and timing of previous disclosures.

Elements that boards might look to include:

The amount and nature of cash and liquid resources

- How much is the total amount of cash?
- What currency is it in (especially important given FX impacts)?
- What is the nature of the cash – is it immediately available or held in another way such as short-term deposits?

Cash location

- Where is the cash located within the group?
- What is the context of the cash? Which legal entities is it associated with?
- What is the process or oversight of movement of cash within the group?

Barriers

- Are there any barriers that limit the ability to access the cash?
- Are there capital controls or regulatory issues to consider?
- What level of control or independence do subsidiary boards have?
- Are some of the cash balances restricted, or do they represent deposits or other customer balances?
- Will moving the cash around the group trigger tax or other liabilities?
- Are subsidiaries under external pressure to cut or reduce dividends?
- Are some of the cash balances restricted, or do they represent deposits or other customer balances?

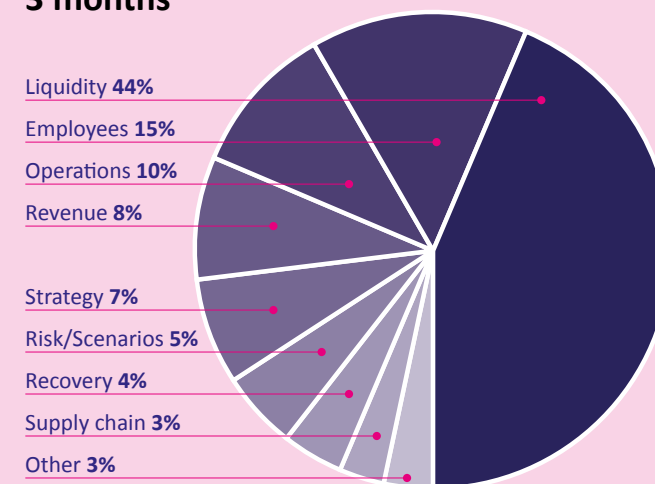
Survey results

We sought to understand what topics investors will be focusing on in the next three months, and the clear answer was cash and liquidity.

Around 45% of respondents prioritised information that focused on current cash resources and company plans to manage shorter-term liquidity issues. The second most mentioned item (15%) was information regarding employees, and the impact that the pandemic was having on their well-being.

FIGURE 4 – Topics on which investors are focused in the next three months

3 months



The importance of detail: A complex picture

It was estimated by [Harvard Business Review](#) that US companies were sitting on nearly \$4 trillion of cash at the end of 2019. This would suggest therefore that they had plenty of resources to respond to the Coronavirus crisis. However, further analysis showed that around 85% of that cash was held outside of the US.

For many years US companies have collected cash for non-US operations outside of the US in order to delay the triggering of tax liabilities. This has led to large sums being built up outside of the holding company. This does not necessarily mean that the cash is accessible to the holding company.

Countries across the world have begun to impose strict conditions on support measures in the current crisis. These include restrictions such as stopping dividend payments, introducing additional capital buffers and other measures which may limit the ability of the company to move cash around the group.

Similarly, there may also be softer restrictions such as ethical or other considerations, possibly backed by law. In the UK, Section 172 of the Companies Act 2006 creates a duty on directors to have regard to a wider range of stakeholders than just shareholders. Would paying a dividend to a holding company impact a UK subsidiary's ability to support its own workers and suppliers? In such an environment, the specific detail and context of a company and its structure becomes even more relevant.

What cash and liquid resources could the company get access to in the short term?

As well as understanding the level of cash that a company has, investors also want to understand the level of debt and other facilities that the company has access to.

The Lab's previous report on [Debt terms and maturity tables](#) highlighted some of the items that were useful for investors in assessing a company's current debt (such as maturity, cost, etc.).

Companies might wish to consider if enough detail about such instruments are already available (through the annual report disclosure), or whether additional information would be useful.

Debt terms and maturity

Investors seek to understand the ability of a company's finances to withstand the short and medium-term consequences of the current situation. A critical part of building this understanding is assessing the debt facilities and capacities of a company. Investors consider the following to be significant:

- Clarification on how much debt is owed at the moment and where it is within the group.
- For each significant borrowing: the principal borrowed, the currency of denomination, and carrying amount on the balance sheet.
- A contractual maturity table; showing a total for principal payments, a comparison to the carrying amount in the balance sheet and a list of maturity dates (month and year) for each obligation.
- Interest rates in detail by obligation and on an aggregate weighted average basis and clarification on whether debt interest or principal has been hedged.

- The terms of bank facilities, showing drawn and undrawn amounts, describing the process for renewal and explaining financial covenants, how they are calculated and the current levels, including how much headroom there is. Where there are no covenants, it is crucial to note this.
- If rating triggers are in place, an explanation of what they are.
- For new debt that a company obtains, outline the terms and whether there is any connection to a government support scheme.

Short-term availability

Over the longer term, companies are only viable if they can generate sustainable, positive cash flows from the underlying business. However, investors understand that over the short or medium term companies might need additional financing to fund restructuring, expansion or, in stress scenarios, ongoing activity.

Where companies need to raise financing or are dependent on the renegotiation of existing finance, investors expect that this is acknowledged and disclosed within the half-year and year-end reports.

Some areas that investors identified as helpful include:

- Information about the company's short-term financing arrangements, facilities and other obligations and likely changes.
- Information about the credit lines (committed and uncommitted, drawn and undrawn) that the company has access to.
- Whether the company has added support, e.g. from related businesses, shareholders, suppliers.
- Whether any covenants are being imposed or waived.

Also, if accessing funds through a non-pre-emptive issuance, investors have [specific expectations](#) around how this will be done, including the involvement of company management and the adherence to 'soft pre-emption' where possible. The statement, issued by the Pre-Emption Group, provides further details and also contains some specific expectations around disclosure. For example, that the particular circumstances of the company should be fully explained, including how they are supporting their stakeholders.

Information once finance has been accessed

As the crisis continues, many companies have taken action and have called down credit lines, or issued capital or loan instruments to existing shareholders and governments. However, while a full capital raising brings about transparent disclosure through a prospectus, some of the other financing activities require only limited formal market disclosure.

Companies are often rightly focused on the operational issues related to obtaining financing. However, companies should also consider what investor disclosure would be useful in the wake of such capital and liquidity actions.

Types of information that investors might find helpful include:

- Nature of the additional funding/resources? Where in the group is it?
- What are the terms and conditions attached to financing, specifically the cost, timeframe and covenant conditions?
- What security/guarantees were provided (if debt)? What voting rights attach if it was equity?
- What is the company planning to do with the new cash/liquidity? How will these decisions affect stakeholders?
- How does the new cash/liquidity impact the previous viability assessment made by the company?
- What is the impact on related key performance indicators such as net debt, or EPS?

Expected proceed use

Clear & Concise Reporting Plc intends to use the proceeds from the rights issue in April 2020 and Japanese Government Loan for these purposes:



£150m
£840m



To build balance sheet strength.



To meet the new battery factory fit out.



£340m



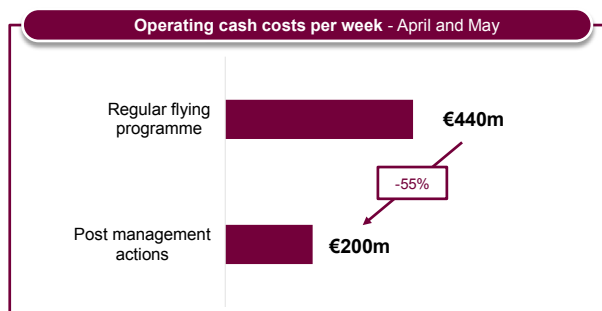
To fund fixed and operating costs during the next 7 months per our downside scenario.

Lab comment

This example, produced by the Lab for a fictional company, shows how it has obtained cash in the short term and what it plans to do with it.

Cash operating costs more than halved

Short-term operating cost reduction



Note:

- excludes revenue, working capital, tax, debt amortisation and pension deficit payments
- includes interest cash expense and income
- includes finance lease repayments and operating lease rentals
- includes fuel and FX over-hedge losses as of 31 March
- based on 94% capacity reduction in April and May and c.400+ cargo flights per month

IAG

What is useful?

IAG highlight the management actions they have undertaken on operating expenses and capex and give some indication of the quantum of the post-action costs.

Management actions

- Furlough of crew and staff
 - UK Job Retention Scheme
 - Spain ERTE
 - Ireland Wage Subsidy Scheme
- Salary reductions and contractor layoffs
- Ending non-essential discretionary spending (e.g. IT, recruitment, training, marketing, T&E, etc.)
- Partly offset by over-hedge cash losses
- Partly offset by boosting revenue from cargo only flights
- Further actions planned for June onwards

International Airlines Group S.A.

[IAG results presentation](#)

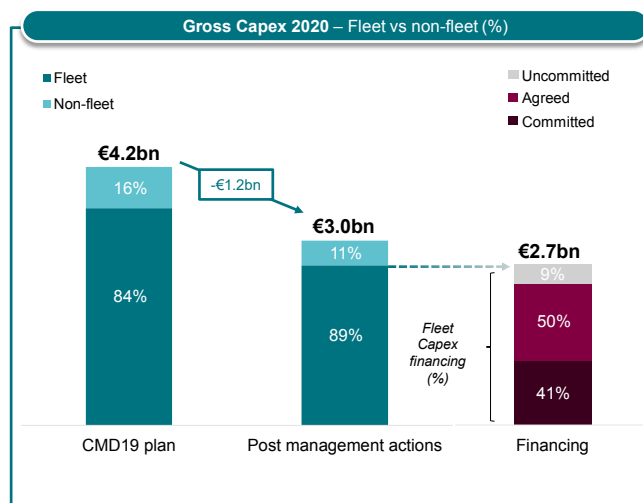
Quarter 1 2020

7 May 2020, Slides 9 and 10

IAG INTERNATIONAL
AIRLINES
GROUP

2020 capex reduced by €1.2bn and largely financed

2020 capex plan update



Management actions

- 2020 capex reduction of €1.2bn to €3.0bn (of which €0.7bn spent in Q1)
- Fleet plans reflect latest negotiations with OEMs
- Fleet related capex down by €0.9bn from deferral of aircraft and associated payments
- More than 90% of 2020 fleet capex financed
- Property, ground equipment and IT spending reduction of more than €0.3bn
- Seeking to reduce further

IAG

Note: Agreed and committed financing includes €0.6bn of sale and lease-back

10

4. MEASURES TO GENERATE AND SECURE CASH RESOURCES

SECURING FINANCE FACILITIES

NEXT is currently financed by £1,575m of bonds and bank facilities.

Revolving Credit Facility Covenants

We have now received agreement from all our banks to waive the covenant compliance tests until January 2021. There are no financial covenants within the terms of our bonds.

Covid Corporate Financing Facility (CCFF) Application

Our application to draw on the Bank of England's Covid Corporate Financing Facility (CCFF) was approved on 3 April, with funding being available from Monday 6 April. Under all the sales scenarios modelled above, we would not need to draw on this facility. However the availability of additional financing means that, if sales were lower than our worst case, we still have significant cash resources to draw on.

The terms of the Government loan scheme mean we are not permitted to disclose the size of our facility. For information, the Bank of England's guidance published on their website, states that companies with NEXT's pre-crisis credit rating are permitted up to £600m.

GENERATING ADDITIONAL CASH RESOURCES

The following table sets out the measures we are taking to generate and conserve the Company's cash resources.

Action	Description	Year end value £m
Suspend buybacks	We expected to spend £280m on buybacks, we spent c.£20m in January, the balance will now be retained.	+260
Suspend dividends	We will suspend shareholder distributions until the situation stabilises.	+220
SUB TOTAL	Total reduction in shareholder distributions	+480
Asset sales	We have completed the sale and leaseback of some of our warehouses (£107m) and are in advanced stages of agreeing the sale and leaseback of our Head Office in Enderby (£48m).	+155
Defer capex	We had originally planned to spend £145m this year. £45m of this expenditure was uncommitted and not essential (for example, store cosmetic refit capex).	+45
ESOT loan recall	This involves our Employee Share Option Trust (ESOT) selling shares they do not currently need to cover employee options (at today's share price) and repaying part of the loan from the NEXT Group used to buy these shares. To date we have sold shares to a value of £87m.	+87
Suspend ESOT purchases	We have suspended purchases of shares into our ESOT. We had originally planned to spend £40m in the current year.	+40
TOTAL	Total increase in cash resources versus Base Case	+807

next plc



Next PLC

Trading Statement – 29 April 2020
Pages 8, 9 and 10

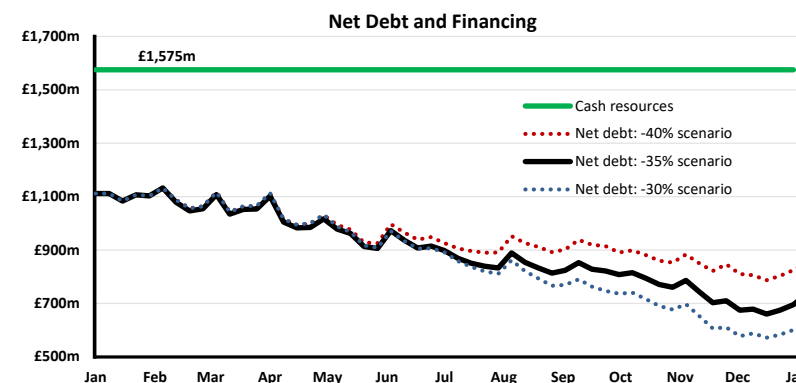
What is useful?

Next highlights the measures it has taken to generate and secure its cash resources.

NET DEBT, FINANCING AND HEADROOM

Based on our three sales scenarios, our net debt will have peaked in February at £1.15bn. It has since fallen mainly as a result of the sale of ESOT shares (£87m). We expect net debt to fall further in May when we receive the lion's share of the proceeds from the sale and leaseback deals (£146m). Under the -35% scenario we expect net debt to close the year at £740m.

As can be seen the Company remains at least £400m within its debt and bond facilities of £1,575m and this is *before* accounting for any funds that might be drawn from the Government CCFF.



Operation-based cash generation

The business model is often thought of as annual report disclosure, but the most successful disclosures remain current. The current circumstances merit showing the business model on the website. In the original report on sources and uses of cash, we explored views on disclosures that provide greater clarity on the link between the business model and cash generation; this too needs to adapt.

Understanding the link between the operations of a company and how it generates cash is a critical objective for investors. However, this is not always easy to do from the information a company discloses in the annual report. Investors participating in the [Sources and Uses of Cash](#) project noted that, even under normal circumstances, there could be a lack of clarity, and it was a challenge to understand how the operations of the business are generating cash.

In these evolving conditions, understanding how the business model may be adapting and how it is generating cash in the shorter term is critical, especially as this might be different from the historical model. In the current situation, a business's operations might be impacted by very different circumstances. For example, companies that have a broad geographic or operational spread might have elements of the business that are experiencing high demand, as well as those that are effectively suspended. Whilst the business model disclosure is not the only place investors will go for information, for many it remains an important starting point, especially for those new to the business. As such, it is essential that the disclosure clearly explains how and where cash is generated, or references relevant disclosure throughout the rest of the report.

Critical aspects of cash generation that could be enhanced in the business model and related disclosures include:

- Disaggregation of profit generation, by product line, segment or geography, level of regular activity etc.; and
- Detail around the conversion of profit into free cash (or another cash metric, as selected by the company).

