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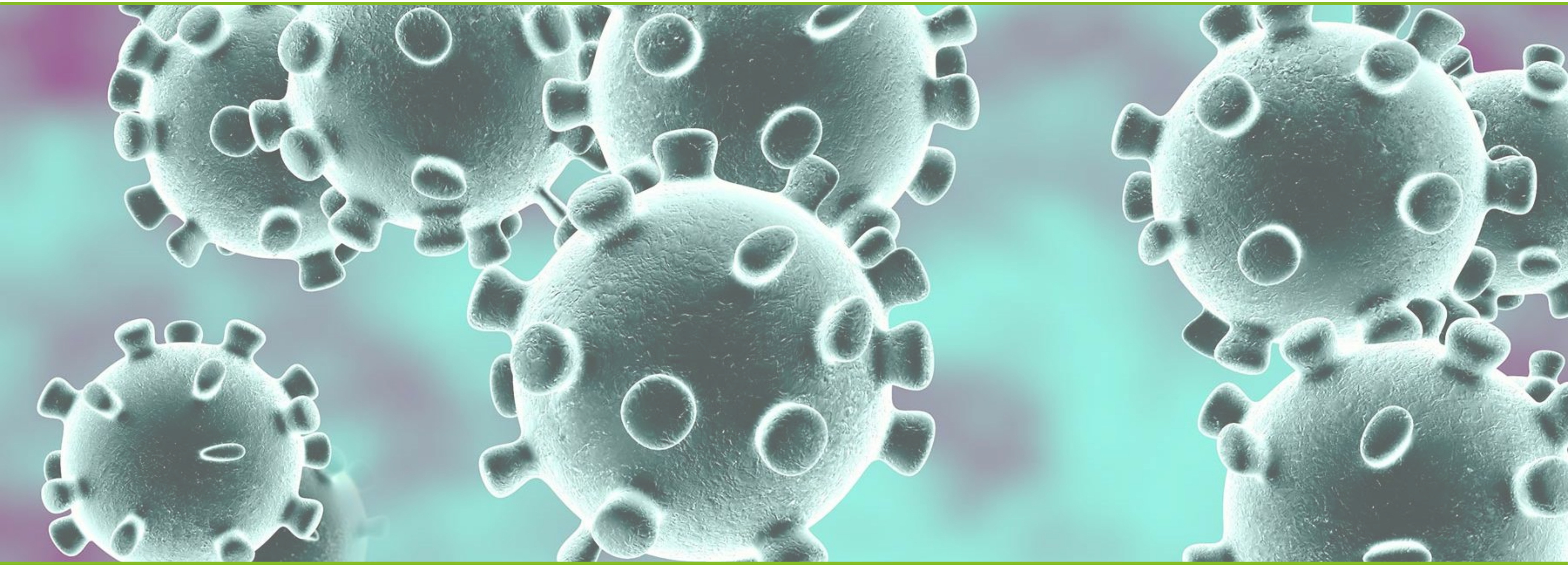
Financial Advisory



Deloitte Economics' Coronavirus Impact Monitor

Equity markets continue to recover, and mobility is increasing: Indicators of a quick recovery or signs of over-optimism?

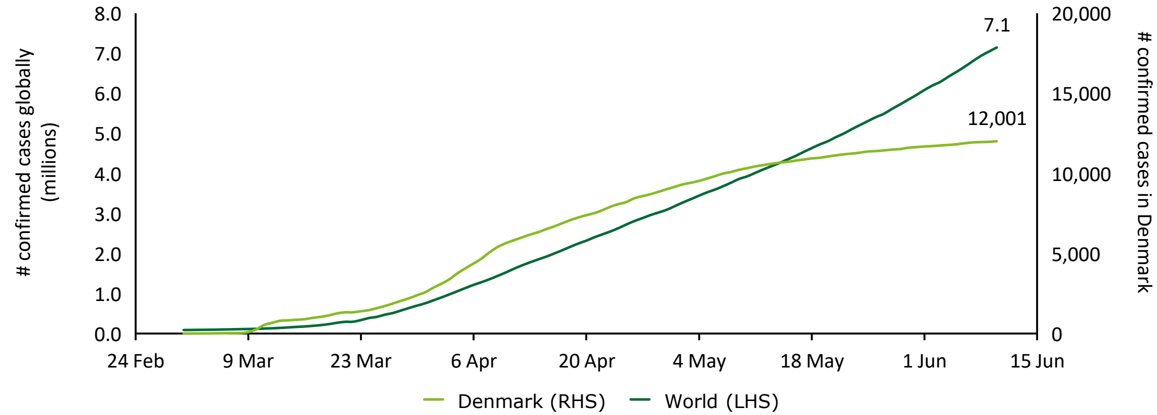
10th edition, 12 June 2020

New daily confirmed cases and deaths continue to slow in Denmark, while the number of daily global deaths is falling

- Between 1 February 2020 and 10 June 2020, the number of global confirmed COVID-19 cases rose from 9,800 to about 7.1 million.
- As the number of new cases in Europe shows signs of falling, countries are beginning to take steps to reopen their societies and economies. The Danish government has activated Phase III of the reopening that took effect on 8 June 2020.
- In Denmark, the increase in the number of confirmed cases has remained relatively low. As of 10 June 2020, there were 12,001 confirmed cases with around 40 new cases per day.

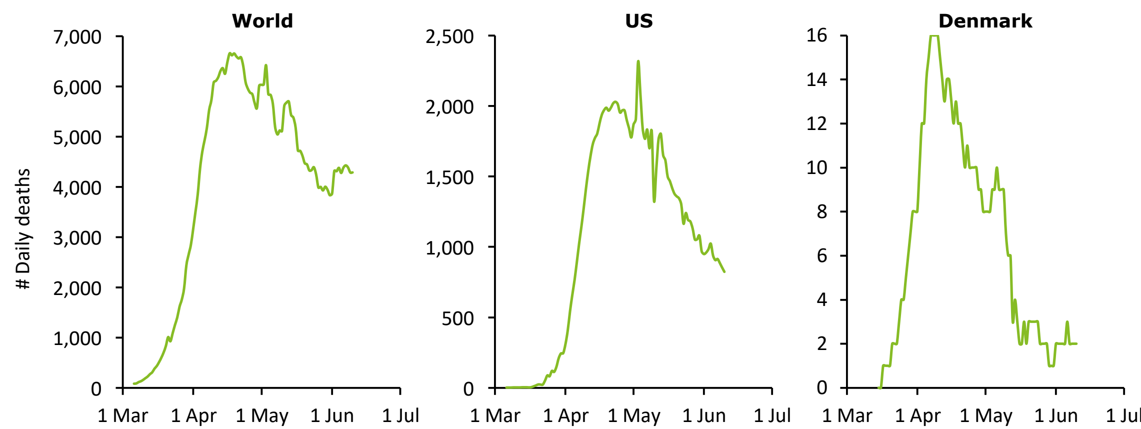
Confirmed COVID-19 cases: World and Denmark

As of 10 June 2020



- The chart shows the daily number of deaths in the world, the United States and Denmark. There are currently around 4,000-5,000 daily deaths in the world, which is lower than the 6,000-7,000 peak in mid-April, although this falling trend has slowed, as the number of recorded deaths appears to be increasing in other parts of the world.
- In Denmark, the 7-day average daily death rate is around two per day. There have now been several days with zero recorded deaths.
- In Denmark, there were 17 patients in intensive care as of 10 June 2020, of which seven patients were on respirators. This number has fallen steadily since the peak at 100-150 at the beginning of April 2020.