Performance metrics

One way of measuring the success of the business model in generating cash is by using appropriate performance metrics. A previous [Lab report](#) on performance metrics set out five principles for their disclosure. These were that performance metrics should be: aligned to strategy, transparent, in context, reliable and consistent. These remain relevant to reporting in the context of COVID-19.

FRC Guidance

[FRC Guidance on Exceptional or similar items and Alternative Performance Measures](#)

On 20 May the FRC updated its COVID-19 related guidance for companies to outline its expectations regarding the reporting of Exceptional or similar items and Alternative Performance Measures. This note provides the following:

APMs should also be presented consistently year-on-year. However, there may be circumstances where the Covid-19 crisis has, for example, resulted in a company making changes to its operations or business model. These may result in changes to the APMs used to run and monitor the business. In these circumstances, readers should be informed of any such changes and provided with an explanation of why they provide reliable and more relevant information.


APMs which attempt to provide a measure of 'normalised' or 'pro-forma' results, excluding the estimated effect of the Covid-19 crisis, are likely to be highly subjective and, therefore, potentially unreliable. In addition to the subjectivity arising around which costs to exclude, in most cases Covid-19 is likely to have resulted in reductions in revenues. Any adjustment for lost revenues would be hypothetical and could not be reflected reliably in an APM. We do not expect companies to provide these measures; for example, by including them in a 'third-column' income statement presentation.

Given that the current issues are both global and local, general segmental information provided by a company might not be in enough detail to determine the potential impacts, and further specific breakdowns would, therefore, be welcomed. An example split has been produced by the Lab.

However, the most relevant disaggregation will be one that makes sense in the context of the company itself and at the point of time of reporting. The disclosure of any additional split should, however, not be at the expense of longer-term reporting segments or trends.

The IHG example on page 21 is another approach. They breakdown the key KPI by month and region; this provides numerical context to performance. This may be a useful approach in the context of the full year as the specific timing of performance may help to both cover the current impacted historical performance as well as indicate what performance under the new normal conditions look like.

FIGURE 5 – Lab metrics example

	Severely-impacted markets*	Impacted markets	Normal markets
Percentage of group's operations (PY)	50%	30%	20%
Percentage of operations open	20%	60%	95%
Cash balances at 31/04/2020	£105m	£20m	£16m
Debtor days	92 days	66 days	32 days
Creditor days	30 days	30 days	30 days
Quarter cash generation	-£67m	£2m	£14m
* For explanation of the categories and reconciliation to IFRS see Section X of the Annual Report.			

Lab comment

This example, created by the Lab, outlines an approach to further disaggregation of key performance metrics based on the company's view of market status.

Section 3

Action

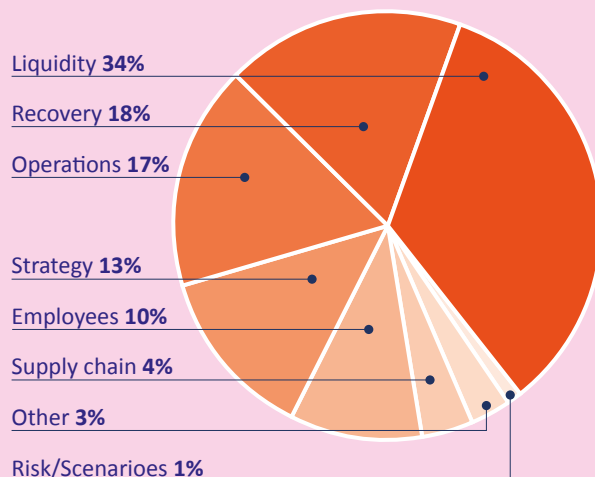


Survey results

Our survey showed that, whilst disclosure that supported liquidity was still the most important area, information on how a business is recovering and how the crisis has impacted its operations will be increasingly important.

FIGURE 6 – Topics on which investors are focused in the next six months

6 months



“When something bad happens, you have three choices. You can either let it define you, let it destroy you, or you can let it strengthen you.”

Theodor Seuss Geisel, as quoted in [Jeff Bezos’ 2019 Shareholder letter](#)

Action: signalling in the short term

The importance of management actions

As crucial as currently available cash are the actions that management can take to sustain, extend, and support the company’s ability to remain viable.

In the short term, actions might include efforts to manage expenditure and cash outflow, and considerations around shorter-term resilience. In the medium term, they might include accessing support and finance schemes, and in the longer term, they might include strategic pivots and business model changes.

Deciding what to report presents a challenge in such uncertain circumstances. Where actions might need to be taken quickly, a company may need to provide a range of outcomes without being definitive.

One way a balance might be struck is to consider the critical questions that investors have around possible management actions.

Our discussions with investors identified two distinct objectives for disclosure. Firstly, to provide the details of actions actually taken, and secondly to provide information that helps investors understand possible future actions depending on the plausible scenarios that it might face.

Two critical questions that investors are trying to answer are:

- What is the company doing to reduce expenditure and cash outflow?
- What other actions can be taken to support viability?

What is useful?

WPP highlights the programme of actions taken across cost, capex and working capital, shareholder returns and ongoing issues.

WPP PLC

[Trading Update First Quarter 2020](#)
29 April 2020, slide 15



EXTENSIVE PROGRAMME OF ACTIONS TO PROTECT BUSINESS AND PEOPLE FROM COVID-19 IMPACT

COST

- Hiring freeze, freelancer review, delays to pay rises and stopping discretionary spend
- Exec and Board salary sacrifice
- In-year impact of £700-800m

SHAREHOLDER RETURNS

- Kantar buyback suspended with £330m out of £950m completed
- 2019 final dividend suspended
- Immediate cash saving of £1.1bn

CAPEX AND WORKING CAPITAL

- £100m reduction in capex budget
- Continuous review of working capital movements
- Significant self-help opportunity remains

ONGOING

- Further action on cost including reduced working hours, salary sacrifice, headcount reductions
- Plans developed against range of economic scenarios
- Material longer term efficiency potential

7 May 2020

InterContinental Hotels Group PLC
2020 First Quarter Trading Update

Highlights

- **Group Q1 comparable RevPAR¹ down 24.9%; March down 55%; April expected to be down around 80%**
- **~15% (~1,000 hotels) of the estate closed as at the end of April; ~10% (~440 hotels) in the Americas, ~50% (~560 hotels) in EMEAA and ~2% (10 hotels) in Greater China**
- **Occupancy levels in comparable open hotels in the low-to-mid 20% range**
- **4.6% YoY net system size growth to 882k rooms**
- **6k rooms opened, including 1k in March**
- **Signed 14k rooms (104 hotels) in the quarter, including 4k in March, taking the pipeline to 288k rooms**
- **Delivering on our cost reduction and cash conservation actions across the System Fund and Fee Business; on track to reduce Fee Business costs by up to \$150m and capex by ~\$100m; further cost measures to be implemented to manage the business through the evolving trading environment**
- **~\$2bn of liquidity available; extension secured on \$1.275bn syndicated RCF until September 2023 in addition to covenant waivers already in place; £600m (~\$740m) of CCFF funding issued**

Keith Barr, Chief Executive Officer, InterContinental Hotels Group PLC, said:

"Covid-19 represents the most significant challenge both IHG and our industry have ever faced. We are responding on every front and taking decisive action to the benefit of all our stakeholders. Our top priority remains to support our guests, colleagues and hotel owners through this crisis, whilst protecting for the long term and positioning the business for recovery. I would like to sincerely thank everyone at IHG and our owners for the way they have responded to this challenge. This includes protecting the health and safety of guests and colleagues; flexing booking and cancellation options for guests and protecting their loyalty membership status; and repurposing hotels to provide essential activities including accommodation to frontline workers, military personnel and vulnerable members of society. We have been working closely with our owners to help keep hotels open, including advising on adjusting operations, providing fee relief and payment flexibility, and collaborating to secure broader government support for the industry.

Following a solid performance in the first two months of 2020, occupancy levels dropped to historic lows in March and April, as social distancing measures and travel restrictions came into effect around the world. Global RevPAR in the first quarter declined by 25%, including a 55% decline in March, and we anticipate April to be down by around 80%. In the US, our biggest market, our franchise portfolio of 3,750 mainstream hotels has seen lower levels of RevPAR decline than the industry, and as at the end of April we had ~90% of our estate open. Our business is also weighted towards non-urban markets that are less reliant on international inbound travel and large group meetings and events, which provides a level of resilience during this difficult period.

Appendix 1: First quarter RevPAR movement summary

	Q1 2020			Monthly RevPAR		
	RevPAR	Rate	Occ.	Jan	Feb	Mar
Group	(24.9)%	(3.0)%	(14.4)%pts	(1.5)%	(10.8)%	(55.1)%
Americas	(19.3)%	(3.8)%	(10.4)%pts	0.2%	(0.9)%	(49.0)%
EMEAA	(25.7)%	(6.0)%	(14.2)%pts	2.1%	(11.3)%	(62.7)%
G. China	(65.3)%	(13.2)%	(32.4)%pts	(24.6)%	(89.3)%	(81.4)%

**InterContinental Hotels Group PLC**

First Quarter Trading Update to 31 March 2020
pages 1 and 4

What is useful?

IHG provides an update on the quarter with some quantitative data of the impact in April, which is outside of the reporting period.

They support the highlights with a narrative from the CEO, emphasising how the actions taken now protect the long-term sustainability of the business by considering key stakeholders such as customers, the workforce and society.

In addition, they provide a monthly breakdown of some important KPIs, which is also split by region, allowing investors to see the actual effects of COVID-19.

Expenses and cash outflows

A combination of logistical disruption and government-mandated shut-downs has created an unprecedented decline in activity for many companies. Against such a steep fall in demand, companies are taking action to reduce costs and reduce cash outflows. In the short term, investors want to understand the scope and nature of management actions and get some sense of their ability to adapt. In the longer term, they want to understand the horizon for such expense and capital allocation changes.

Important disclosures might include:

- Whether the company is changing its dividend policy or cancelling a dividend.
- Information on the extent to which supplier financing schemes are being used, and what commitment the provider has given to maintain access to these schemes.
- Information about the nature and timing of capital expenditure commitments, and whether there is any flexibility.
- Information about any payments that may be deferred, e.g. tax payments.
- Ability to access support or schemes such as furloughing.
- Information about the company's approach to its pension funding.

Impacts on dividends

The Lab's previous work on dividends: [Disclosure of dividends – policy and practice](#) showed that investors want to understand a company's policy on dividends, and the capacity to maintain that policy over the medium term. Such disclosures are fundamental to their assessment of stewardship (in the current period) and the longer-term value and sustainability of the company.

While the time horizon of investors may have shortened fundamentally, they still want to understand the approach to dividends in the short term, including whether they are going to be cancelled, reduced or maintained. Such information might wait until the annual report or may need to be reported via interim or investor presentations.

“In today's environment keeping your existing dividend policy is an active and somewhat bold decision, and one you have to explain”

Investor

Dividends in a crisis

A number of individual asset managers and other investor groups have been quick to comment on the need for dividend policy to respond to the current circumstances:

“Shareholders ask companies to take into account the suitability and sustainability of a dividend payment in light of current uncertainties”
[Investment Association 2020](#)

These concerns reflect the need for companies to consider not just the needs of investors, but of a wide range of stakeholders, and that retaining financial flexibility is highly desirable in the current uncertain environment.

Regulators across the world have also considered whether dividends remain appropriate in the current circumstances. In the UK, the Prudential Regulatory Authority [asked Banks](#) to restrict dividends, cash bonuses and share buybacks. Under the [Coronavirus Large Business Interruption Scheme](#), companies borrowing more than £50 million must agree to restrictions on dividend payments, senior pay and share buy-backs during the period of the loan.

All of this action could lead to UK dividend income being significantly reduced in 2020.

Dividend disclosures reflecting the current circumstances should answer the following questions:

- Status of the policy – Have dividends been suspended, rebased, cancelled or delayed?
- Why this policy? – What is the rationale for maintaining or changing the policy, and what is the impact on cash outflows?
- What are the risks and constraints associated with this policy, including how the company has had regard to its stakeholders concerning the decision, particularly where a company is seeking government support measures?
- What are the critical judgements and constraints considered by the board in reaching the current policy?
- What is the availability of dividend resources, including cash and distributable profits, to pay dividends, both at declaration and payment?
- What are the plans for using the cash not distributed?
- Over what period will the policy be subject to re-assessment?

FRC Guidance

[FRC guidance on dividends and capital maintenance: COVID-19](#)

On 26 March 2020 the FRC published COVID-19 related guidance for companies, which has subsequently been added to as additional updates have been made. This guidance addresses, in part, issues around dividends and capital maintenance and states the following:

Many companies have already adjusted their approach to dividends and their shorter-term dividend policies to support their balance sheets and provide financial flexibility. For those companies that have proposed but not yet made a dividend (declared by the members in general meeting for a final dividend or by payment for an interim dividend), directors need to consider not only the position of the company when the dividend was proposed but also when it is made. Where the company is no longer able to pay a dividend, directors should halt any dividend and communicate as appropriate to the market.

The assessment of whether a dividend is appropriate should include consideration of current and likely operational and capital needs, contingency planning and the directors' legal duties, both in statute and common law. Directors must ensure that the capital maintenance rules of Part 23 of the Companies Act 2006 are complied with, that they fulfil their duties under Section 172 of the same act and that due consideration is given to their fiduciary duties to ensure the company will be able to pay its debts as they fall due.

In some cases, it may be necessary to move funds around a group, using inter-company dividends from subsidiaries to their parent companies or capital contributions between companies. Once again directors must ensure that such transfers comply with statute and the common law duties of directors.

Dividend announcement

Royal Dutch Shell plc first quarter 2020 interim dividend

April 30, 2020

The Board of Royal Dutch Shell plc (“RDS” or the “Company”) today announced an interim dividend in respect of the first quarter of 2020 of US\$ 0.16 per A ordinary share (“A Share”) and B ordinary share (“B Share”), reduced from the US\$ 0.47 dividend for the same quarter last year.

The pace and scale of the societal impact of COVID19 and the resulting deterioration in the macroeconomic and commodity price outlook is unprecedented. The duration of these impacts remains unclear with the expectation that the weaker conditions will likely extend beyond 2020. In response, Shell has taken decisive actions to reduce our spending and position our businesses to compete in the current lower commodity price environment and uncertain demand outlook. The Board of Royal Dutch Shell has taken the decision to reset its dividend to provide financial resilience and further flexibility to manage the uncertainty. Shell is taking the steps necessary to ensure that we are well-positioned for the eventual economic recovery.

Chair of the Board of Royal Dutch Shell Chad Holliday commented: “Shareholder returns are a fundamental part of Shell’s financial framework. However, given the risk of a prolonged period of economic uncertainty, weaker commodity prices, higher volatility and uncertain demand outlook, the Board believes that maintaining the current level of shareholder distributions is not prudent. Following the announcement not to continue with the next tranche of the share buyback programme, the Board has also decided to reduce the first quarter 2020 dividend and reset to 16 US cents per share.

As conditions allow, the Board will continue to evaluate our capital allocation priorities between ongoing investment in our business, maintaining a strong balance sheet and increasing returns to shareholders which remains our ambition.”



Royal Dutch Shell plc

Dividend announcement – 30 April 2020

What is useful?