7-day rolling average confirmed daily COVID-19 deaths: World, US and Denmark

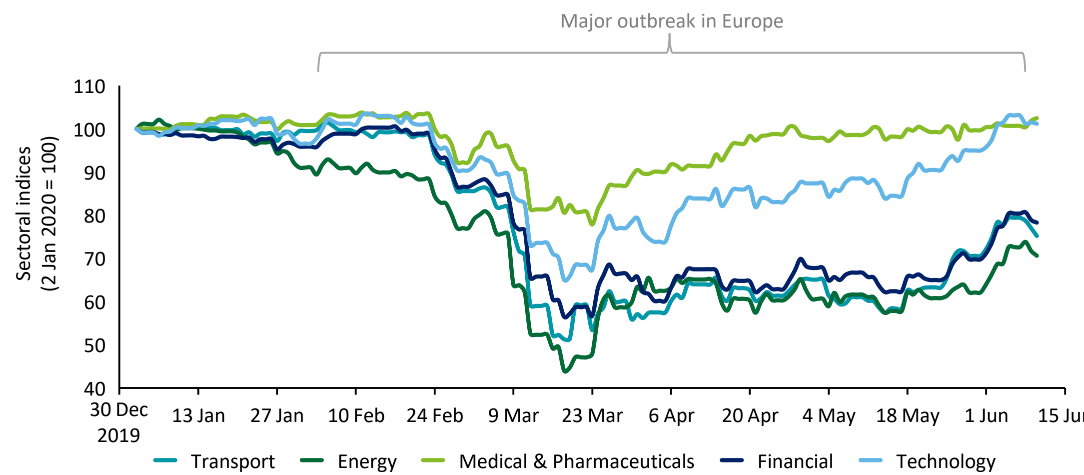


Sources: World Health Organisation (WHO), the Danish Health Authority (Sundhedsstyrelsen)

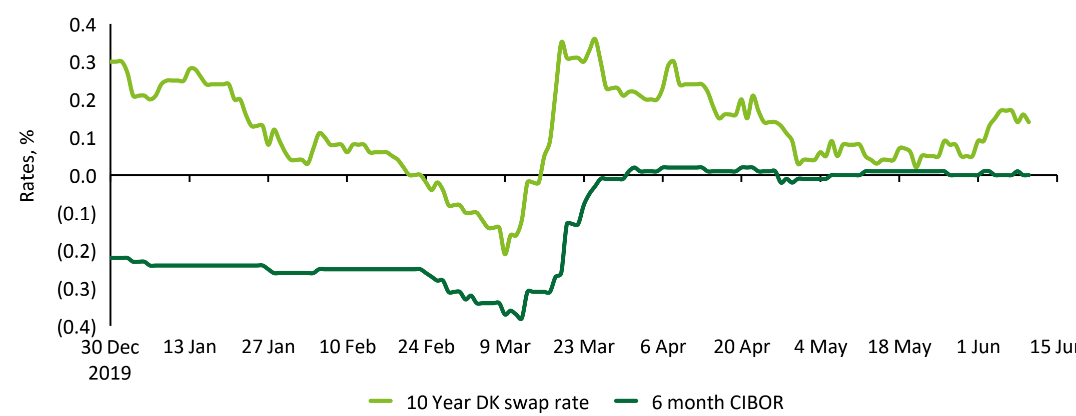
COVID-19 impact on equity markets has been most severe in the transport and energy sectors, although share prices are recovering across all sectors

- The outlook for increased public expenditure and gradual opening of economies has supported markets.
- European equity indices suffered material losses following the COVID-19 outbreak in Europe, but have to some extent recovered from the bottom reached in mid-March 2020.
- The Transport industry, including airlines, has been severely affected by the virus and the related travel restrictions, but during the past few weeks share prices have started to recover. The Refinitiv Europe Transport Price Index is still down by some 25% since the beginning of the year.
- The European energy sector, including oil and gas companies, has lost more than 29% since the beginning of the year. Declining energy prices have applied downward pressure on energy equities, although the sector's share prices are showing signs of a recovery, possibly linked to a small rebound in oil prices.
- The pharmaceuticals and technology sectors have recovered well in terms of equity prices, showing a gain in 2020.
- Interest rates have risen since their lowest levels at the beginning of March on the news of large fiscal and monetary stimulus packages by governments and central banks around the world.
- Equity market volatility and implied default probabilities remain elevated, although they have also decreased since their peak. See page 26 for more details.

Equity markets: Sectoral indices in Europe[1]



Danish interest rates



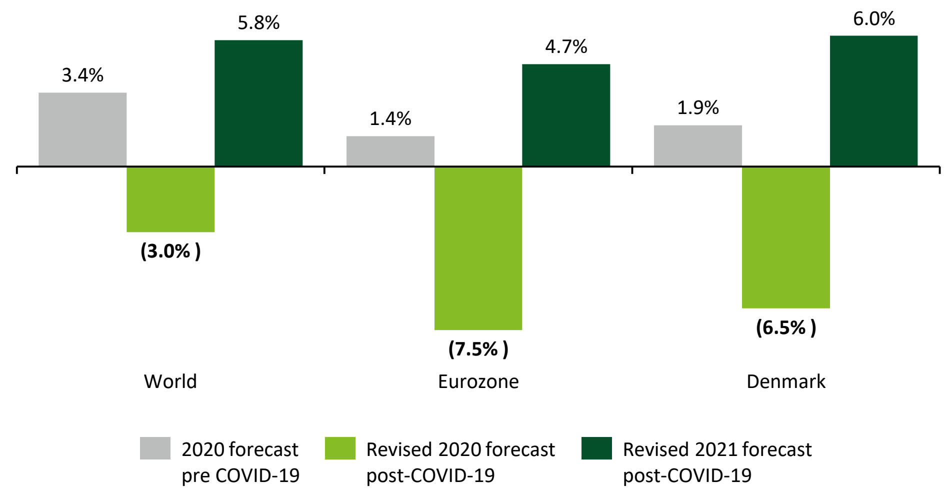
Note: 1) Refinitiv European sectoral price indices measured by Refinitiv (Thomson Reuters)

Source: Thomson Reuters Eikon

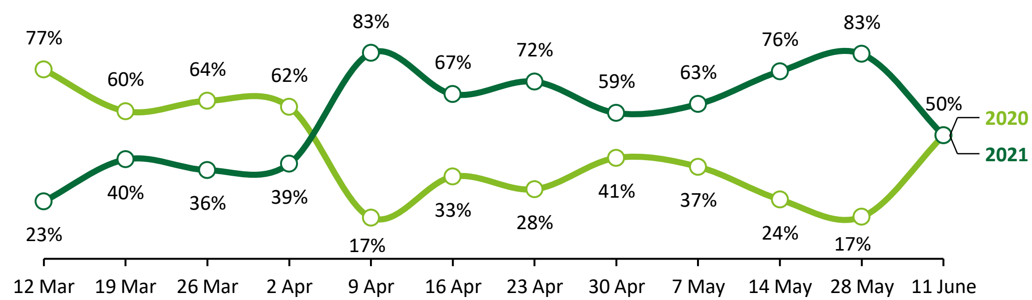
Q1 GDP contracted sharply across Europe and the United States, but optimism is back with increasing expectations of economic recovery already at the end of 2020

- The "sudden stop" in the global economy, caused by the COVID-19 pandemic, has translated into significant downward revisions of economic growth projections worldwide. According to IMF's April predictions:
  - The global economy is expected to contract by 3.0% in 2020 instead of the initially estimated 3.4% growth. This 3.0% contraction in global GDP is much worse than the 0.1% contraction experienced during the 2009 financial crisis, see the following page.
  - Danish GDP is projected to contract by 6.5% in 2020 compared to the pre-COVID-19 growth estimate of 1.9%. GDP in Denmark shrank by 4.9% in 2009. The median forecast of Danish 2020 GDP growth is -5.1% according to our survey of professional forecasters, ref. page 25 in the appendix.
- Consistent with this, the eurozone economy contracted by 3.8% in Q1 according to preliminary estimates from Eurostat. The French and Spanish economies shrank by 5.8% and 5.2%, respectively, in Q1, which is a sign of the extensive havoc caused by measures imposed to curb the coronavirus' spread. In the United States, GDP shrank at an annualised rate of 4.8% in Q1.
- Deloitte's latest survey among ~ 1,000 colleagues and clients from all over the world on 11 June 2020 reveals that the participants are split on whether they expect an economic rebound first in 2020 or 2021. This is in contrast to the prior survey of 28 May 2020 when the majority of participants expected a rebound first in 2021.

Economic growth projections



Deloitte survey[1]: When do you think activity will rebound in your economy?

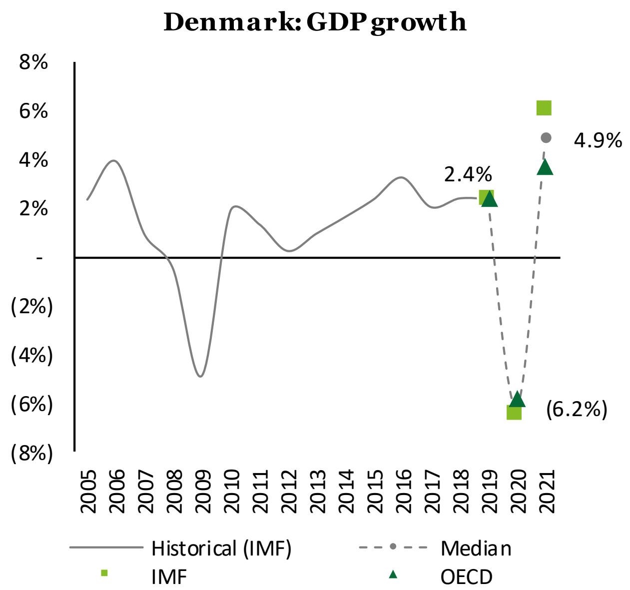


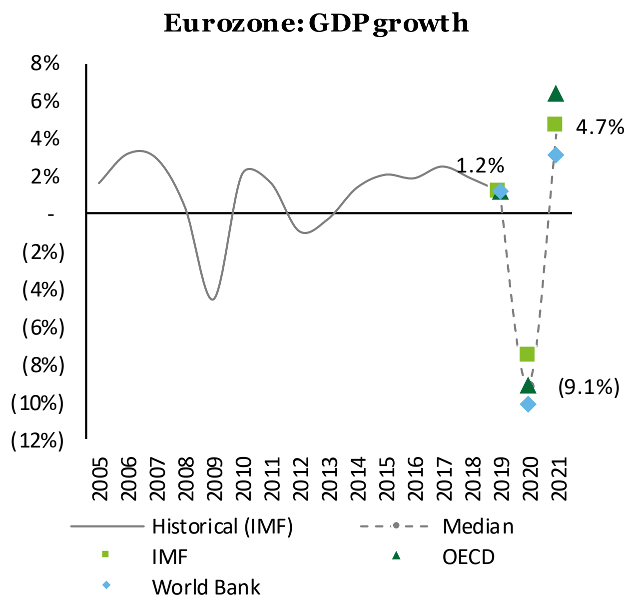
Note: 1) Deloitte surveys conducted on 12, 19, 26 March, 2, 9, 16, 23, 30 April, 7, 14, 28 May and 11 June 2020, involving about 2,000 colleagues and clients.

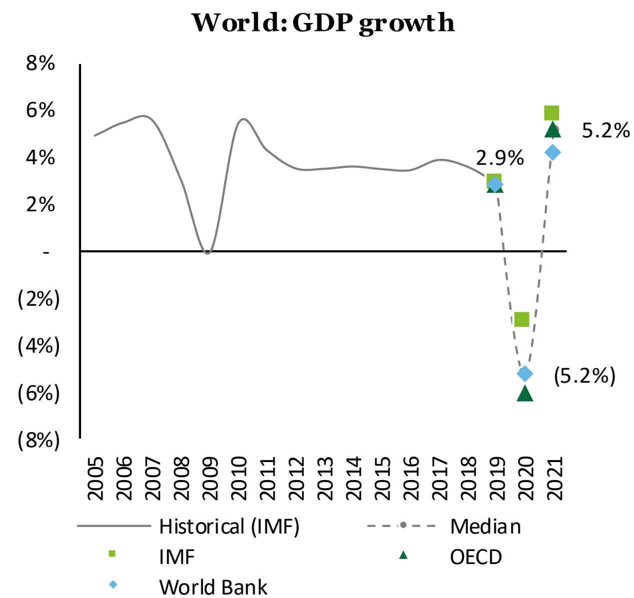
Source: Deloitte surveys, IMF World Economic outlook (October 2019) for pre-COVID-19 figures; IMF World Economic Outlook (April 2020) for revised forecasts

Recent forecasts from OECD and World Bank support the outlook for a deep 2020 downturn

- In the beginning of June OECD and the World Bank have released new economic growth forecasts, accounting for the impact of the COVID-19 pandemic.
- These economic growth forecasts are broadly consistent with those from the IMF in the sense that they paint a picture of a sharp downturn in 2020, followed by a recovery in 2021. The contractions of the economy is primarily due to major drops in Q1 and partly Q2 2020. From Q3 the economic activity is expected to increase continuously. However, the economy activity is not expected to be back on 2019 –Q4 levels within the next two years.
- It is stressed that these forecasts assume that current containment efforts are effective in containing the COVID-19 outbreak. In case we get a second wave of infections before the end of 2020, and authorities therefore impose a new round of lock-downs, then the downturn is obviously going to be deeper and the recovery in 2021 is therefore likely to be more moderate.







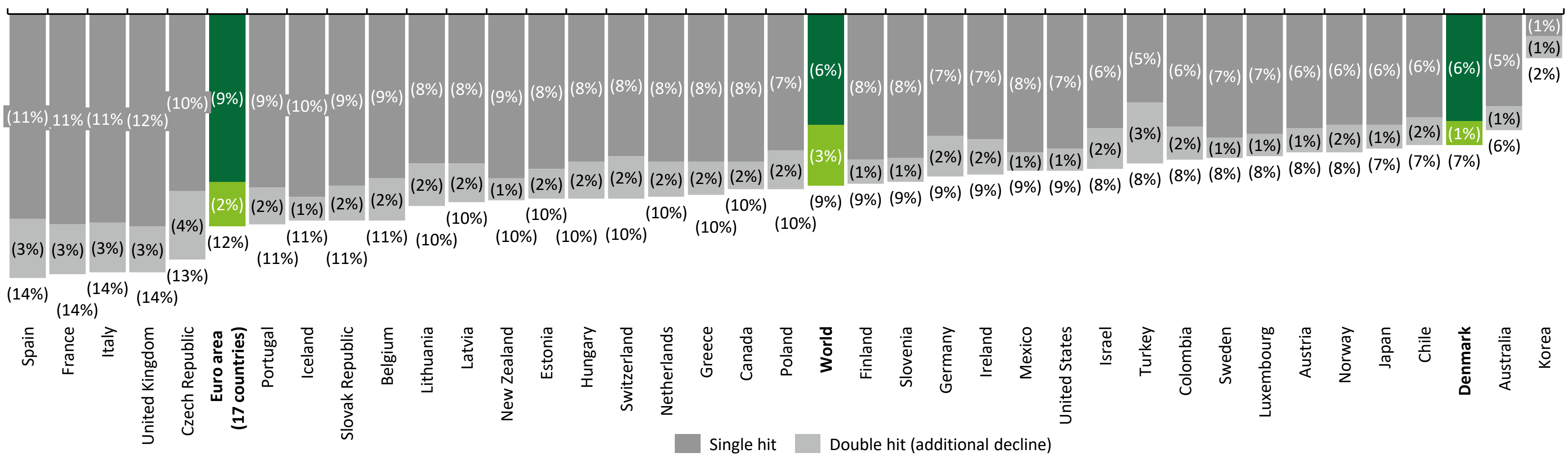
Note: Labels shown in the charts represent median forecast.

Source: IMF, OECD, World Bank

Danish GDP contraction is expected to be less severe than in other nations, thanks in part to its containment of the virus outbreak and lower exposure to vulnerable sectors

- The OECD released its latest forecasts for GDP growth across OECD nations, including for the Euro area and the World.
- Two scenarios are projected, one in which another COVID-19 wave of infections and associated restrictions is avoided ("single-hit" scenario) and one in which a second wave does occur ("double-hit" scenario).
- Under the single-hit scenario, global GDP is expected to fall by 6%, while the Eurozone is expected to be harder hit, with a 9% contraction. A further 3% and 2% contraction is expected under a double-hit scenario.
- In Denmark, while the forecast contraction of 7% sounds high, it appears that relative to its developed country peers and the World as a whole, the contraction is in the lower end. There are various reasons for this, one being that the underlying virus outbreak has been well-contained compared to countries such as Spain and Italy. Another is that the Danish economy is not as heavily exposed to sectors which have been particularly badly hit, such as tourism and energy, which have affected the United Kingdom significantly. Denmark's exposure to the pharmaceutical sector for instance has possibly acted as a buffer, as it has held up relatively well in comparison.

Projected 2020 GDP growth rates with and without a second COVID-19 wave



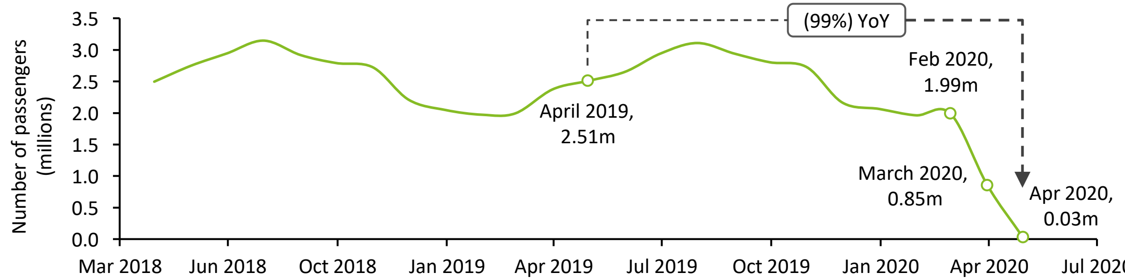
Source: OCED

Mobility data suggests that activity is picking up in Denmark and other countries, but air traffic at Copenhagen Airport has ground to a complete halt