Royal Dutch Shell’s announcement highlights the driver of the decision to reduce the dividend (being due to commodity prices and COVID-19) and puts it in the context of other actions that management have taken. It also clarifies that the reduction is a reset of the policy, and confirms management’s intention to evaluate capital allocation priorities in future.



Sainsbury's



J Sainsbury plc

[Update on the impact of COVID-19 and Preliminary Results for the 52 weeks to 7 March 2020](#)

Page 1

What is useful?

Sainsbury's preliminary announcement puts the decision to defer the dividend payment decision in the context of the current uncertainty about costs, revenues and disruption. It also highlights that the company's additional stress-testing shows sufficient cash and committed funds are in place, and that it has not used the government's furlough or delayed VAT payment schemes.

We have modelled a broad range of scenarios. Our base case assumes that lockdown restrictions will have eased by the end of our first quarter (end June), but that the business will continue to be disrupted until the end of the first half (mid-September). We also assume that consumer demand, particularly for general merchandise and clothing, will be impacted by weaker economic conditions thereafter. Sales assumptions are provided later in this statement. Under this scenario we would expect Group underlying profit before tax for the year to March 2021 to be broadly unchanged year on year. This includes a profit impact of over £500 million due to significant costs associated with protecting customers and colleagues, weaker fuel, general merchandise and clothing sales and lower financial services profitability, broadly offset by stronger grocery sales and approximately £450 million business rates relief. We have decided not to take up the government's offer of furlough payments or delaying VAT payment.

There are many sensitivities that sit behind these assumptions, above and beyond the duration of different stages of lockdown and there is not necessarily a linear relationship between the duration of COVID-19 impact, costs incurred and sales impact. Hence we cannot be more certain of this base case scenario than any other. It is simply our best estimate on each of the assumptions at this stage. Sales, profit and cash flow could be additionally impacted in the event of further periods of lockdown; the cost of protecting colleagues could exceed current estimates; colleague absence and/or measures to protect colleagues and/or customers could reach levels that make it necessary to restrict the number of

sites that we are able to keep open and/or services we are able to offer. Consumer spending across grocery, general merchandise and clothing and the profitability of our financial services business could additionally be more heavily impacted by the longer-term impact of COVID-19 on the UK economy than we have assumed.

We have used more negative scenarios in stress-testing for financial viability purposes. Even with additional stress, we are confident that we have sufficient cash and committed funding in place to meet our obligations for the foreseeable future.

However, given the wide range of potential profit and cash flow outcomes, the Board believes it is prudent to defer any dividend payment decisions until later in the financial year, when there will be improved visibility on the potential impact of COVID-19 on the business.



PHOENIX GROUP

Phoenix Group Holdings plc: Trading update

7 May 2020

PHOENIX GROUP'S RESILIENT CAPITAL POSITION SUPPORTS PAYMENT OF 2019 FINAL DIVIDEND

Phoenix Group Holdings plc ("Phoenix" or "the Group") provides a positive trading update ahead of its AGM on 15 May 2020, outlines its ongoing response to the COVID-19 crisis and reaffirms the Board's decision to recommend payment of the proposed 2019 final dividend.

Key messages

- Phoenix's priorities throughout this challenging period have been to support and protect customers, colleagues and the communities in which we operate, whilst protecting the long-term value of the Group.
- Phoenix is committed to playing its full part in supporting the real economy throughout the disruption arising from COVID-19.
- Strong business continuity planning has enabled the Group to protect colleagues through mobilisation of homeworking and ensured the business continues to deliver strong service to customers.
- We have not accessed any government support schemes and our employees are all receiving full pay with none furloughed.
- Phoenix's focus on resilience is reflected in an estimated Solvency II surplus of £4.0 billion¹ as at 24 April 2020 (£3.1 billion² as at 31 December 2019) with an estimated shareholder capital coverage ratio³ of 172% as at 24 April 2020 (161% as at 31 December 2019).
- Despite the challenging environment, we continue to target 2020 cash generation of £800 - £900 million.
- The acquisition of ReAssure Group plc is on track to complete in July 2020, subject to regulatory approval.
- The Board continues to recommend payment of the proposed 2019 final dividend of 23.4 pence per share, subject to approval by shareholders at the AGM on 15 May 2020.

Andy Briggs, CEO of Phoenix Group commented:

"The resilience of both Phoenix's operations and its balance sheet has been demonstrated during this period of significant market volatility. In these extraordinary times, Phoenix is taking significant steps to support and protect its customers, colleagues and the communities where we operate. We remain focused on delivering cash, resilience and growth and are on track to complete the acquisition of ReAssure in July. I am extremely grateful to my colleagues for the dedication and spirit they have shown throughout this challenging time."

Nicholas Lyons, Chairman of Phoenix Group commented:

"Phoenix recognises the importance of its role in society and we are passionate about being a good custodian of our customers' savings. The Board also recognises that dividends are an important income stream for retail savers and the funds they invest in. The decision to recommend payment of the 2019 final dividend has been taken following extensive work, including assessing the impact of very severe scenarios on our solvency position, and only after ensuring we have sufficient capital to protect our customers' interests."



Phoenix Group Holdings Plc

Phoenix Group's Resilient Capital Position
Supports Payment Of 2019 Final Dividend
7 May 2020

What is useful?

Phoenix Group's release covers management's decision on maintaining the dividend and highlights why cash generation and the business support the payout. It also notes a number of actions for other stakeholders.



PHOENIX GROUP

Phoenix Group Holdings plc: Trading update

7 May 2020

Key highlights

PROTECTING OUR CUSTOMERS, COLLEAGUES AND COMMUNITIES

In these extraordinary times, Phoenix is taking significant steps to support and protect its customers, colleagues, and our communities.

Customers

- Delivering strong customer service: despite the challenge of home working, we have maintained a high standard of service and customer satisfaction remains above 90%.
- Promoting digital access: c.1.2 million customers contacted to encourage increased use of digital access resulting in 70% more log-ins in March 2020 compared to a typical month in 2019.
- Supporting customers: initiatives include switching cheque payments to bank transfer for annuitants, making the life insurance claims process as smooth as possible and removing the moratorium period for newer customers of SunLife.
- Looking after NHS workers: priority contact service established for frontline workers.

Colleagues

- Enabling 99% of employees to work from home within 10 days of the lockdown being announced, supported by the deployment of over 4,500 individual pieces of IT equipment.
- None of our 4,400 colleagues have been furloughed and staff remain on full pay.
- Initiatives put in place to protect the very small number of employees classified as key workers.
- Paid emergency leave provided to colleagues with caring responsibilities.
- The Remuneration Committee recognises the impact of COVID-19 on all stakeholders and will consider this when determining executive remuneration in 2020.

Communities

- The Group has made a £1 million charitable donation split between Age UK and charities supporting the local communities where we operate across the UK and Europe.
- Phoenix has established a new collective giving scheme where we will match donations of all colleagues, including Directors, up to £1 million.
- Ongoing investment in socially responsible community assets to support the real economy in 2020 have included £70 million in lending to Local Authorities, £75 million to Housing Associations, and £30 million to a renewable energy project.

DELIVERING CASH, RESILIENCE AND GROWTH

Resilient Solvency II balance sheet with increased surplus

- Solvency II surplus increased by £0.9 billion from £3.1 billion² as at 31 December 2019 to £4.0 billion¹ as at 24 April 2020.
- Solvency balance sheet has moved broadly in line with published sensitivities with £(0.2) billion negative economic variances in the period comprised primarily of strains from falls in interest rates and widening of credit spreads partially offset by gains from falls in equities.
- Shareholder capital coverage ratio³ of 172% as at 24 April 2020 (161% as at 31 December 2019) remains well within the Group's target range of 140%-180%.
- £1.1 billion debt raised in the period to fund the proposed acquisition of ReAssure Group plc comprising a USD750 million Restricted Tier 1 Note in January and a £500 million Tier 2 Note in April.



PHOENIX GROUP

Phoenix Group Holdings plc: Trading update

7 May 2020

High quality credit portfolio

- 98% of £20 billion shareholder debt portfolio is investment grade and only 15% is BBB.
- Limited exposure to sectors most at risk with only 2% of bond portfolio in airlines, hotel, leisure and traditional retail.
- Limited downgrade experience to date with only £0.4 billion (3%) of bonds in the Matching Adjustment portfolios subject to a downgrade which changed the letter rating and £10 million of bonds (0.1%) being downgraded to sub-investment grade. There have been no defaults.

Confidence in cash and liquidity

- 2020 cash generation target remains unchanged at £800 - £900 million.
- Estimated life company free surplus of £1.0 billion as at 31 March 2020 (£1.2 billion as at 31 December 2019).
- Holdco cash of £739 million⁴ as at 31 March 2020 (£275 million as at 31 December 2019).

Growth through M&A, BPA and Open business

- Acquisition of ReAssure Group plc on track to complete in July 2020, subject to regulatory approval.
- Change in control application submitted to the regulatory authorities on 30 April 2020.
- Fund raising for the acquisition completed in the period.
- Encouraging Q1 2020 new business with estimated incremental long-term cash generation of £100 million comprising £58 million from UK Open and Europe businesses (Q1 2019: £48 million) and £42 million from bulk purchase annuities (Q1 2019: nil).

2019 FINAL DIVIDEND

- The protection of customers across the 10 million life and pension policies Phoenix has in-force has always been our priority.
- To deliver this protection and maintain safety and soundness, Phoenix has consistently adopted a prudent approach to risk management aimed at bringing resilience to its solvency position.
- As a consequence, notwithstanding the unprecedented market volatility that COVID-19 continues to bring, the Group's solvency position remains robust, and well above its target level and regulatory thresholds.
- In considering the 2019 final dividend, the Board has paid close attention to regulatory guidance urging insurers to adopt restraint in regard to the payment of dividends to ensure policyholders are protected.
- This has included an assessment of the impact that a range of scenarios, including very severe ones, could potentially have on both the solvency and liquidity positions of the Group on a combined basis as if the acquisition of ReAssure Group plc had completed.
- After careful consideration, the Board has concluded that the proposed 2019 final dividend of 23.4 pence per share is prudent and consistent with Phoenix's risk appetite.
- The Board also recognises that dividends are an important income stream both for retail shareholders, and the end consumer who invests in institutional income funds. They are typically ordinary savers and pensioners who need this income stream at this time more than ever, which in turn supports the broader economy. The majority of our shareholders are income funds and retail investors.
- Therefore the Board continues to support payment of the proposed 2019 final dividend which remains subject to approval by shareholders at the AGM on 15 May 2020.

Action: suppliers

For many companies, maintaining its supply-chain is critical in times of disruption. The current pandemic situation has created significant stress within supply-chains. Investors are also interested in understanding the status of the supply chain and the actions that management has taken to mitigate supply chain risk or support suppliers. Important disclosures include:

- Clarification of the supply chain structure – where are suppliers located? What is the impact on projects and how complex is the supply chain?
- What the current status of the supply chain is, particularly of key strategic suppliers and the quantum of significant contractual obligations to suppliers.
- Where disruption has occurred, what are the likely restart options/timings.
- Details of management's actions to reduce supply chain risk in the short term, e.g. alternate suppliers, stockpiling, alternative processes.
- Longer-term supply chain de-risking (see The Future section).
- Actions on payments to suppliers.
- Details on any other action to support suppliers.

An area of focus for investors over the last few years has been supplier finance schemes such as factoring or reverse factoring. While generally, their interest has been on understanding the nature and size of the schemes, the current circumstances have changed their information needs as it may mean that the nature or structure of operating financing has changed or may change.

“In the past, we wanted to know how much it is – now we want to know what happens if and when it is withdrawn”

Investor

Investors understand that companies, more than ever, need flexible and adaptable finance; but if they are using supplier finance, they want to understand the resilience of the scheme. If a company's arrangement remains available, they want to know how it is being used and under what circumstances it can be removed by the provider. Furthermore, investors want to understand the obligation of the company where such a scheme is in place. Where it is clear that the financing is no longer available, investors want to know what the impact is on the company's working capital requirements.

Over the medium term, investors will also consider how the company has treated its suppliers during the crisis. Decisions on financing and payment facilities are likely to be an essential part of treating suppliers fairly.

More detail on supplier finance schemes disclosures can be found in the Lab's recent project on [sources and uses and cash](#).



What is useful?

Balfour Beatty issues a weekly newsletter that sets out the impact of the crisis on its supply chain. The report highlights the level of restrictions relevant to key suppliers and provides more detailed narrative for each operating business line.

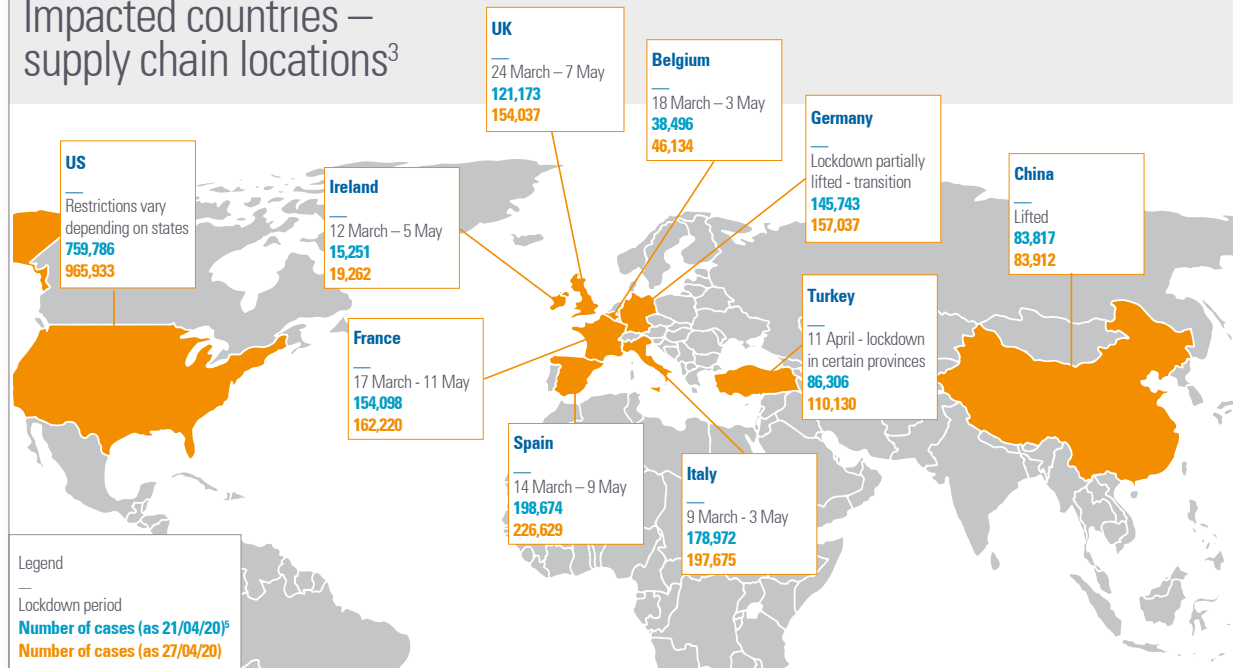
Balfour Beatty

WEB

Balfour Beatty plc

[Supply chain newsletter for w/c 27 April](#)

Impacted countries – supply chain locations³



Building merchants

- » Our strategic building merchants are operating a reduced capacity and service at between 25% to 75% capacity across UK. Overall market demand mirrors this capacity.
- » Other building merchant branches remain closed besides for Government emergency material requirement and pricing enquiries. Other look to open branches from 11 May.