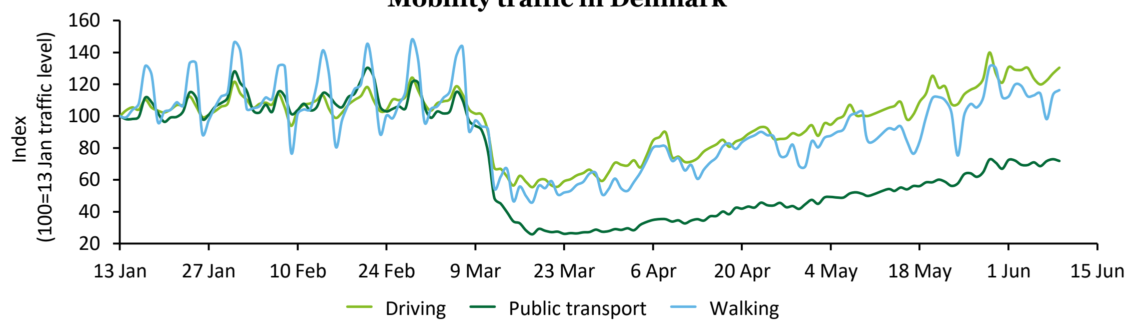
The COVID-19 crisis has caused dramatic supply and demand shocks in the world economy, and these shocks have caused major disruptions to trade and overall movements of people across the economy:

- With only 26,000 people travelling through its terminals in April 2020, Copenhagen Airport has experienced a 99% fall in passenger traffic compared to a year earlier.
- However, mobility traffic data for Denmark suggests that car traffic (driving) and walking activity have more or less recovered.
- Public transport volumes (public transport) remain far below pre-crisis levels. Interestingly, however, the typical weekly cycle (particularly for walking which peaked during the weekends) has not returned, possibly reflecting a less structured working week, as people work more from home.
- The picture of expanding traffic volumes is also evident in other countries.

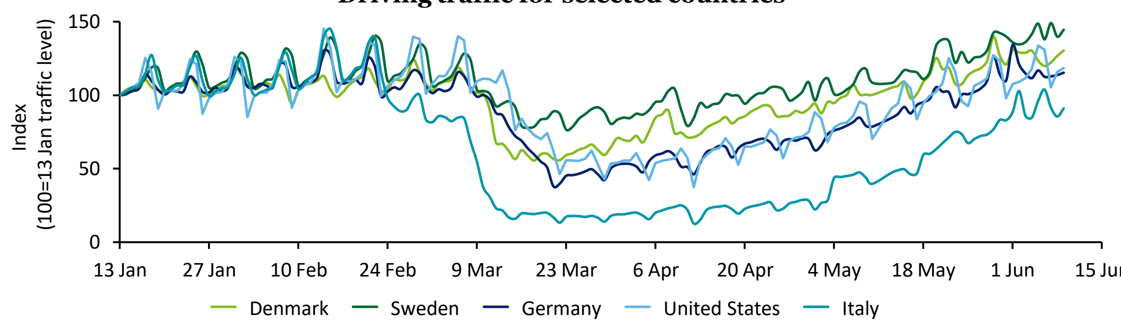
Copenhagen Airport: Monthly passenger numbers



Mobility traffic in Denmark[1]



Driving traffic for selected countries[1]



Note: 1) The Apple Mobility data measure volume of directions requests by region compared to a baseline volume on 13 January 2020.

Source: Apple, Copenhagen Airports

Coronavirus heatmap

Deloitte Economics' view on the short-term outlook across selected sectors in Denmark

Consumer
- Consumers intend to spend less on non-essential goods.

Energy & Resources
- Coronavirus affects short-term prices, but prices are expected to rebound in 2021.

Financial Services
- The anticipated recession will have a large impact on the sector.

Industrials
- Stocks tumble as second-wave fears return – manufacturers among the hardest hit.

Life Science & Health Care (LSHC)
- Swift recovery of the LSHC sector with listed companies trading above pre-corona levels.

Real Estate
- Expectation-driven real estate market leads to price reductions in the short term.

Technology, Media & Telco (TMT)
- TMT sectors have shown relative resilient to COVID-19, as the world has gone digital.

Transport
- The transportation market in continued recovery following the opening of several markets.

Public
- The pandemic has been costly and may affect public spending in the long term.

We refer to pages 11-19 for in-depth coverage of developments in the industries above. Variations in the outlook within industries can occur.

Sector	Denmark	
	Short-term	Outlook
Consumer	Moderate impact	Moderate recovery
Energy & Resources	Moderate impact	Moderate recovery
Financial Services	Moderate impact	Moderate recovery
Industrials	Moderate impact	Moderate recovery
Life Science & Health Care	Neutral/low impact	Growth opportunities
Real Estate	Moderate impact	Moderate recovery
Technology, Media & Telco	Neutral/low impact	Moderate recovery
Transport	Moderate impact	Slow recovery

Sources: Deloitte analysis, Dansk Erhverv

Key messages

Equity markets are recovering, and mobility and spending data indicates that activity is picking up. Are we facing a quick recovery?

- In Denmark, the number of confirmed cases remains. As of 10 June 2020, there were 12,001 confirmed cases. The reopening of the society has not been accompanied by a significant increase in confirmed cases.
- The COVID-19 crisis has caused dramatic supply and demand shocks in the world economy, and these shocks are inevitably causing major disruptions to trade. The COVID-19 impact on equity markets has been most severe on the transport and energy sectors.
- Governments all over the world have introduced major aid packages, which amount to two-digit percentages of GDP, including credit measures.
- The outlook for increased public expenditure and gradual opening of economies has supported markets, and share prices are recovering across all sectors. However, due to fear of infection flare, the US market dropped significantly yesterday.
- Q1 GDP contracted sharply across Europe and the United States, and unemployment rates have sky-rocketed. Recent forecasts from OECD and World Bank support the outlook for a deep 2020 downturn, with a 5.2% contraction of the world economy. A 2021 recovery scenario relies on the assumption that we do not see a second wave in 2020 and new lockdowns being imposed by governments.
- Danish GDP contraction is expected to be less severe than in other nations, thanks in part to its containment of the virus outbreak and lower exposure to vulnerable sectors.
- The COVID-19 crisis is well into the recovery phase, where most lockdown restrictions are being lifted. This is reflected in increased spending, and economic activity is slowly beginning to rebound. Sentiment across key sectors also seems to stabilise. Also, mobility data suggests that activity is picking up in Denmark and other countries.
- Deloitte Economics will continue monitoring the impact of the coronavirus in Denmark and globally. Find our updates here

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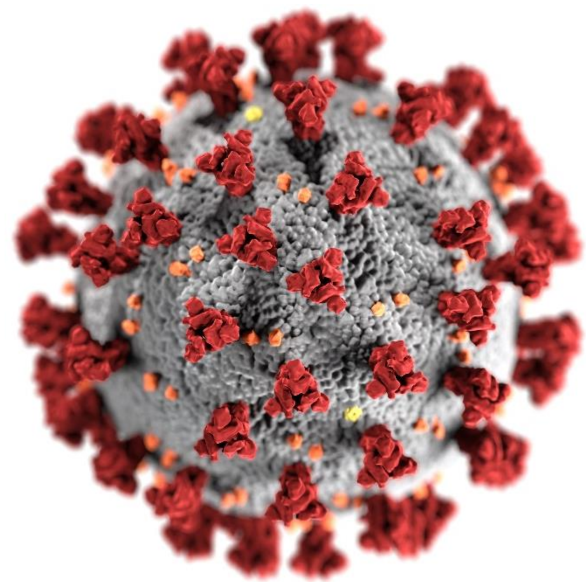
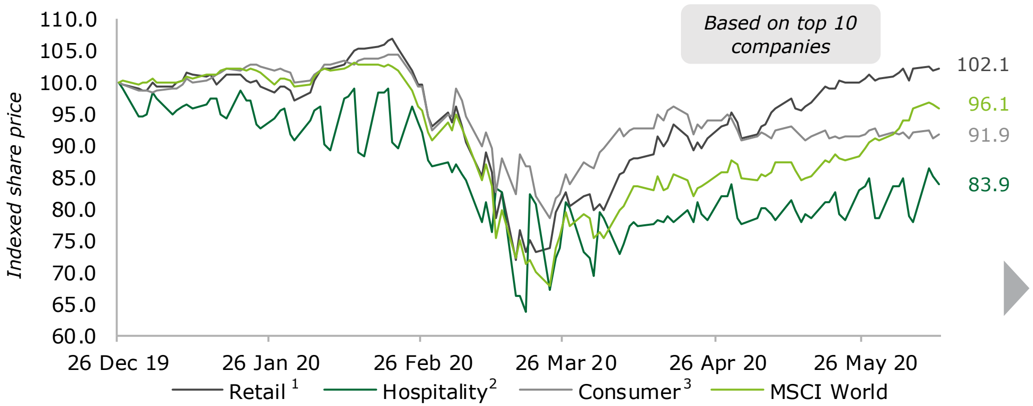
Industry outlook



Industry outlook: Consumer

Consumers intend to spend less on non-essential goods

Highlights from the industry (as of 11 June 2020)



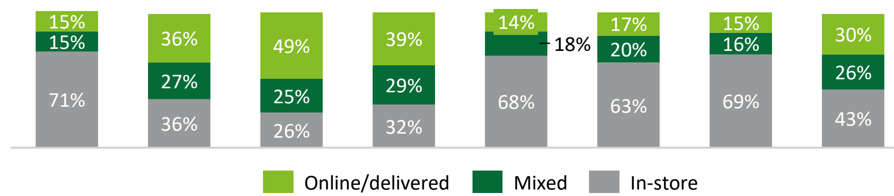
- Retail index has moved from index 101.3 to 102.1 (since last update).
- Hospitality index has moved from index 84.9 to 83.9 (since last update).
- Consumer index has moved from index 92.5 to 91.9 (since last update).