Civils

- » Concrete drainage demand has reduced by 20% compared to forecast. Certain suppliers have significantly reduced operations. Healthy stocks are available for 'standard' products with plan to maintain current levels.

Labour

- » 20% to 30% reduction in labour provision has been noticed due to furlough leave or work suspension.
- » Our key vendors are requesting access to post Covid-19 lockdown planning including details on which projects are opening and the timelines associated.

Building

- » Key Drylining manufacturers have now re-opened their factories on a reduced capacity and in line with anticipated demand.
- » Drylining and insulation distributors continue to operate at reduced capacity however more branches are opening steadily as demand increases. Distributors are committed to prioritising supply to critical projects and deliver to non-critical sites where capacity and availability of materials will allow.
- » Timber material suppliers continue to run with a reduced number of branches open across the UK. Direct contact is required with national sales teams or local branches prior to placing orders on a delivery-only basis. PEFC or FSC wood specifications sources are available through select building merchants.
- » Aluminium curtain walling, windows and door manufacturers continue to operate and supply materials; some at a reduced capacity. Minimal impacts to projects are expected as manufacturers have good levels of stock (built up for Brexit) and continue to supply operating fabricating subcontractors.

Action: capital expenditure and expenses

Most companies have been affected by COVID-19, but some more than others. Investors are beginning to consider and categorise companies depending on the impact of the crisis:

- **Hibernated** – Those, often physical, businesses that can't operate during government lockdown or are significantly restricted (e.g. car factories), but need to be in a position to reopen as normal.
- **Curtailed** – Those businesses that have been curtailed and for which their market may not rebound to the same level (e.g. airlines).
- **Active** – Those businesses that have continued to operate and may have grown (e.g. supermarkets and online businesses).

For each category, investors want to understand different aspects of a company's cost profile and resulting actions.

The Lab's previous report on [Sources and uses of cash](#) identified that disclosure around the timing and amount of capital and other expenditure that a company planned to make was often lacking. While in ordinary circumstances, this lack of information is disappointing for investors, it is even more critical in times of market stress.

Information sought includes:

For hibernated companies

- Management actions on key expense drivers, as well as an indication of the impact that actions might have on the ability to recover.
- Details of government schemes used to support or defer expenses.
- Details of short-term cash outflows expected.
- Capital commitments and actions taken to defer or delay short-term outflows, including any penalties.

For curtailed companies

- Amount of committed capital and other expenditure – both their value and timing.
- Amount of discretionary capital and other expenditure which can be delayed or cancelled and any associated penalties and costs.
- Agreements reached with parties (unions, suppliers, etc.) which impact the timing or quantum of expenditure, and the scope and nature of the agreement.

For active companies

- Nature and quantum of current costs and the impact that COVID-19 has had on these.
- For impacted costs, details on those that are variable, and those that are expected to be fixed.
- Impact on future capital expenditure and details as to whether it is new, accelerated, or planned.
- Expected impact on performance and margins.

Given the complex nature of many companies, it is likely that there might be operations, segments or geographies in each category. Where significant to the performance of the business, detail about these different components would be valuable.



What is useful?

EasyJet highlights a key action taken in regards to aircraft deferrals, and highlights gross capital cashflows out of the group over the next two years.

Capital costs

On 9 April easyJet announced that it had reached agreement with Airbus for the net deferral of 24 aircraft deliveries from Financial Years 2020, 2021 and 2022. This will mean that versus our previously disclosed fleet plan the following aircraft deliveries will be deferred:

- 10 aircraft deliveries in FY20
- 12 aircraft deliveries in FY21
- 2 aircraft deliveries in FY22

As a result easyJet will take no aircraft deliveries in FY21 and retains the option to defer a further 5 deliveries in FY22. Exact dates of future deliveries of the deferred aircraft are to be agreed in response to the demand environment.

Number of aircraft	Mar-20 HY	Sep-20 FY	Sep-21 FY	Sep-22 FY	Sep-23 FY
Prior minimum	337	352	330	309	304
Prior maximum	337	352	354	365	383
New minimum	337	335*	302	286	281
New maximum	337	342	332	338	353
Expected deliveries	8**	6**	0	8-13	7-29

easyJet's base fleet plan for year-end September 2020 is 335 aircraft.

* Assumes the sale of 6 old aircraft yet to be transacted.

** 6 aircraft deliveries expected for the remainder of 2020. This would lead to a total of 14 deliveries for the year

EasyJet plc

Trading Update for the six months ending 31 March 2020
16 April 2020

We have also deferred or cancelled a number of other projects. These measures combined have enabled us to reduce our projected capex spend by c.£1bn over three years.

Updated anticipated gross capital cashflows:

FY 2020	FY 2021	FY 2022	FY 2023
c.£900m	c.£600m	c.£1,000m	TBC

Regarding this deal with Airbus, it is important to note that:

- easyJet has no ability to terminate the contract by reason of force majeure. This is standard in aircraft purchase contracts.
- Notwithstanding this if easyJet were to attempt to terminate the purchase agreement with Airbus:
 - The level of direct OEM support for the operation of our existing fleet would increase in cost significantly, as easyJet would then have to purchase requisite software licences, training and onsite supports directly from a single source supplier, as well as losing access to warranties and guarantees which underwrite the long term performance of the aircraft;
 - easyJet would be liable for significant compensation related to the discounts received on the 45 aircraft we have had delivered to date under the 2013 contract;
 - easyJet would be liable for any future losses that the OEM could demonstrate as a result of the termination of the contract.



8 April 2020

On the Beach Group plc
("On the Beach", "OTB" or the "Group")

COVID-19 and Banking Facilities Update

On the Beach provides the following update in light of the ever changing COVID-19 situation. First and foremost, the health and wellbeing of our team members and our customers is and always will be the Group's top priority. Everyone across the team has responded with speed and professionalism to the current challenges.

In line with market-wide communications made by OTB prior to and since its listing in September 2015, the Group has an asset light, flexible, no inventory risk model and has no fixed commitments on hotel rooms or airplane seats.

For context, a tour operator or airline will generally have an almost immovable committed inventory cost (aircraft and/or hotels) and infrastructure cost of 60-70% of its aspirational total sales (transaction value) with or without any demand. An online travel agent like OTB without any inventory commitment only incurs inventory costs on each sale made and under normal conditions will have an underlying operating cost of approximately 8% of sales of which almost 70% is flexible marketing spend. If demand falls away completely then the fixed cost base will drop to c.3% of aspirational sales (or one twentieth of the costs of a similar sized asset heavy operator).

Perhaps more importantly in the current scenario, OTB is also the only listed UK travel business that operates a fully ringfenced customer trust account in which customer funds are held until the point of travel. **Therefore the Group, unlike the majority of online travel agents, tour operators and airlines, does not rely on cash received for forward bookings to trade.** Monies that have been received for holidays that are cancelled by a closure of airspace can be repaid to customers in cash with limited impact on the Group's working capital.

Notwithstanding the advantages of the OTB model, the Group took early action in February to manage risk and conserve cash. In this environment of limited demand and therefore limited revenue, the Group's marketing costs have reduced to almost nil and the Group has taken further actions to limit other non-essential costs meaning that monthly cash costs are now less than £2m across the entire Group. The Group has, however, maintained all costs associated with the delivery of its future strategy.

Further to the above and in light of the current market uncertainties, OTB is suspending full year guidance until such time that the overall impact of COVID-19 on the Group becomes clearer. The Board also announces that it will not be declaring an interim dividend in the current financial year to 30 September 2020. The Group's CEO is forgoing his salary and the remainder of the Board have voluntarily agreed to a 20% reduction in salary and fees. This is alongside no bonuses being awarded across the Group in the current financial year.



On the Beach Group plc

COVID-19 and Banking Facilities Update
8 April 2020

What is useful?

On the Beach Group provides high-level detail on the variable element of their costs, and provides context by comparing to others within the industry. This disclosure also highlights actions the group has taken to reduce costs.

Action: government support and other concessions

Governments across the world are providing unprecedented support for companies and economies, informed by experience from previous financial crises. However, each scheme has its unique structure, duration and obligations. This creates a significant communication challenge for companies as well as a complex disclosure issue for investors to untangle.

While there is some IFRS guidance for certain government grants (under [IAS 20](#)), the accounting treatment can vary depending on nature and obligations attached to the specific instrument.

In some cases, companies are also obtaining private concessions from landlords or other suppliers, such as rent discounts or payment holidays, to support them where operations have been curtailed due to lockdown.

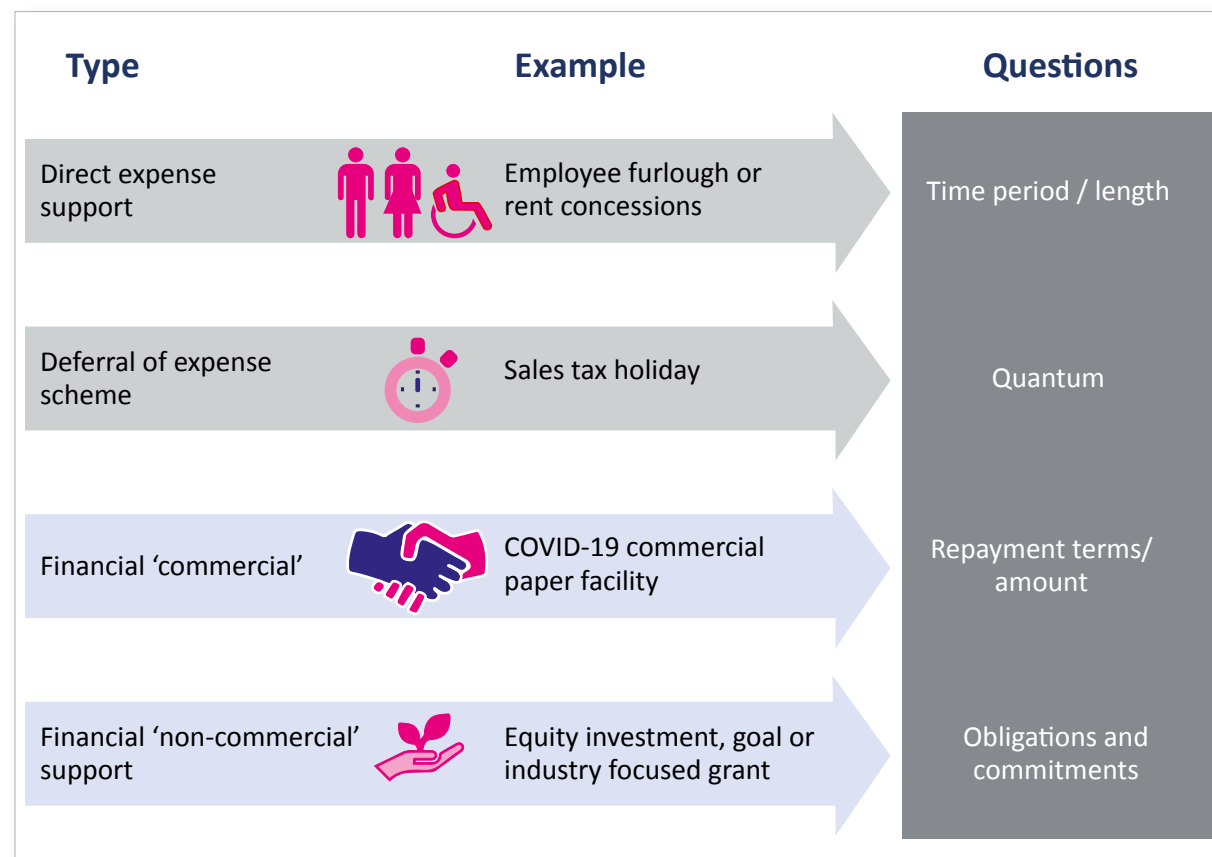
The IASB has issued an amendment to IFRS 16 *Leases* on COVID-19 Related Rent Concessions, whereby such concessions do not need to be accounted as lease modifications, but as a variable lease payment. EFRAG has recommended the amendment for endorsement. However, investors need further information on the conditions of such concessions.

Investors (and other stakeholders, including NGOs) are looking for clarity on:

- The amount of any such support;
- Its nature and related timing (extension opportunities or winddown times); and
- Any obligations that it creates (and in time how those obligations have been met).

The Lab has identified the types of questions investors might be seeking clarity on in Figure 7. The level and detail provided will be dependent upon the significance of such support. Still, they may need to be more granular to satisfy public interest, such as in country-by-country tax reporting.

FIGURE 7 – Types of disclosures on which investors may be seeking clarity





Item 1.01 Entry into a Material Definitive Agreement

On April 22, 2020 (the “PSP Closing Date”), Hawaiian Airlines, Inc. (“Hawaiian”), a Delaware corporation and wholly owned subsidiary of Hawaiian Holdings, Inc. (the “Company”), entered into a Payroll Support Program Agreement (the “PSP Agreement”) with the U.S. Department of the Treasury (“Treasury”) with respect to the Payroll Support Program (the “PSP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). In connection with its entry into the PSP Agreement, on the PSP Closing Date, the Company entered into a Warrant Agreement (the “Warrant Agreement”) with Treasury, and Hawaiian issued a promissory note to Treasury (the “Note”), with the Company as guarantor of Hawaiian’s obligations thereunder.

PSP Agreement

Pursuant to the PSP Agreement, Treasury is to provide Hawaiian with financial assistance to be paid in installments (each, an “Installment”) expected to total in the aggregate approximately \$292.5 million, to be used exclusively for the purpose of continuing to pay employee salaries, wages and benefits. The first Installment, in the amount of approximately \$146.2 million (representing 50% of the current expected total), was disbursed by Treasury on April 22, 2020. The remaining Installments are scheduled to be paid in the following percentages and in the following months: (i) May 2020 (20%), (ii) June 2020 (20%), and (iii) July 2020 (10%).

Under the PSP Agreement, Hawaiian, on behalf of itself and the Company, agreed to refrain from conducting involuntary furloughs or reducing employee rates of pay or benefits through September 30, 2020, to limit executive compensation through March 24, 2022 and to suspend payment of dividends and stock repurchases through September 30, 2021. The PSP Agreement also imposes certain Treasury mandated reporting obligations on Hawaiian and the Company. Finally, Hawaiian is required to continue to provide air service to markets served prior to March 1, 2020 until March 1, 2022, to the extent determined reasonable and practicable by the U.S. Department of Transportation (“DOT”). Because of the 14-day quarantine order in place for travelers to and within Hawai‘i and the dramatic decrease in demand for air service to and between the Hawaiian Islands, the Company applied for and received an exemption from the DOT from certain of the service requirements.

Promissory Note

The Note issued by Hawaiian to Treasury has an initial principal amount of approximately \$13.9 million, subject to an increase equal to 30% of the amount of each additional Installment disbursed under the PSP Agreement after the PSP Closing Date and includes a guarantee of Hawaiian’s obligations by the Company. Assuming disbursement of all scheduled Installments pursuant to the PSP Agreement of approximately \$292.5 million, the Note will have a total principal sum of approximately \$57.8 million.

The Note has a ten year term and bears interest at a rate per annum equal to 1% until the fifth anniversary of the PSP Closing Date, and thereafter bears interest at a rate equal to the secured overnight financing rate plus 2% until the tenth anniversary of the PSP Closing Date (the “Maturity Date”), which interest is payable semi-annually beginning on September 30, 2020. The Note may be prepaid at any time, without penalty. Within 30 days of the occurrence of certain change of control triggering events, Hawaiian is required to prepay the aggregate amount outstanding under the Note. The Note specifies certain events of default, including non-payment of principal or interest, inaccuracy of representations and warranties, non-compliance with covenants, cross-acceleration and cross-payment default of other indebtedness amounting to \$10.0 million or greater, bankruptcy or insolvency, entry of judgment liens (not covered by insurance) exceeding \$10.0 million, or non-monetary judgments reasonably expected to have a material adverse effect.