Consumers will spend less on restaurants, apparel and electronics

Consumers' intention to spend more during the next four weeks

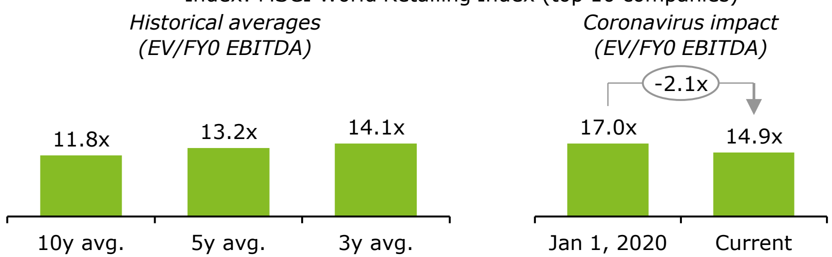
Alcohol	Apparel/ footwear	Books	Electronics	Groceries	Household goods	Medicines	Restaurant/ takeout
-12%	-12%	-4%	-14%	27%	21%	10%	-13%

Consumers' intended purchase channel

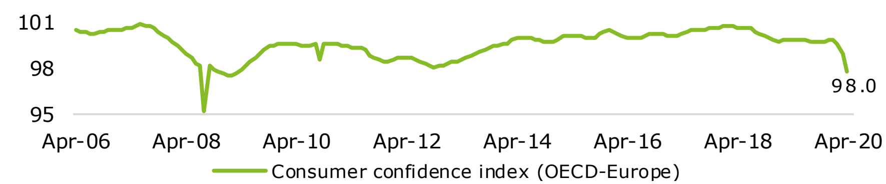


Trading multiples and economic outlook

Index: MSCI World Retailing Index (top 10 companies)



- Latest consumer confidence index[4] (as of April 2020) was 98.02, indicating a somewhat doubtful attitude towards the future economic development, possibly resulting in higher saving and less consumption among consumers.



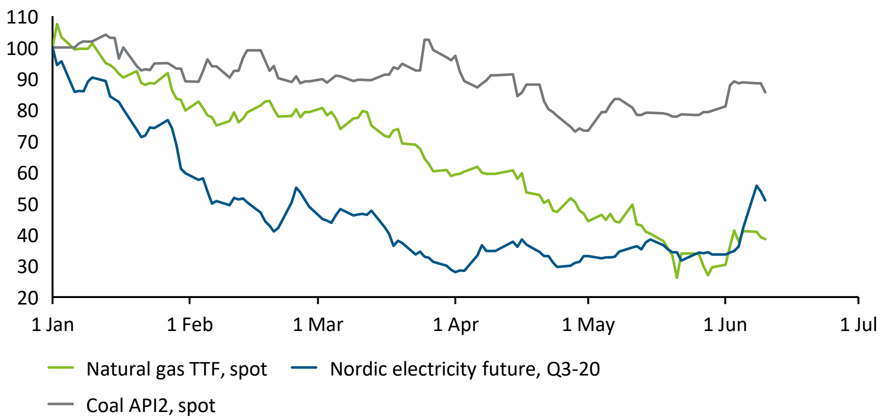
Note: 1) MSCI World Retailing Index; 2) MSCI World Consumer Services Index; 3) MSCI Consumer Staples Index; 4) Based on OECD – Europe region

Sources: Capital IQ; MSCI; European Parliament; Deloitte State of the Consumer Tracker

Industry outlook: Energy & Resources

Coronavirus affects short-term prices, but prices are expected to rebound in 2021

Highlights from the industry (as of 11 June 2020)



- Mild winter puts pressure on Nordic electricity prices prior to Corona crisis.
- Electricity demand has decreased marginally due to Coronavirus lockdown.
- Significant drop in carbon emissions resulting in lower prices.

Hydropower generation

- Prior to Corona, electricity prices were already pressured in the Nordics due to a warm winter, which increased the generation capacity of Norwegian hydropower plants.
- Further, the mild winter decreased demand for electricity.

Lockdown affects demand

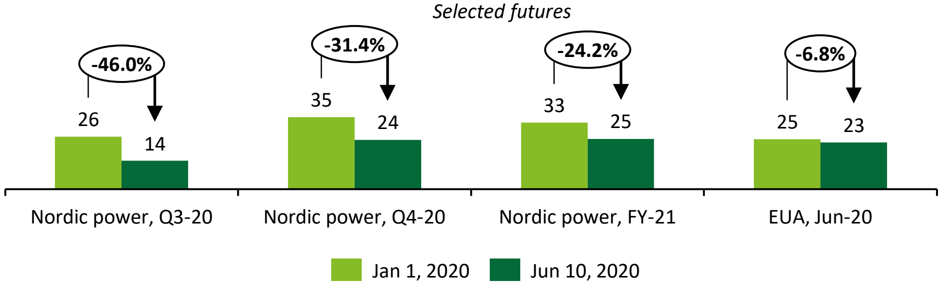
- The corona virus lockdown has negatively affected the demand of public institutions, private individuals and corporations.

Carbon market prices

- Lower emissions of CO2 and other greenhouse gasses have led to a decrease in carbon prices.
- Coal becomes cheaper, lowering overall prices, as coal is marginally price setting. This creates a self-enforcing effect, which drives down prices even further.

Economic outlook

Selected futures



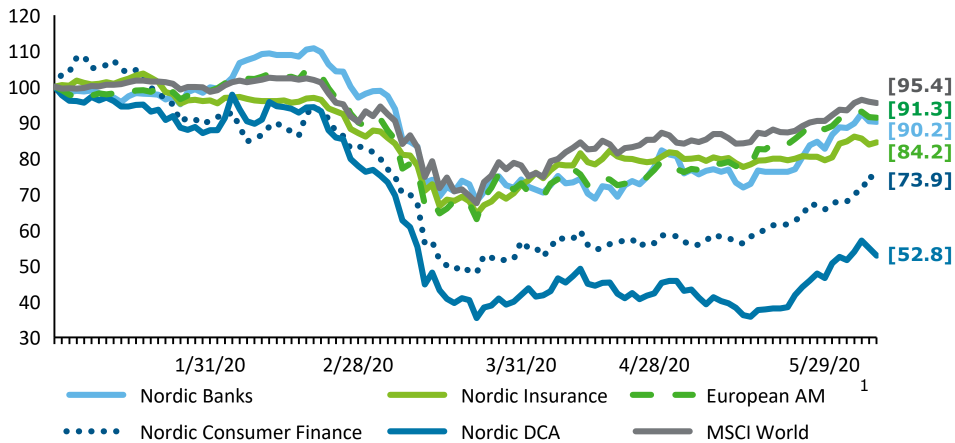
- As expected, prices are starting to increase, as lockdowns are gradually lifted globally. Nordic power in particular has seen a steady increase in pricing in the past weeks.
- Although the short-term impact on electricity producers is significant, we expect prices to rebound in 2021. This is supported by significantly larger price drops in electricity future prices in the short-term compared to the long-term.

Source: Thomson Reuters Eikon

Industry outlook: Financial Services

The anticipated recession will have a large impact on the sector

Highlights from the industry (as of 10 June 2020)



D. Certain FS subsectors, including Nordic banks and asset managers, have recovered a significant portion of market value lost from the mid-March low point. Uncertainty, particularly in consumer finance, and debt collection businesses continue to be priced into valuations, although recently gains have been made.

D. Banks and consumer finance

- Credit businesses that retain a large physical branch network or have IT inefficiencies will find a drag on their cost bases. This is at a time when they must work through increased loan loss provisions amplified by the adoption of IFRS9 accounting standard in 2018. A higher cost base juxtaposed against a continued low base rate environment and an inability to generate high levels of net interest margin. Inefficient or subscale players may need to look for new capital or become part of a wider market consolidation.