Warrant Agreement and Warrants

As compensation to the U.S. government for the provision of financial assistance under the PSP Agreement, and pursuant to the Warrant Agreement, the Company has agreed to issue to Treasury warrants (each a “Warrant”) to purchase shares of the Company’s common stock (the “Warrant Shares”) at an exercise price of \$11.82 per share (“Exercise Price”), which was the closing price of the Company’s common stock on April 9, 2020. Pursuant to the Warrant Agreement, (a) on the PSP Closing Date, the Company issued to Treasury a Warrant to purchase up to 117,335 shares of the Company’s common stock and (b) on the date of each increase of the principal amount of the Note in connection with the disbursement of an additional Installment under the PSP Agreement, the Company will

Hawaiian Holdings Inc

Form 8-K
22 April 2020

What is useful?

Hawaiian Airlines provides details about each different support scheme – the amount and key elements of the terms and conditions.

Management control

Disaster recovery or risk management programmes were not designed to cope with the circumstances of this unprecedented crisis.

New circumstances have created the need for new processes and new controls, and board and management resources have rightly been redirected towards immediate issues. However, strong controls and oversight remain critical. Investors, regulators and others need information on how management has adapted and changed and what the impact of those changes are. Key questions include:

- **Management and oversight** – How has the board re-prioritised, what structures are in place to identify emerging risks, and what has happened to all the topics on which the board usually spends its time?
- **Controls** – How have controls changed that were not flexible enough to adapt? Were IT and disaster recovery plans robust enough or do they need to change?

FRC Guidance

[FRC guidance on corporate governance: COVID-19](#)

On 26 March 2020, the FRC published COVID-19 related guidance for companies, which has subsequently been added to as additional updates have been made, including key reminders for boards on priorities and issues resulting from COVID-19. The update provided guidance as follows:

In these difficult times, the need for clear leadership, strong governance and effective decision making based on reliable information is stronger than ever. The disruption to working practices and the changing resource demands will have led to the need for new forms of management and control. Such changes are inevitable, but boards are advised to consider the following matters and ensure plans are in place to address them.

Management information

The usual flows of management information through a group or company or from associates and joint ventures may have been disrupted. Boards must consider how they can maintain and/or complement this missing information as they plan their route through the current emergency towards reactivation of their full business activities. This flow of information will also be important for preparing the published financial statements.

Risk management and Internal controls systems

Relocation of staff and the inaccessibility of some business locations may lead to risk management processes and internal controls becoming unworkable or otherwise relaxed. Such changes may be unavoidable or considered necessary in the short term to maintain some level of operations.

However, we urge boards to monitor such changes carefully, introducing alternative mitigating controls where necessary and practicable to support the operation of an effective control environment.

Section 4

The future



The future

The market is ultimately about judging the long-term value of companies. Once investors are clear on the short-term resources and medium-term actions they consider the longer-term prospects of companies.

“The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger – but recognize the opportunity.”

John. F Kennedy

This section relates to the future in two ways. Firstly, decisions made now will affect the future of the company. Whether those decisions affect stakeholders, the ongoing business model and value drivers, or other areas, they are likely to have long-lasting impacts and investors are attempting to understand them.

Secondly, investors are interested in the company's views on the future of the business itself, including what different scenarios might mean for the company, and how the company is responding to the crisis and the related circumstances. Such information is of great value to investors as they assess the future prospects of the company.

Purpose

The current circumstances also offer an opportunity for companies to assess whether their 'purpose', for those companies reporting against the UK Corporate Governance Code or who choose to do so, meets the challenge of COVID-19. Comparing decisions taken against a company's purpose can provide a good foundation and ensure that they continue to live up to it.

Other companies may find that their purpose is not sufficient in the face of the pandemic. They may choose to amend their purpose by, for example, opening a new product line or taking the opportunities that a green recovery might provide, or have a change forced upon them if a line of business becomes untenable.

In addition, considering the purpose of the company in the context of what, and how, the company delivers for wider stakeholders, and where the company goes next, is also key.

Useful disclosures can include:

- Whether the decisions taken are consistent with the company's purpose.
- Whether the company's purpose needs to change.

Stakeholders and reputation

This year many companies will be producing a Section 172 statement for the first time under new reporting requirements. The statements include the requirement for directors to disclose how they have had regard to a wide range of stakeholders and factored them into their decision-making. The [Guidance on the Strategic Report](#) provides helpful reminders for companies as they consider matters they should be considering as part of preparing their Section 172 statement.

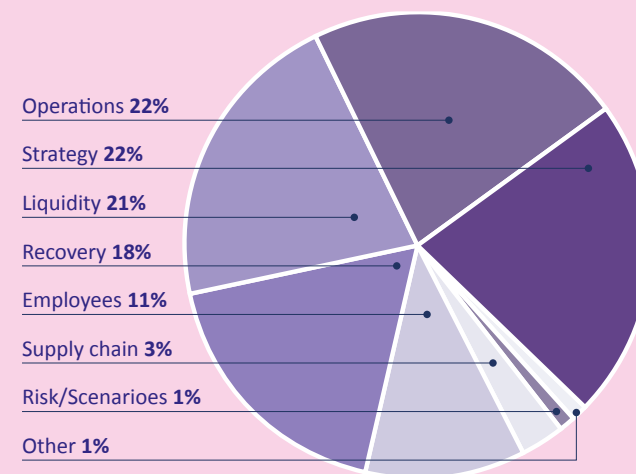
Survey results

In the medium to long term, an understanding of how a company's operations will emerge becomes key.

As important for investors is a need to understand the business model and strategic changes that companies are making, and plan to make, to deal with the new normal.

FIGURE 8 – Topics on which investors are focused in 9 to 18 months

9-18 months



The COVID-19 pandemic is a unique time in which to be facing the challenge of such reporting. In fact, a key element of Section 172 is to consider ‘the likely consequences of any decisions in the long term’.

The COVID-19 pandemic may provide an opportunity for companies to demonstrate how they have taken into account a wider range of stakeholders in their decision-making, and how the views of these stakeholders have been considered as the board has faced the difficult questions the pandemic has raised.

Understanding how the company has regard for its stakeholders is critical for investor decisions regarding whether they retain trust in management. Not only does it have shorter-term considerations, but also real longer-term implications. Information that may be of interest includes how the company is protecting its employees (including its approach to furloughing), the payment of dividends, remuneration changes, and the use of the proceeds of capital raisings.

The Lab’s infographic highlights that investors seek information on the decisions made now that may affect the key stakeholders referred to in Section 172, even if it is not the time for the company to produce its annual report. It is worth noting that the pre-emption group recently allowed certain [flexibilities](#) in pre-emption rights but recommended that, if these flexibilities are accessed “the particular circumstances of the company should be fully explained, including how they are supporting their stakeholders”.

Investors are interested, particularly, in the effects on the workforce. This includes how companies are balancing short-term financing needs with medium and longer-term needs to maintain a workforce, both for when things restart and to ensure that institutional memory is not lost.

It is helpful for companies to disclose how the views of the workforce have been gathered and how management monitors and assesses their ongoing engagement and wellbeing.



WPP PLC

Trading Update First Quarter 2020
29 April 2020, slide 18

What is useful?

Reporting, such as that provided by WPP, that outlines whether or not employees have been an area of focus is helpful.

PEOPLE: EFFECTIVE RESPONSE TO "LOCKDOWN"

WORKING REMOTELY



95% of our people

REGULAR SUPPORT

- WPP Town Halls by Market
- CEO and team communications
- WPP TV
- Mental wellbeing a particular focus

PROTECT JOBS WHEREVER POSSIBLE

- Over 3,000 people on salary sacrifice
- Internal jobs market
- Upping training and development with our partners

FIRST QUARTER 2020 TRADING UPDATE

18

The Lab's [workforce report](#) highlighted the importance of companies reporting on their culture, employee engagement and retention/turnover statistics. These topics remain of interest to investors but, as companies with a global reach are facing some very different employment options in different locations, information which explains these differences at an appropriate level of granularity is also helpful.

Many companies are also facing customer-related concerns, such as interruption to supply, pricing impacts and their impact on the company's competitive positioning and reputation. To the extent that it is material, businesses which have been involved in providing community support in various forms may want to comment on its impact on, for example, its employees and customers.

Wider stakeholders also have a legitimate interest in how decision-making has taken into account interests beyond those of just investors. In this context, companies should provide information about capital allocation decisions, remuneration policies of executives and employees, share buybacks and capital raising and the effect of all of these on its key stakeholders.

The Lab's 2015 report [Disclosure of dividends – policy and practice](#) highlighted an example from Next's 2015 Annual Report and Accounts, which outlined the company's view of 'value' as a reference point for share buyback decisions. What might be different in the current circumstances is whether different estimations of the benefits of financial flexibility, or risk parameters, might be in place. In addition, the consideration of stakeholder expectations, and whether this implies an amended hurdle rate, might be important for some companies.

The challenges companies face in responding to the pandemic are great, and as they face these decisions a wide range of stakeholders will be watching.

After the crisis of 2008 many banks faced difficult questions about their culture, risk-taking and working practices. Investors are looking for companies to respond strategically, but also humanely, to the challenges they face during the pandemic. Reputational risk might be significant if companies make the wrong choices, and might affect how companies are regarded once the situation improves.

While cash is a key resource, value in a business is driven by much more. Regarding decisions made now, and the significant impact of COVID-19 on many of a company's drivers of value, investors and other stakeholders are interested in understanding:

- Details of the likely impact of shorter-term decisions on the company's key assets and longer-term drivers of value, e.g. people, brands, licences.
- Approach to, and support for stakeholders – including employees, and at a sufficiently granular level.
- Information about how the company is managing commitments with customers.

External guidance

Some of the audit firms have also published guidance on reporting in light of the challenges of COVID-19. These may be helpful in understanding requirements and key themes:

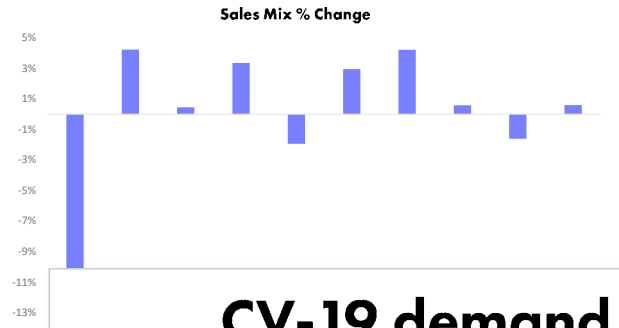
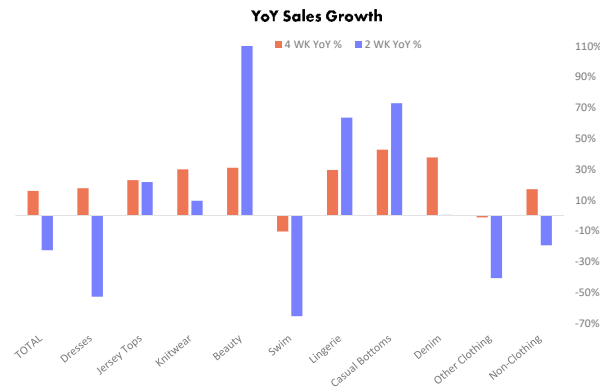
[- Reporting on the impact of COVID-19: Q&As and practical guidance \(PwC\)](#)

[- COVID-19 Acid Test: Considerations for narrative reporting by UK listed companies \(EY\)](#)

Customers are shopping different product from our range

Customers are increasing their spend on casual, loungewear, lingerie and beauty...

...but are mixing out of dresses and swimwear



ASOS plc

2020 Half Year Results
8 April 2020

What is useful?

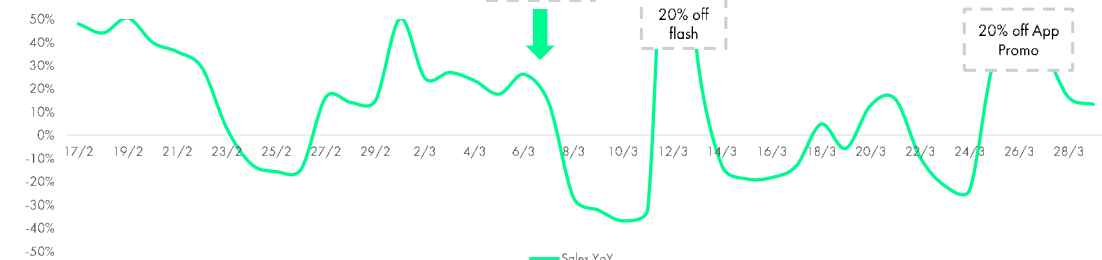
ASOS discloses how customer behaviours have changed in response to the COVID-19 situation.

asos

CV-19 demand impact – Italy case study

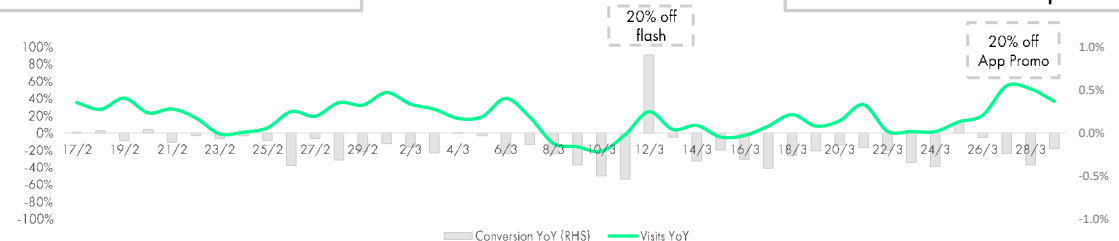
We saw an initial shock impact to demand...

However.. customers remain receptive to demand stimulation



...which was felt through both visits & conversion

..and impact begins to moderate after initial shock phase



Keeping Our Colleagues and Customers Safe

There is no bigger priority than our colleague and customer safety and we have been taking further steps to protect them during recent weeks while meeting high customer demand for vital products and services. It is through these measures we are able to ensure social distancing, maintain the highest standards of customer safety, and continue to deliver to customers the technology they need. Our colleagues have risen to this challenge brilliantly. We have been clear that we will not ask colleagues to do anything that they are not comfortable with.

Stores

- In line with Governments' regulations, the Group's stores in Greece closed on 18 March and all UK and Ireland stores closed on 24 March. All Nordics stores have remained open throughout the period, except for four stores located in shopping centres in Denmark and three stores in Norway due to low footfall.
- In Nordics stores we have ensured colleague and customer safety through measures including protective barriers for cashiers, contactless payment, pre-paid pickups and increased cleaning and hygiene actions.