D. Insurance

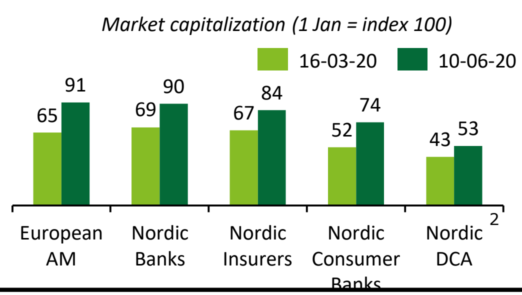
- Lloyds of London estimates a USD 203bn underwriting loss for the insurance industry as a result of the global pandemic. Obviously, some asset classes will fair better than others (e.g., motor insurance will benefit from lockdown versus business interruption insurance). As such, dependent on products and attitudes to reinsurance, there is likely to be stress in the insurance industry.

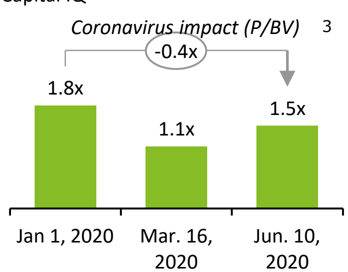
D. Asset Management

- A Deloitte study demonstrates that consumers expect to spend more on Wealth Management services as a response to the COVID-19 crisis (click here to read the study). Asset managers that have been successfully able to pivot from physical meetings to conduct sales and provide advice virtually may be able to capture market shares. However, the shock to equity markets will negatively affect income across the sector.

Trading multiples and economic outlook

Index: S&P Capital IQ





D. The impact of the COVID-19-led recession on financial service firms will be felt, as government support schemes unwind over the coming months. Firms that have been affected by lockdown measures may trade through the summer months before losing the battle with cash flow issues and debt servicing issues during the autumn.

D. Financial services businesses that are easily able to interact with their clients online, and offer a good user experience, are better placed to thrive during the recession. Many of the tech elements, most notably the proliferation of smart phones, were not available during the financial crisis. This provides customers with a greater number of alternative providers.

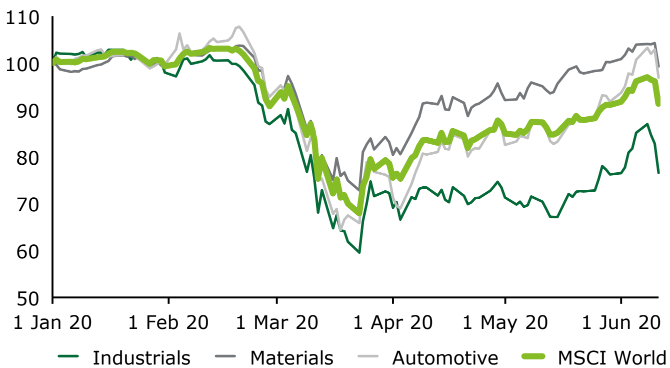
Notes 1) Indices are from Stoxx Europe 600 Financial Services and MSCI World; 2) DCA: Debt Collection Agencies; 3) P/BV is measured as average of Nordic Insurers, banks, and DCA.

Sources: A. https://www.theguardian.com/business/2020/may/14/lloyds-of-london-coronavirus-payouts

Industry outlook: Industrials

Stocks tumble as second-wave fears return – manufacturers among the hardest hit

Share price development year-to-date

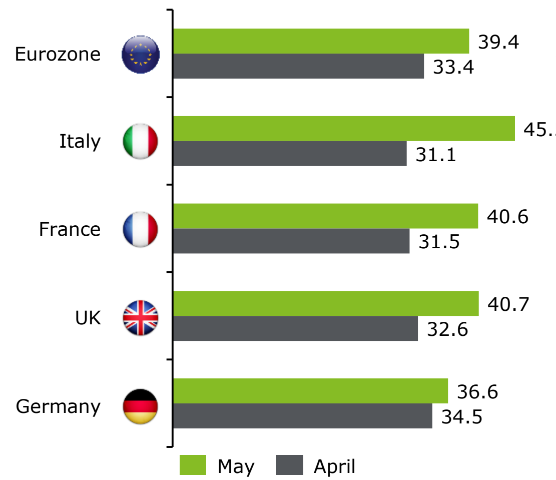


Indexed share price as of:

11 June	28 May
99.3	98.5
96.9	93.1
91.3	90.6
76.6	78.0

- Growing fears of a surge in coronavirus infections sent investors out of risky assets on Thursday, offsetting the gains achieved in recent weeks

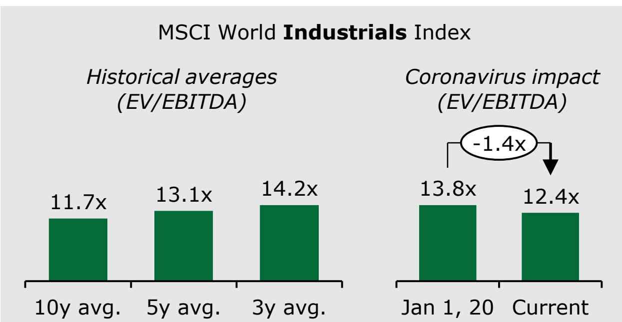
Eurozone manufacturing sector continues to contract



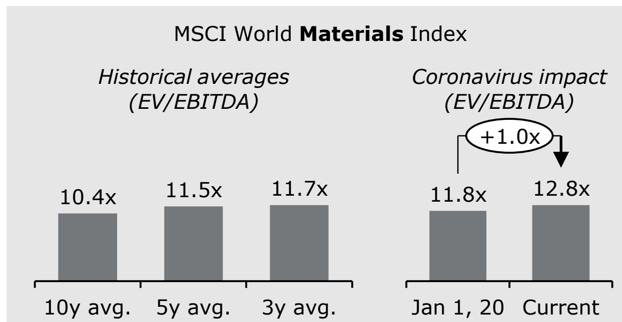
Six-point improvement compared to April, but Final Eurozone "Manufacturing PMI[1]" at **39.4** for May still indicate notable deteriorations in operating conditions

IHS Markit Manufacturing PMI:
Index =50: No change
Index <50: Contradiction
Index >50: Expansion

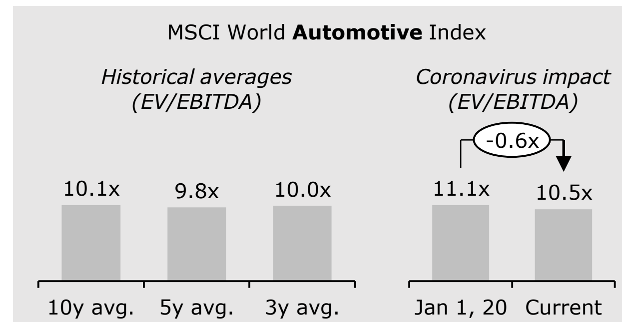
Trading multiples



- Since the last update (28 May 2020), the EV/EBITDA multiple is down from 12.8x to 12.4x



- Since the last update (28 May 2020), the EV/EBITDA multiple is up from 12.7x to 12.8x



- Since last update (28 May 2020), the EV/EBITDA multiple remains unchanged at 10.5x

Note: 1) Data as of 11 June 2020 - Please note that the "Manufacturing PMI index" is used in this week's update instead of "PMI Manufacturing Output Index" due to data unavailability of the latter.

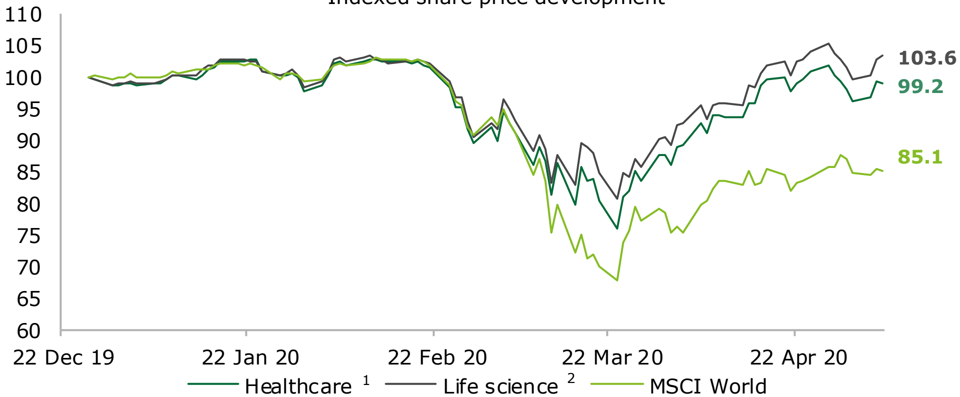
Source: Capital IQ; MSCI World Indices; WSJ; IHS Markit

Industry outlook: Life Science and Health Care (LSHC)

Swift recovery of LSHC sector with listed companies trading above pre-corona levels

Highlights from the industry (as of 6 May 2020)

Indexed share price development



- Significant recovery in both Health Care and Life Science in recent weeks continues.
- Life Science trades above pre-corona levels.
- Significantly faster recovery and better performance among Life Science and Health Care companies compared to the general market.