Online

- Across the group, the online operations have remained open. To ensure delivery colleague safety, shift patterns have been adjusted to reduce potential congestion and rosters are designed to keep colleagues in the same pairs and the same vehicle wherever possible. Among many measures, our colleagues are equipped with masks and full safety equipment, deliveries are done on a no-contact basis. We ask customers to keep 2 metres from our colleagues while they are delivering to, or working in or near, their homes.
- We have reduced the repair and installation services offered. We are only repairing vital items such as washing machines, cookers or refrigeration units. Similarly, we currently only offer installation for cookers which are necessary for customers and their families to eat.
- Our distribution centres have introduced extensive measures to keep our colleagues safe, including social distancing in all areas, one-way systems, signage and tannoy reminders, regular cleaning and sanitisation of all frequently touched surfaces.
- We've consulted a range of organisations including the British Retail Consortium as well as Environmental Health Officers, which are supportive of the measures we have put in place.

Head office and customer service

- All UK contact centres and offices have enabled working from home for all colleagues through providing set up laptops and increasing VPN access. Our UK head office building has been closed since 20 March with continuity of operations maintained.



Dixons Carphone PLC

Covid-19 Business Update
29 April 2020

What is useful?

Dixons Carphone's business update discusses how it plans to ensure customer and colleague safety across their stores, in online services and in the head office. This can make the disclosure interesting to a wide audience, including customers, suppliers and investors.

Health and safety of customers and employees

Almost no public statement from a company in the last two months has omitted a reference to the desire to protect staff and customer health. For investors, questions around health and safety have two key elements that impact supply and demand:

- **Supply** – What changes to working conditions, workplaces and operations are being made and what are the likely impacts on the company's activities?
- **Demand** – What changes are companies making to customer-facing operations, and how will these build confidence?

Useful disclosures to address these questions might include specific detailed case studies of operations in countries emerging from lockdown, detailed country-by-country analysis of restrictions and approaches, as well as more detailed information about management and board oversight.

The key for all such disclosures is the specificity of the actual actions. Many companies are utilising their website as a critical location of such information. This can work well because the information is more immediate and accessible to a range of stakeholders.

Scenarios and forecasts

“Doubt is not a pleasant condition, but certainty is absurd”

Voltaire

The Lab’s previous project on [risk and viability](#) (and our [implementation study](#)), highlighted the importance of scenario analyses.

The outcomes of COVID-19 on businesses, lives and livelihoods remains very uncertain and companies need to be free to adapt rapidly to circumstances, both positive and negative. The lack of certainty has meant that many companies are reluctant to provide a perspective on the future.

A significant number of companies have understandably removed, withdrawn or changed their guidance.

However, it is also clear that investors do not expect that any scenario or forecast prepared by management will be 100% correct. But investors do expect that companies have a perspective on the future and are preparing for different scenarios.

Investors find details of management’s base case for the recovery critical to understanding management actions and assessing the longer-term value of the company. They also want to understand the stress or scenario analyses that have been performed around those base cases. Disclosure of scenarios is very useful in providing information on the company resilience to risk.

These should include details of the extent and likelihood of mitigating activities and, perhaps most importantly, disclose the key assumptions used.

Useful aspects of disclosure include:

- Management’s base case for recovery including plausible outcomes for revenue and expenses over the short term and into a longer transition period.
- The key assumptions and the basis for each assumption.
- The sensitivity of the base case to movements in the key assumptions.
- Plausible upside and downside cases.
- The assurance and controls that management have around the forecasts.
- The process for updating scenarios.

An anchor for forecasts

Given the significant level and range of uncertainty, many companies would value a central scenario to anchor their own perspectives too. Whilst this would have the benefit of consistency across companies it is however almost impossible to select a relevant and credible scenario for all companies. Company operations will be in different sectors, different geographies and different parts of the value chain; therefore, company experiences are likely to vary considerably.

Stakeholders also do not have a consistent view on the recovery. The Bank of England scenarios provide a useful reference for company reporting as detail of the relevant assumptions and elements are provided. Page 45, with the Bank of England scenarios following it, shows three different views on recovery. Transparency and detail on management’s selected scenario is of value. It allows investors and others to flex the outcomes to match their own view.

Information that can be helpful includes:

- Specific detail on the scenario(s) used and why.
- Disclosure of the levers that informed the context for their scenarios.



What is useful?

Norwegian provides a high-level timetable, considering how it views a return to operations. This is underpinned with more detail on the key assumptions of the scenarios.

norwegian

Will take time before operations normalize, focus is on cash preservation in the ramp-up phase

	2020												2021												2022		
	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M				
Norwegian short haul operations	Operations ongoing at a minimum level												Gradual ramp-up of routes												Normal operations		
	<ul style="list-style-type: none">7 airplanes in operationsFocus on minimizing cash burn												<ul style="list-style-type: none">Gradual normalization of core routesInitiation of marketing activities														
European short haul	Full grounding												Gradual ramp-up of routes														
	<ul style="list-style-type: none">Airplanes grounded subject to travel restrictionsMaintenance / technical support kept at a minimum level to allow for speedy recovery once the demand is normalising												<ul style="list-style-type: none">Gradual normalisation of core routesInitiation of marketing activities														
Long haul	Full grounding												Gradual ramp-up of routes														
	<ul style="list-style-type: none">Airplanes grounded subject to travel restrictionsMaintenance / technical support kept at a minimum level to allow for speedy recovery once the demand is normalising												<ul style="list-style-type: none">Most profitable routes to open upon sufficient demandInitiation of marketing activities														

The plan allows flexibility to restore operations earlier upon sufficient demand

Base case built on a slow recovery scenario where operations are kept at a minimum level until demand is picking up and the company is in position to ramp-up the most profitable routes stepwise

Norwegian Air Shuttle ASA

Presentation to Bondholders

27 April 2020

Business plan and liquidity forecast – basis for preparations

BASIS FOR PREPARATIONS

- The high-level financial guidance for 2022 represents the first step to the operational platform of "New Norwegian" assuming a fully normalized business environment, i.e. post implications of COVID-19
- The numbers and expectations presented are based on a bottom-up analysis on the route network and projected production / capacity development for the various demand scenarios, conducted by the company's commercial organization
- The company's liquidity forecast is based on a bottom-up approach where management has identified key cost items and revenue sources on a day-to-day basis (until July 2020), and then estimated the liquidity profile for the subsequent period (July 2020 – Mar 2021) on a monthly basis
- The liquidity analysis is based on a starting position which includes the current cash balance (incl. the full NOK 3bn State Aid Package), with NOK 3.7bn in total cash and cash equivalents, and NOK 2.9bn in free cash (as of 30 June)

KEY ASSUMPTIONS FOR VARIOUS SCENARIOS

	Slow recovery (Base case)	Fast recovery
Capacity ramp-up	<ul style="list-style-type: none"> State subsidized operations until April 2021 (7 aircrafts in operations) 'Linear' ramp-up from Q2 2021 to Q4 2021 – full capacity in 22 Opex ramp-up in line with production increase 	<ul style="list-style-type: none"> State subsidized operations until July 2020 (7 aircrafts in operations) Gradual ramp-up from Q3 2020 towards Q4 2021 – SH with head start vis-a-vis LH Opex ramp-up in line with production increase
Fuel / FX	<ul style="list-style-type: none"> Constant USDNOK at 10.5 Fuel price of 325 USD/MT in 2020 and 425 USD/MT from 2021 and onwards 	
NWC	<ul style="list-style-type: none"> Share of holdbacks at 100% until Q2'21, at 90% for Q2-Q4'21 and at 80% for '22 Payables assumed to stay constant (in NOK) from Q3 2020 to Q1 2021 and then gradually revert back to normalized levels throughout 2021 and 2022 with full normalization assumed in 2023 	
Financing	<ul style="list-style-type: none"> Capital structure similar to proposed balance sheet from re-organization Existing debt with maturities during the forecast period will be refinanced at similar terms 	
Interest / debt service	<ul style="list-style-type: none"> No interest / debt service until July 2020 (including lease holiday) Aircraft financing interest payment / debt service to resume from Q3 2020 Pay by the Hour leasing agreement until March 2021 Interest holiday for bonds until 1 July 2021 	
Capex	<ul style="list-style-type: none"> No material capex related to any aircraft deliveries will be incurred until Q2 2021; will require discussions and agreements with OEMs Reduction in aircraft is assumed to be cash neutral (i.e. no impact on liquidity) 	
Fleet size	<ul style="list-style-type: none"> Total fleet of ~110-120 aircraft in normalized operations 	

2020 COVID Outlook: The Operating Case & The Vigilant Case¹

2020 COVID THE OPERATING CASE ("Base Case")

The Operating Case assumes a phased and gradual return for our Events brands:

- Zero F2F Events revenue in Q2
- Phased resumption of F2F Events activity, with International participation lagging Domestic
- Zero revenue on 60+ Events already Cancelled
- 30-40% revenue attrition on 400+ Events rescheduled from H1 into H2 2020, to reflect softer demand due to change in dates, underlying market trends and upgraded bio-security measures
- 10%-20% revenue attrition on Events originally scheduled for H2 2020 that do still take place
- Total Events-related revenue of c.£1bn in H2 with c75% in the last four months
- Group revenue broadly flat in Q1
- Subscriptions-related revenue steady

2020 COVID THE VIGILANT CASE ("Downside Case")

The Vigilant Case assumes a more prolonged return for our Events brands:

- Zero F2F Events revenue in Q2 and Q3
- Phased resumption of F2F Events activity, with International participation lagging Domestic
- Zero revenue on 2020 Events already Cancelled
- Zero revenue on an assumed 430+ additional Events cancelled in H2 under The Vigilant Case
- 30-40% revenue attrition on 400+ Events rescheduled from H1 into Q4 2020 to reflect softer demand due to change in dates, underlying market trends and upgraded bio-security measures
- 10%-20% revenue attrition on Events originally scheduled for Q4 2020 that do still take place
- Group revenue broadly flat in Q1
- Subscriptions-related revenue steady

Informa PLC

Stability and Strength: 2020 COVID-19 Action plan
April 2020, slides 8 and 10

What is useful?

Informa outlines two possible scenarios and provides specifics, including revenue and cost implications of the 'vigilant' and 'downside' cases.

Informa: Stability & Strength

¹The Numbers on this and following pages relating to The Operating Case and The Vigilant Case are based on a number of underlying assumptions which have not been verified by any independent source and consequently the numbers may not be correct or complete and there may be changes to the numbers over time.

COVID Operating Model: Vigilant Case Impact

	2019 Actual	Early Jan 2020 Consensus ¹	2020 THE VIGILANT CASE "Downside Case"	Versus 2019 Reported	2020 THE VIGILANT CASE ("Downside Case")
Group Revenue	£2,890m	£2,915m	Events already cancelled: £150m+ Revenue reduction		Group Revenue £1.5bn to £2.0bn
Pure Events Revenue ²	£1,791m		Further Events assumed to be cancelled: 430+ events / c£450m net Revenue reduction, post attrition	Vigilant Case Pure Events Revenue 2020 -60%	Pure Events Revenue £0.5bn to £1.0bn
Group Adjusted Operating Profit	£933m	£942m	H1 2020 Events Rescheduled to H2: £275m+ of Revenue	Vigilant Case Pure Events Revenue Q2/Q3 2020 -100%	Leverage 6.0x to 6.5x
Net Debt (pre-IFRS16)	£2,356m	£2,059m	30-40% attrition on events rescheduled: 120+ Events / £110m+ Revenue reduction		
Leverage	2.5x	c2.0x	10%-20% attrition on original H2 Events that go ahead: £160m+ Revenue reduction		
			Cost Savings across Directs & Indirects: £500m+		

2020 VIGILANT CASE ASSUMES A FULL REDUCTION OF £1BN+ IN EVENTS REVENUE

Informa: Stability & Strength

¹Company compiled consensus from January 2020; ²Revenue from direct Events-related activities, excluding other revenue not attached to an event 10



Three views of recovery



Business (QCA)

- Lowest level of optimism in the UK economy recorded in nearly ten years of the history of the survey.
- Large drop in level of optimism in small and mid-sized quoted companies' own business prospects to lowest recorded (although still neutral overall).
- 43% of small and mid-sized quoted companies say they will decrease jobs in the next 12 months, although 31% will increase. Mean expected employment change for these companies is -4.2%.
- Stark drop in expectations regarding turnover, with a fall from 14.4% mean expected growth in Q4 2019 to a contraction of -5.5% in Q2 2020.
- Advisory firms much more pessimistic than companies in terms of how they see smaller quoted company business prospects and job growth (and about the same on the UK economy).

https://www.theqca.com/article_assets/articledir_404/202306/QCA_Small%20and%20Mid-Cap%20Sentiment%20Index_W24_Q22020%201.pdf



Investors (CFA)

- A survey of CFA members indicates that members sit on the conservative side of the spectrum with respect to the speed of the recovery, as compared to several industry and banking CEOs, some of whom have come out recently with an optimistic viewpoint.
- Of the more than 13,000 respondents, 44% see a medium-term, so-called hockey stick-shaped recovery, which would imply some form of stagnation for two to three years before a steady pick up.
- 35% of the respondents see a so-called U-shaped recovery, essentially only mildly more optimistic in the short term than those predicting a medium-term recovery.
- Only 10% envision a quick recovery, also known as V-shaped.
- 8% see a longer-term hockey stick recovery over five to 10 years. And 4% predict long-term economic stagnation. (Note: numbers do not sum to 100% due to rounding).
- The survey showed no significant regional differences in the expected shape of the recovery.

<https://www.cfainstitute.org/en/about/press-releases/2020/cfa-institute-member-value-survey-predicts-slow-recovery>



Regulators (BOE)

- GDP is expected to have fallen dramatically over the first half of the year.
- GDP picks up relatively rapidly in 2020 H2 in the scenario, although it takes some time to recover towards its previous path.
- Unemployment rises sharply, before falling back gradually in the illustrative scenario.
- CPI inflation falls in the near term partly due to the oil price, but rises further out.

<https://www.bankofengland.co.uk/report/2020/monetary-policy-report-financial-stability-report-may-2020>



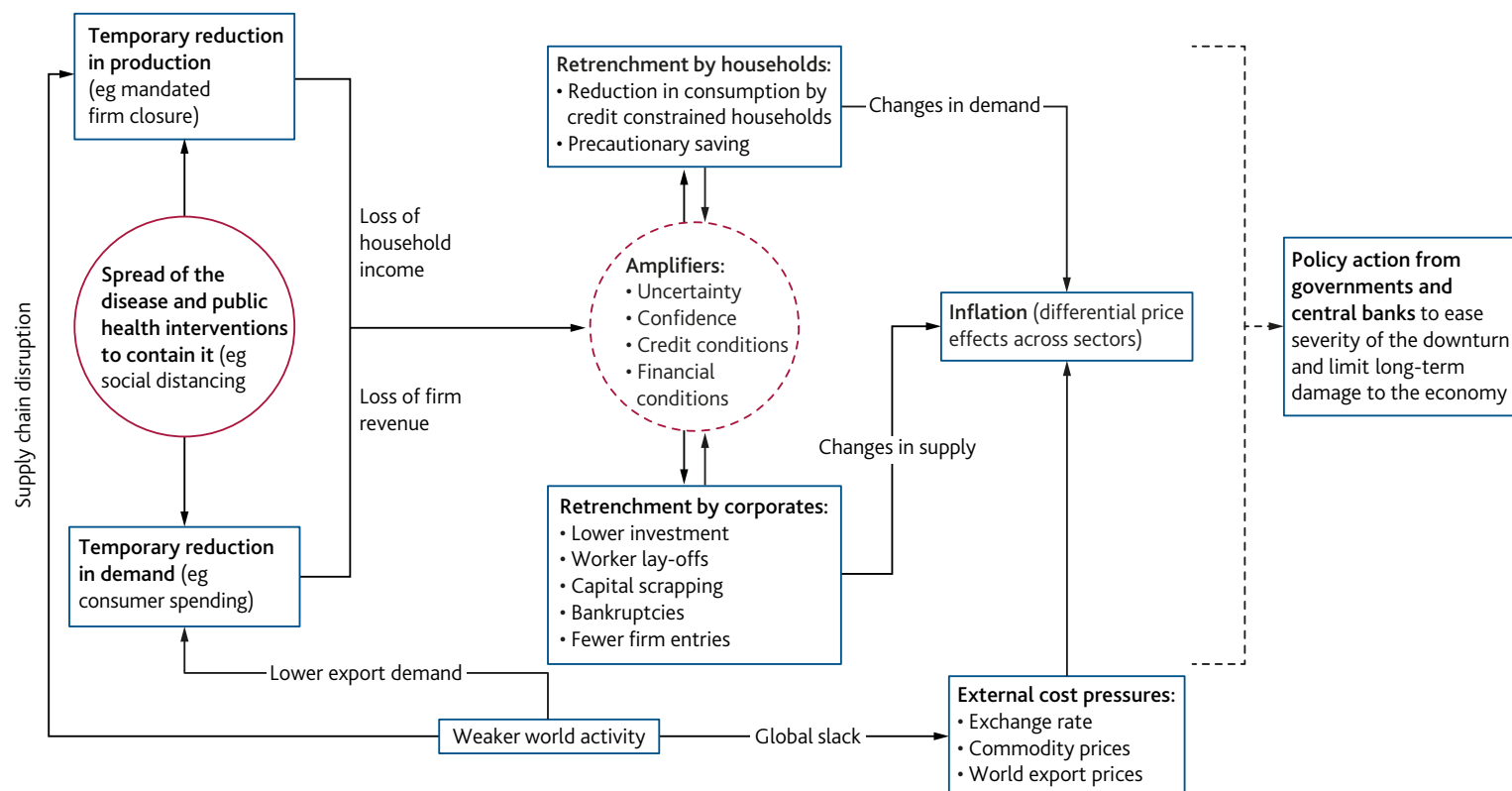
BANK OF ENGLAND

Bank of England

Monetary Policy Report and Interim Financial Stability Report - May 2020

7 May 2020

Figure 1 Covid-19 affects economic activity through a series of channels



What is useful?

The Bank of England has released a report that considers the impact of COVID-19 on the UK and global economies. It includes detail on key levers that might be impacted by COVID-19 at a macro level and some consideration of impacts on sectors. The overall impact on GDP is considered, with detail of areas where significant sensitivities lie. Whilst companies will have their own views as to the impact of COVID-19 on operations and markets, the BOE report forms a useful reference and highlights a number of the impacts that might be considered (this page and next).

Covid-19 and associated public health interventions affect economic activity through a number of channels.

Figure 1 sets out the channels through which Covid-19 and the measures put in place to contain its spread affect the economy. Many countries have made a series of public health interventions in order to slow the spread of the disease. Workplaces and schools have been closed, travel has been restricted, and people have been instructed to stay at home.



BANK OF ENGLAND

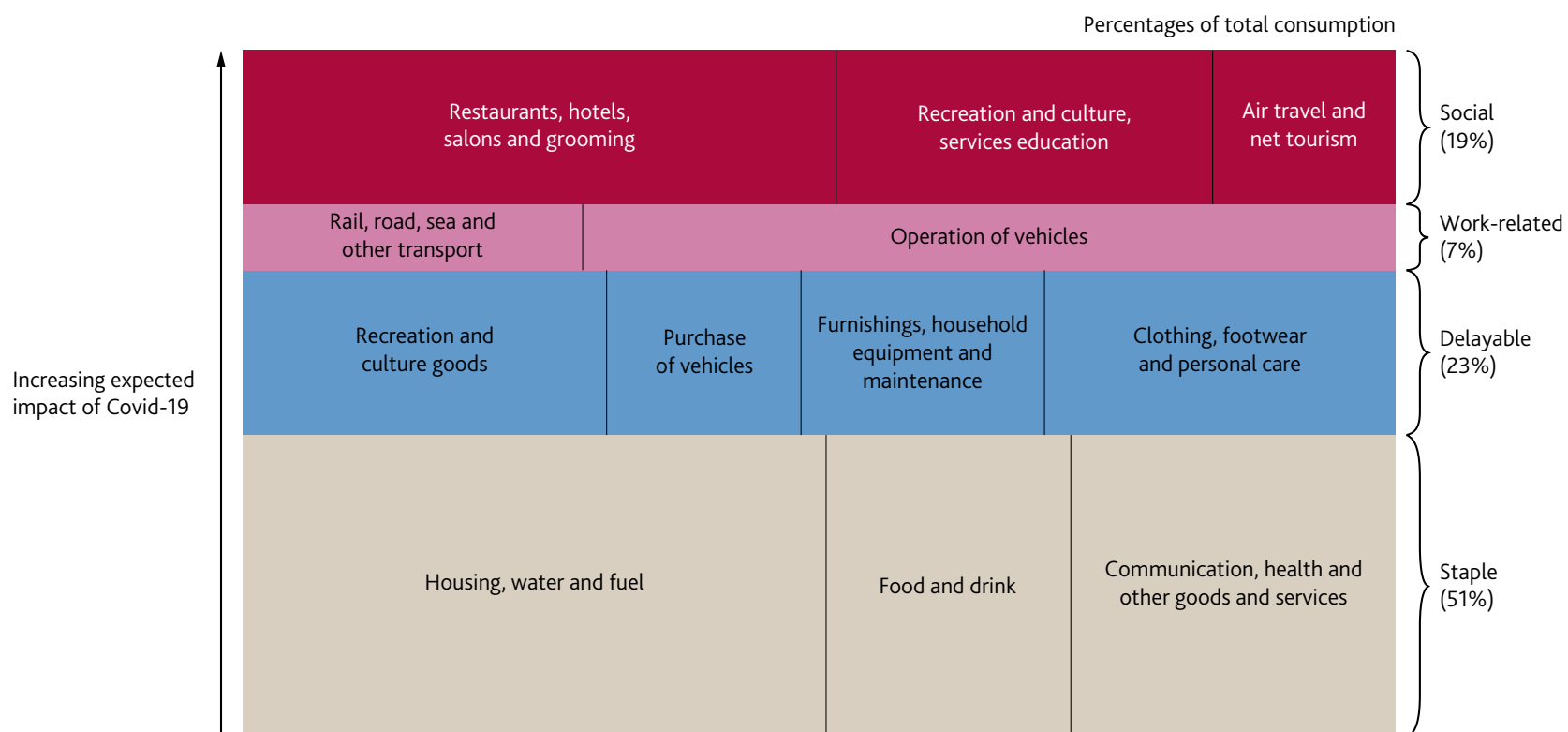
Bank of England

Monetary Policy Report and Interim Financial Stability Report - May 2020

7 May 2020

Chart 3.2 Spending on goods and services that involve social contact will be the most affected by the pandemic

Share of annual UK household consumption in 2019



Sources: ONS and Bank calculations.

The longer term

Investors are also interested in a range of factors that relate to the longer-term future of the company, including how the business model and strategy of the company may change in the medium to longer term to take account of the effects of the pandemic.

There is a question for many companies about whether their business model has, or will, change either as a result of the ongoing pandemic, or to respond to changes that the company must institute whenever recovery begins.

Investors have questions, both about a company's ability to adapt and respond, but also about the resilience of the business model over the longer term.

Changing trends

A significant driver of business model change will be the impact that COVID-19 has on consumer behaviour. One of the key elements of the crisis has been a move towards digital. In one European [survey](#), about 70 percent of executives from Austria, Germany, and Switzerland said the pandemic is likely to accelerate the pace of their digital transformation. As we begin to transition out of lockdown, investors want to understand how companies see trends developing and the impact on the company's strategy/business model. Depending on the company's profile, questions of impairment and revaluation may also be relevant in this context.

Information investors seek on the future of the company includes:

- Consideration of trends and impact on the market.
- Information about how the company might adapt its business model and strategy in the short/medium term.
- The company's ultimate view around prospects and viability, and details regarding impairments where relevant.

“Business model disclosure may be even more important when things aren't going well, and business model is being tweaked – often the first time we know things are not going well is when the company issues a profit warning and changes the business model.”

Investor

Quick questions for companies on their business model disclosures

- Is your business model disclosure comprehensive, covering all elements investors find useful that are relevant to your business?
- Does your disclosure include business models of all your significant businesses?
- Are the key drivers of your business model(s) clear?
- Does your business model disclosure link well to other areas of the strategic report, and is it consistent with other disclosures?
- Does the business model graphic improve the understandability of the business model for those outside your organisation?

From the Lab's [business model reporting project](#).

Lessons on business model reporting

The Lab has considered many aspects of business model reporting through our [business model reporting project](#) and our [implementation study](#). These reports noted that business model disclosures often left investors with significant questions. One area where disclosures were less strong was discussion around change, evolution and the longer term.

The COVID-19 situation is unprecedented in its ability to challenge the basic premise, purpose and opportunity for many companies. To meet these challenge and opportunities it is likely that companies' business models and strategies will need to adapt.

To support companies through these changes the Financial Reporting Lab will pick up its project on business model and the longer term, considering what investors want from these disclosures and identifying good practice in the context of change. The Lab would like to hear from companies about how COVID-19 is impacting their business model and how disclosures will evolve. Please get in touch at financialreportinglab@frc.org.uk if this is of interest.



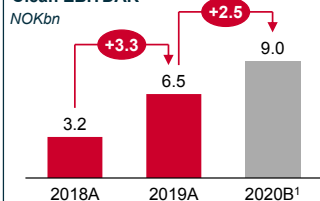
Executive summary

Backdrop and status

COVID-19 with unprecedented impact for the airline industry and the Company

- Company was well underway on its strategic focus from growth to profitability
- Air travel demand have disappeared and around 75% of the world's fleet is grounded
- Norwegian furloughed 80% of employees and has initiated significant liquidity preservation measures

Clean EBITDAR



(1) Before COVID-19

(2) "SH" and "LH" stands for Short Haul and Long Haul, respectively

Restructuring proposal

Liquidity runway through State Aid Package but increased solidity required

- Norwegian Government have proposed a state aid package of NOK 3bn upon certain conditions
- Three tranches, with first tranche of NOK 0.3bn received, and focus now on the next two tranches totalling NOK 2.7bn
- Equity ratio of >8% to obtain remaining package

Tranches	1	2	3
Value in NOKbn	0.3	1.2	1.5
Conditions			
1. 10% from an external bank, credit institutions, or other commercial counterparty	✓	✓	✓
2. Deferral of instalments and waiver of interest fees for 3m	✗	✓	✗
3. Pro-forma equity >8.0%	✗	✗	✓

Business plan

Managing the hibernation phase and planning for a strong return to the skies


- Period of rapid grounding of the fleet and now planning for hibernation to be followed by a planned recovery phase
- Hibernation phase in the low season with focus on cash preservation
- Planned recovery during the high-season in 2021 with operations back to normal in 2022

	2020	2021	2022
SH²	Ongoing	Ramp-up	Normal
SH²	Grounded	Ramp-up	
LH²	Grounded	Ramp-up	


New Norwegian

Norwegian should have a strong position in the future airline industry


- New Norwegian will build on the strong platform and customer footprint, and to be based on a clean-sheet approach with focus on core profitability and aggressive cost focus
- Significant resizing of fleet with refinancing driving down cost and focus on profitable routes




Network and fleet:
Economic rightsizing to a more profitable network



Crew & Operations:
Agile and flexible cost-base



Customer, pricing & product:
Appropriate and flexible bundles



Backbone:
Leveraging existing resources and make prioritized investments

5



Norwegian Air Shuttle ASA

Presentation to Bondholders

27 April 2020

What is useful?

Norwegian provides the context on COVID-19, restructuring proposals and some expectations on the recovery and positioning of the business.

REVISED STRESS TEST

This stress test looks at different scenarios for sales, costs and cash flows for different levels of sales decline versus last year. The cost savings and measures to conserve and generate cash are given relative to the pre-coronavirus guidance we issued in January. At that time we expected sales to grow by +3%, profit before tax of £734m¹, and for year end debt to increase by +£50m on the previous year. We refer to our January guidance as the Base Case in the rest of this document.

The following sections detail:

1. Revised sales scenarios
2. Current expectations for stock and other costs savings relative to the Base Case
3. The net cash cost of lost sales minus cost reductions
4. Measures we can take to generate cash and secure debt facilities
5. Stress test summary of cash flow, year end net debt and financial headroom throughout the year.

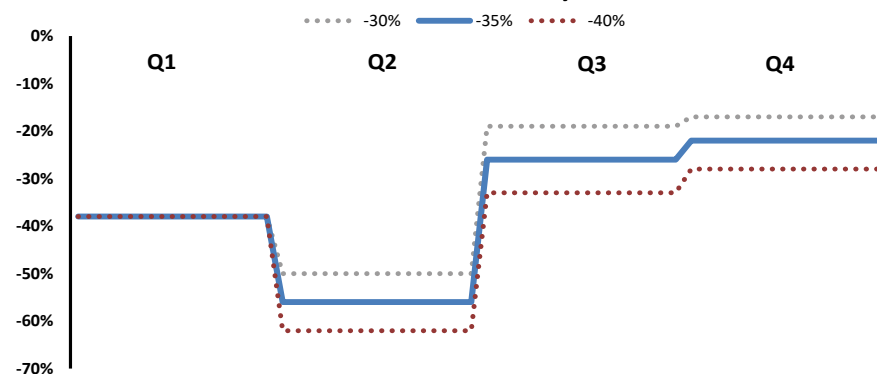
1. FULL PRICE SALES SCENARIOS

We believe that the effects of the coronavirus will be felt for longer than we first anticipated. The economic consequences and continued social distancing will mean that both Retail sales and Online sales will be disrupted even after full lockdown measures have been lifted.

The table below sets out our revised full price sales scenarios by quarter and for the full year.

Full price sales versus last year	Scenario - 30%	Scenario - 35%	Scenario - 40%
Quarter 1	- 38%	- 38%	- 38%
Quarter 2	- 50%	- 56%	- 62%
Quarter 3	- 19%	- 26%	- 33%
Quarter 4	- 17%	- 22%	- 28%
Full year	- 30%	- 35%	- 40%

Full Price Sales Scenarios by Quarter



What is useful?

Next provides an update on its stress test using three different full price sales scenarios, which then links through to their discussion of stock and other cost savings, net cash cost, generating cash and securing debt facilities, and the stress test summary.

next plc



Next PLC

Trading Statement – 29 April 2020
Page 5

CASH FLOW, YEAR END DEBT, EBITDA AND PROFIT

Cash flow relative to Base Case

The table below summarises the changes to our cash flow resulting from the lost sales, cost savings and cash generation detailed in the previous sections. All numbers are given relative to our January Base Case.