Collaboration is the new normal

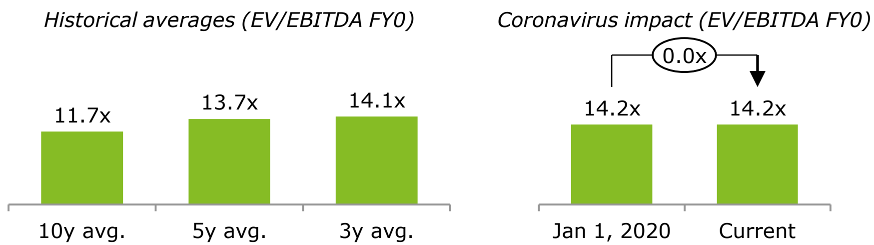
- COVID-19 has further accelerated an ongoing trend of collaboration among LSHC companies, scientists, and public institutions.
- Examples of recent private collaborations are:
  - Bavarian Nordic and AdaptVac for COVID-19 vaccine
  - Consortium of 15 large life science companies, including Novartis, Johnson & Johnson, and Pfizer, to share knowledge

Race for COVID-19 vaccine or other treatment

- The antiviral, Remdesivir, has shown promising results in preliminary trials with improved recovery time and potential survival benefits.
- Race for developing a vaccine is still ongoing with a horizon of 12-18 months.
- According to Milken Institute, 123 candidate vaccines and 203 different treatment variations are being developed as of 7 May 2020.

Trading multiples and economic outlook

Index: MSCI World Health Care Index



- LSHC companies trade above pre-corona levels.
- Countries are reopening, and many health care systems are again focusing on other illnesses and treatments than COVID-19.
- Rapid recovery expected for LSHC companies unrelated to COVID-19 treatments as demand for non-essential medications and equipment rises.
- Continued high demand for COVID-19 related therapies and equipment.

Note: 1) MSCI World Health Care Index (top 10 constituents); 2) MSCI World Pharmaceuticals, Biotechnology and Life Sciences Index (top 10 constituents)

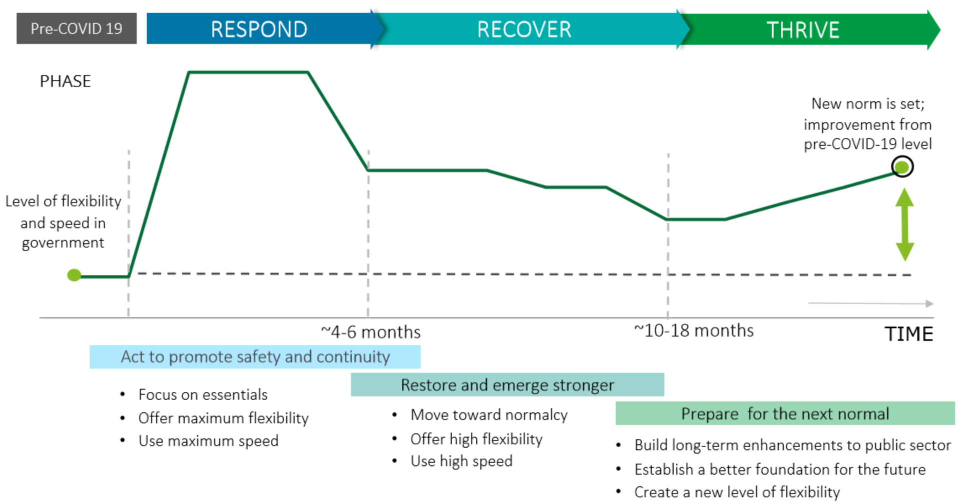
Sources: Milken Institute, Deloitte Health Forward Blog, Capital IQ, NIH

Industry outlook: Public

The pandemic has been costly and may affect public spending in the long term

Highlights from the industry (as of 12 June 2020)

A timeline for COVID-19 government response



D. Towards normality

- Government's focus is to move society towards normality and avoid an increase in the reproduction rate.
- As part of a controlled reopening, all citizens can book an appointment to a COVID-19 test.

D. From recover to thrive

- Continued pressure on government to increase the pace by which the economy is reopened, and phase 3 of the reopening has been extended several times.
- Focus on how to stimulate growth and adapt to the new normal.

D. Deficit on public finances

- After a surplus in 2019, a deficit of 7.2% of GDP is expected in 2020. The deficit is expected to be 1.8% of GDP in 2021.
- Public EMU debt is expected to increase from 33% of GDP in 2019 to 41% in 2020.
- A European recovery fund of EUR 540bn has been introduced by the European Ministers of Finance.

Economic outlook

D. Aid packages and focus on supporting the private sector through earlier start-up of planned investment and prepayment of suppliers are expected to ease the negative impact on the economy.

D. Aid packages and the economic setback will have an immediate negative impact on public finances and may challenge government spending in the long term.

D. The severe and long-lasting financial and economic impacts of the pandemic depend on the effects of the aid packages and the strategy for the reopening of society.

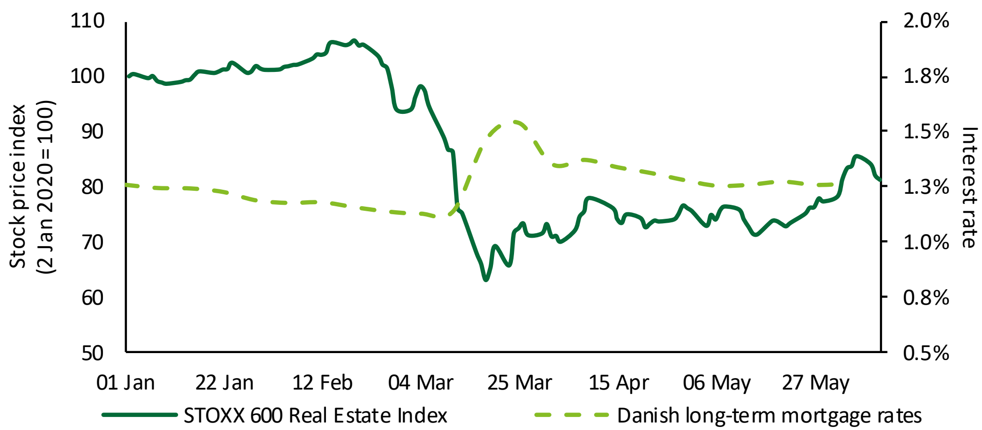
D. Digitalisation in the public sector may be boosted, as the crisis has reinforced virtual ways of working.

Sources: Deloitte Insights, Government's response to COVID-19. From pandemic crisis to a better future, April 2020, Ministry of Finance, May 2020

Industry outlook: Real Estate

Expectation-driven real estate market leads to price reductions in the short term

Highlights from the industry (as of 10 June 2020)



- The leading real estate index is in general recovering from the COVID-19 chock in March 2020 but not back to covid-19 level yet. Despite the current challenges in some sectors, the industry is in general better prepared financially.
- Interest rates are now fixed at a higher level, which may last throughout the COVID-19 crisis.

Valuation

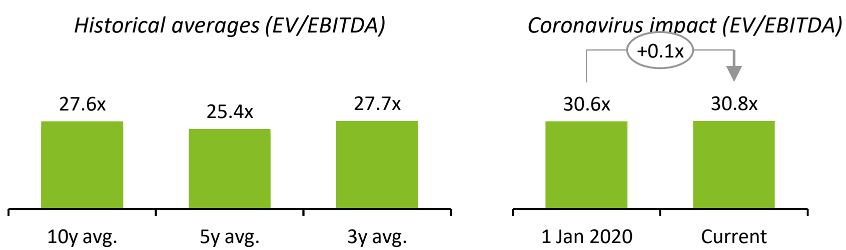
- Investment managers need to reflect the current uncertainty in their valuations of property investments. Lack of transactions or comparables could leave challenges for the asset managers.
- Emphasised by COVID-19, FSA has turned their eyes on valuation of alternative investments incl. real estate at asset managers, .e.g applied valuation methodologies, handling of risks, quality of data etc.

Accounting

- IRFS 16 amendment for lease: in case of lease modifications (e.g. rent concessions), leasee does not have to recalculate straight lining, but can account for it as no cash/rent payments during that period.
- However, this amendment only concerns the level of the leasee, not for the lessor (i.e. asset managers).