£m (e)	Scenario - 30%	Scenario - 35%	Scenario - 40%
Lost full price sales (VAT ex)	- 1,255	- 1,430	- 1,605
Lost clearance sales (VAT ex)	- 50	- 50	- 50
TOTAL LOST SALES (VAT ex)	- 1,305	- 1,480	- 1,655
Cost savings	760	795	805
Inflow from reduction in Online lending	265	300	345
Net cash cost of lost sales	- 280	- 385	- 505
Measures to generate and retain cash	807	807	807
Reduction in year end net debt vs Base Case	527	422	302

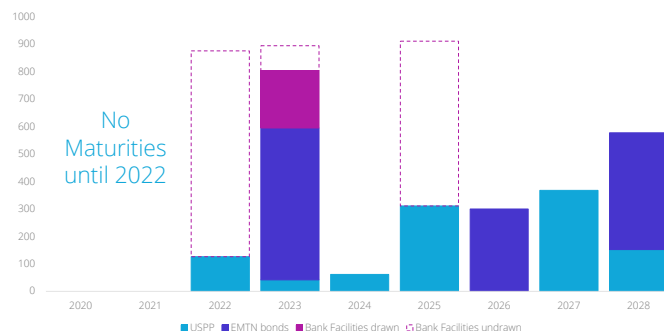
Implied EBITDA, Profit and Net Debt versus Last year

The January Base Case resulted in profit of £734m, EBITDA of £900m and anticipated that our year end net debt would increase by +£50m on the previous year. The table below shows the implied profit before tax, EBITDA and the change in year end debt for each of our three scenarios. Importantly, in all three scenarios, our EBITDA is positive and year end net debt reduces.

£m (e)	Scenario - 30%	Scenario - 35%	Scenario - 40%
Implied EBITDA	320	170	20
Implied Profit	150	0	- 150
Reduction in year end net debt vs last year	477	372	252

1 Long-term balance sheet strength

Pro-forma debt maturity as at 31 Dec 2019 (£m)¹



Balanced mix of secure, long-term funding

Substantial liquidity & cash (£2.3bn+ headroom post placing)

No near-term debt maturities

Resilient Subscriptions cash flow

No covenants on Bonds and RCF

Point covenant risk on US PP debt (3.5x Net debt / EBITDA)

ROBUST BUSINESS MODEL WITH STRONG CASH CONVERSION AND FREE CASH GENERATION

Informa: Stability & Strength

¹ Proforma for: (1) RCF +1 Extension executed Jan 2020; (2) Dec 2020 USPP Prepayment executed Feb 2020; (3) Surplus Committed Credit Facility Mar 2020

13

Informa PLC

Stability and Strength: 2020 COVID-19 Action plan
April 2020, slides 13 and 15

What is useful?

Informa discusses longer-term balance sheet strength, and notes its longer-term prospects in the context of shorter-term changes.



Strength & Opportunities in a Post-COVID-19 World

PENT-UP DEMAND

- **Trade & Commerce:** Exhibitions provide a highly efficient platform for transactions and trade
- **Major brands:** The powerful shows are likely to become more powerful and prioritised, providing reach, efficiency and scale
- **Booking trend:** Customer commitments and rebooking rebound quickly as restrictions ease
- **Face-to-Face:** The power and value of face-to-face interaction at scale only more evident following absence
- **Incentives:** Venue and State support for rebound and recovery of exhibitions industry, helping stimulate trade in major destinations eg Hong Kong to subsidise venue costs for 12 months

A POST-COVID EXHIBITIONS INDUSTRY

- **Bio-Security:** Enhanced hygiene measures likely to become standard practise eg mobile data screening, on-site temperature checks, on-site quarantine, hand sanitation, deep cleaning protocols, electronic registration, enhanced waste management
- **Visa & Entry Management:** Additional controls and complexity likely for visas and permits
- **Digital strength:** Need for stronger fusion of physical and digital product to deliver greater value for Customers
- **Market Maker:** Ability to support and stimulate market growth and innovation becomes ever more valuable
- **Scale & Specialisation:** Ability to meet post-COVID industry reality through depth in specialist markets and proximity to customers

LONG TERM ATTRACTION & VALUE OF INDUSTRIAL TRADE SHOWS, ENHANCED BY DIGITAL CAPABILITIES AND WORLD-CLASS BIO-SECURITY

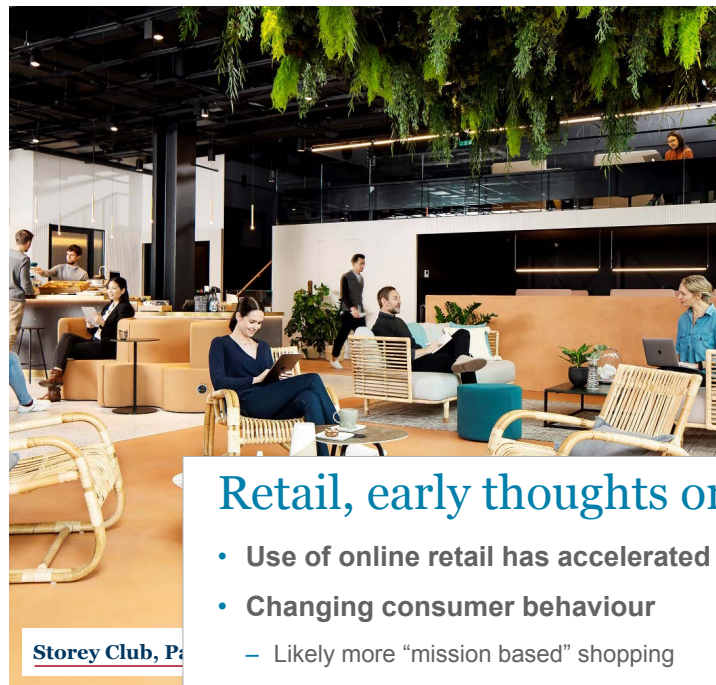
Informa: Stability & Strength

15



Offices – early thoughts on potential long term trends

- **Demand likely to focus on modern, high quality space**
 - Particularly flagship (e.g. headquarter) space
 - Customers seeking more flexibility and focus on health/safety and well managed space
 - Further polarisation in terms of quality of space and customer services
- **Some trends likely to reverse**
 - Reduced hot desking as employees value personal space
 - Trends towards greater densities likely to reverse
 - Working from home patterns will likely evolve
- **Our campuses are well positioned**
 - Delivering modern, sustainable workspace with a focus on wellbeing
 - Control and management of public spaces



What is useful?

British Land discusses its early views on longer-term trends in the office and retail arenas.

British Land Company PLC

Full Year Results Presentation – Year ended 31 March 2020
Slides 28 and 29



Retail, early thoughts on near and long term view

- **Use of online retail has accelerated**
- **Changing consumer behaviour**
 - Likely more “mission based” shopping
 - Less dwell time, less browsing
 - Challenges for leisure / experiential operators
- **Retail parks relatively better placed**
 - Open air centres more attractive to shoppers
 - Well located, easily accessible, facilitate instore fulfilment and Click & Collect
- **Retail, F&B will remain an important part of our mixed use environments long term**
 - Key to creating attractive, vibrant London places
- **Committed to achieving further selective sales**



SouthGate, Bath



What is useful?

TUI identifies that post-COVID-19 the world will be a different place and therefore the business will need to be different to benefit.

TUI AG

Covid-19 Update & FY20 H1 Results
13 May 2020

4 POST COVID-19: the world will be different – TUI's global initiatives

REDUCE COSTS



- Accelerate Transformation project
- Merge tasks and organizations across the Group
- Global consolidation of IT structures
- Targeting to permanently reduce our overhead cost base by 30% across the Group
- Impact on potentially 8,000 roles globally

REDUCE CAPITAL INTENSITY



- Asset-right strategy in Hotels & Cruises
- Reduction of investment levels
- Rightsizing of airlines & order book; restructuring
- Divest/address non-profitable activities

DRIVE DIGITALISATION



- Increase accommodation only, seat only and dynamic packaging
- Drive online strategy
- Enhance transformation of DX to a digital business
- Grow TUI ecosystem

Future TUI will be leaner, less capital intensive & more digital



The transition opportunity

The record volume and value of government intervention in the capital markets and the wider economy have led many to question the impact of this investment on longer-term green transition commitment.

Many investors are also considering the impact of COVID-19 on their ESG agenda and future investments. They are trying to understand the longer-term prospects of a company, and one way companies are responding is to keep one eye on those longer-term goals in place before the current circumstances.

Some companies are disclosing how the current crisis has changed, or not, their longer-term goals. For example, Bosch's disclosure reiterates its commitment to be the first globally operating industrial enterprise to be climate neutral by the end of 2020.

A company's purpose, and what it is trying to achieve over the longer term, can be key in guiding the longer-term aims, and how these aims are contextualised and disclosed.

Investors appreciate information on:

- Whether the company's current actions to COVID-19 impact their longer-term aims, as aligned to wider shifting trends.
- Which of their longer-term aims remain relevant, and how they are changing if there are any changes.

Companies that take this opportunity to tie together their short-term operational changes, purpose, business model and longer-term focus may be best placed to respond quickly and effectively to a rapidly changing world and expectations.

What is useful?

Bosch outlines that the focus on longer-term goals has not decreased in the face of the shorter-term decisions being made, and the company's repurposing of facilities to respond to COVID-19.



BOSCH

Invented for life

Bosch Ltd

Against coronavirus, for the climate: with responsibility and technology "Invented for life," Bosch is tackling the crisis
29 April 2020

WEB

Climate action: Bosch is systematically pursuing ambitious goals

Despite the challenges of the current situation, Bosch is maintaining its long-term strategic course: the supplier of technology and services is continuing with its systematic pursuit of ambitious climate goals and is developing the activities required to support an expansion of sustainable mobility. "Although other issues are currently in the spotlight, we must not lose sight of the future of our planet," Denner said.

About a year ago, Bosch announced that it would be the first globally operating industrial enterprise to become climate neutral by the end of 2020, and this at all its 400 locations worldwide. "We will achieve this goal," Denner said. "At the end of 2019, we achieved carbon neutrality for all our locations in Germany; as of today, we are 70 percent of the way to achieving this worldwide." To make carbon neutrality a reality, Bosch is investing in energy efficiency, increasing the proportion of renewables in its energy supply, buying in more green power, and offsetting unavoidable carbon emissions. "The share of carbon offsets will be significantly lower than planned in 2020, at just 25 percent instead of nearly 50 percent. In other words, we are making faster progress than we expected in improving the quality of the measures we take," Denner said.

Section 5

Appendix

The evolving investor need

What do investors want from corporate reporting?



What is your investment time horizon?

1st Next month

2nd 12 months

3rd 3 months

4th 6 months

Therefore, focus remains on the shorter term

What format should companies report in?

1st Website

2nd PDF

3rd Video

Therefore, keeping the website up-to-date is key

How often do you want to hear from companies?

1st Quarterly

2nd Monthly

3rd Half-yearly

Therefore, reporting more often than normal is welcomed

Which areas of reporting should companies focus on over the next 3, 6 and 9-18 months as a result of COVID-19?

3 months

Liquidity 44%

Employees 15%

Operations 10%

Revenue 8%

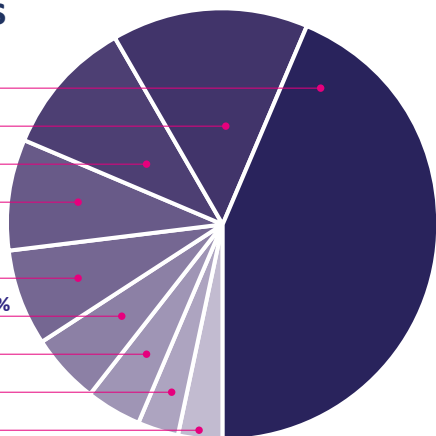
Strategy 7%

Risk/Scenarios 5%

Recovery 4%

Supply chain 3%

Other 3%



6 months

Liquidity 34%

Recovery 18%

Operations 17%

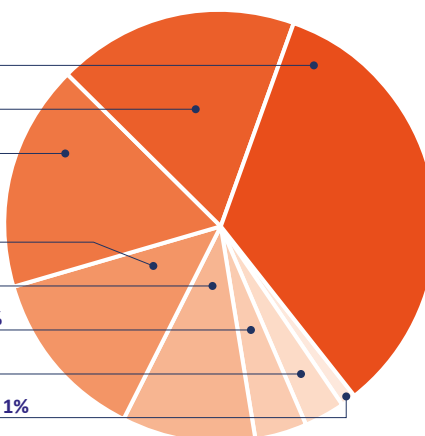
Strategy 13%

Employees 10%

Supply chain 4%

Other 3%

Risk/Scenarios 1%



9-18 months

Operations 22%

Strategy 22%

Liquidity 21%

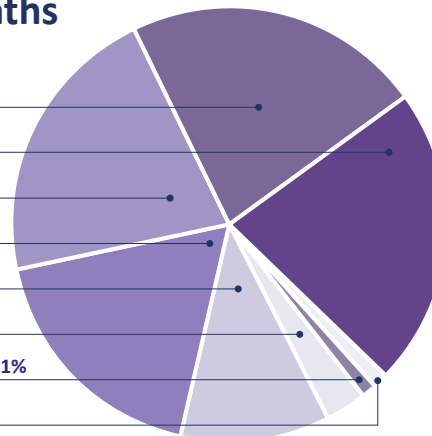
Recovery 18%

Employees 11%

Supply chain 3%

Risk/Scenarios 1%

Other 1%

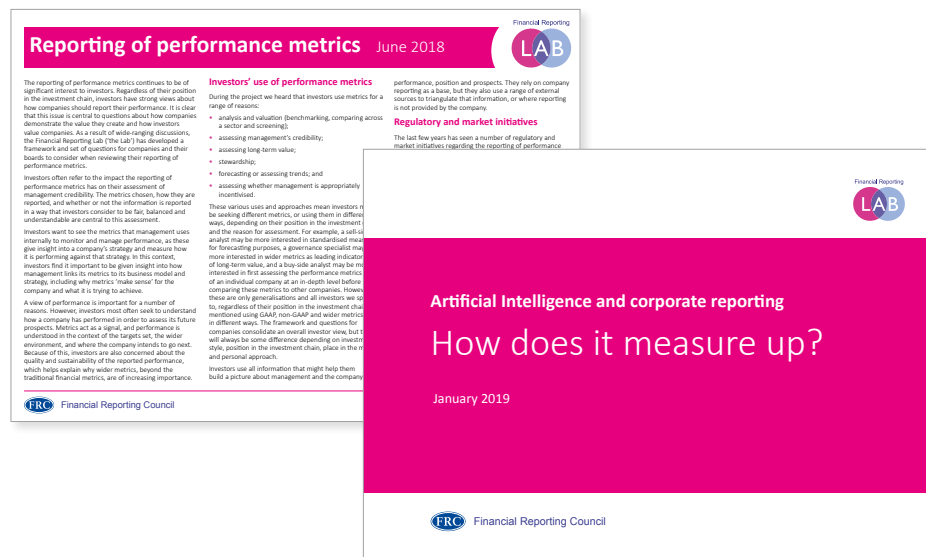


Therefore, focus on cash and liquidity first and then on strategy and operations

Results presented are from a series of surveys run by the Lab in April and May 2020 and represent the views of 89 respondents.

The Lab has published reports covering a wide range of reporting topics.

Reports include:



The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting transparency and integrity in business. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

The FRC does not accept any liability for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

© The Financial Reporting Council Limited 2020

The Financial Reporting Council Limited is a company limited by guarantee.

Reports and information about the Lab can be found at:

<https://www.frc.org.uk/Lab>

Follow us on  Twitter @FRCnews or  LinkedIn



Financial Reporting Council

Financial Reporting



Registered Office:

Financial Reporting Council
8th Floor, 125 London Wall
London EC2Y 5AS

www.frc.org.uk