Trading multiples and economic outlook

Index: Custom weighted average index[1]



- Price multiples are at pre-COVID-19 levels, and in general the major listed RE companies are well-positioned to handle the crisis.
- We still expect decreasing prices during 2020 for single-family houses and apartments in the major Danish cities are expected due to reduced volumes. However, recent data and news suggest modest increases so far in major cities and price increases in many municipalities (source: boligsiden Statistics). So the ongoing spiring optimism might prove us wrong leaving a housing market in good shape before 2021

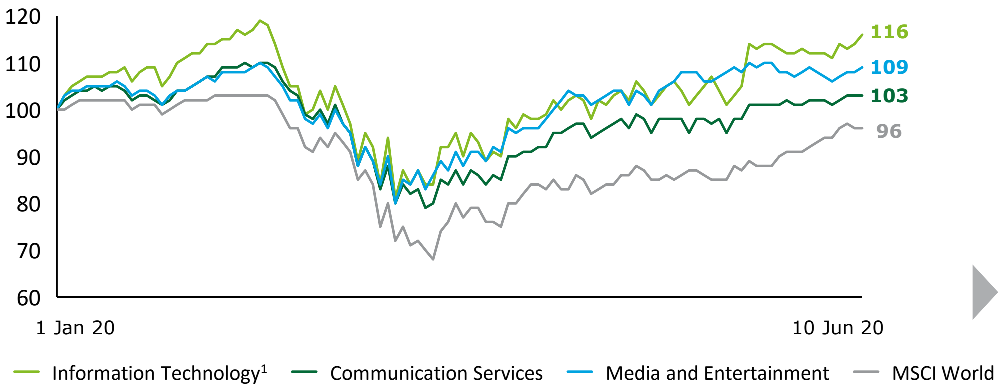
Note: 1) Based on Collier International, Patrizia AG, Agate Ejendomme, Jeudan A/S, and Park Street Nordicom

Sources: Finans Danmark, Thomson Reuters Eikon, Capital IQ

Industry outlook: TMT

TMT sectors have shown relative resilient to COVID-19, as the world has gone digital

Highlights from the industry (as of 10 June 2020)

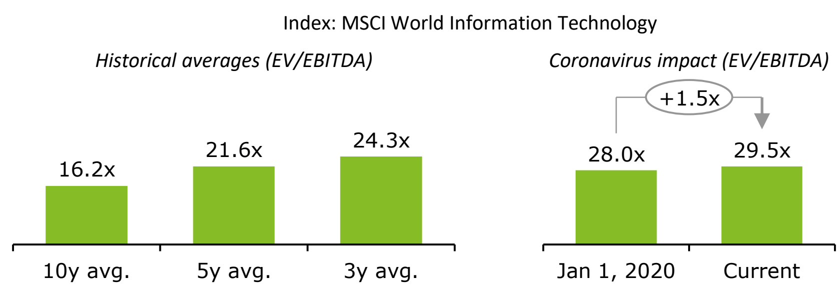


- TMT companies are trading above the overall equity market.
- Media and Entertainment quickly recovered after the shockwave on the stock market. As people stay home, the entertainment market is making records.[2]

TMT perceived as a defensive sector, which has less to lose from COVID-19

- **Telecom:** Spend among consumers is often within a contract; demand is up; need is not discretionary (new cars) or constrained (leisure).
- **Media and Entertainment:** Financial impact varies across sub-sectors. Media consumption up (e.g., Netflix, Disney+), but willingness/ability to pay may be constrained, as economic outlook exacerbates. Events (consumer, business) mostly heavily restricted; cinemas, theatres, museums mostly closed. TV and movie production mostly halted. Theme parks mostly closed.
- **Technology:** Some segments (e.g., robotics, communication software) seeing record demand; digital transformation being accelerated; companies catering to SMEs may suffer from customer liquidity.

Trading multiples and economic outlook



- Forrester has revised its IT spending forecast downward with a best-case scenario, where global tech market growth is slowing to ~2% in 2020.
- If a full-fledged recession hits, there is a 50% probability that global tech markets will decline by 2% or more in 2020.
- Software spending is the subsector expected to show the highest growth, while computer equipment and IT consulting and systems integration services spending are expected to show weaker growth.

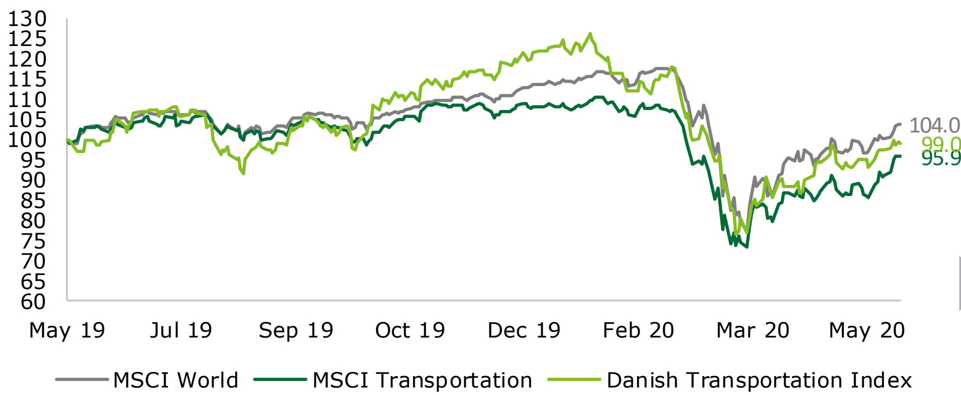
Note: 1) MSCI World industry indices used, 01-01-2020 = index 100; 2) In EMEA and selected Asian countries, physical games sales are up by 63% according to GamesIndustry.biz.

Source: S&P Capital IQ (June 2020), Forrester Research (March 2020)

Industry outlook: Transportation

The transportation market in continued recovery following the opening of several markets

Highlights from the industry (as of 11 June)

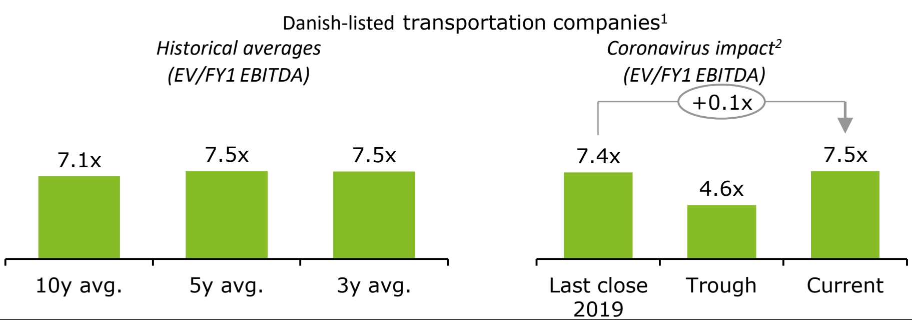


D. Transportation indices have largely followed the total market, as a recovering market implies an increased need for transportation of goods.

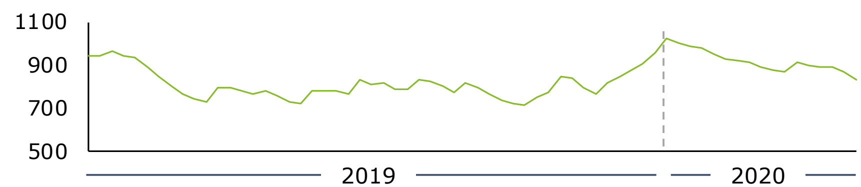
D. Continued recovery in share prices and trading multiples

- After the initial COVID-19 induced stock market collapse, Transportation stocks and the general market have continued to recover, as economies continue to reopen and governments announce stimulus packages.
- EV/FY1 EBITDA multiples for Danish transportation companies are now above the pre-COVID-19 levels despite the fact that stock prices have not fully recovered yet (trading index 99). This may be the effect of a number of various factors:
  - One-year forward EBITDA expectations have contracted more than share prices.
  - The stock market is pricing a recovery in earnings in the medium to long term.
  - Central bank asset purchase programmes are compressing risk premium.

Trading multiples and economic outlook



D. The Shanghai Containerized Freight Index (SCFI) is down by 19.0% to 829 from its high 1,023 in week 1, but up by 9.5% YoY.



Note: 1) A.P. Møller-Mærsk, D/S Norden, DFDS, DSV Panalpina, NTG, TORM; 2) Lowest YTD is 4.6x on 20 March 2020

Source: Capital IQ, Shanghai Shipping Exchange

Industry outlook: Deloitte contacts

How Deloitte can help you

- Please use the contact details opposite to get in touch with our Financial Advisory industry group leaders and find out how we can assist you.
- We are well-positioned to assist in a range of tasks, such as those below.

Focus areas

- State aid packages
- Liquidity scenario analysis
- Debt covenant advice and financing
- Business restructuring and M&A
- Bankable business plan development
- Stakeholder management and process control
- Impact assessment
- Economic modelling and forecasting

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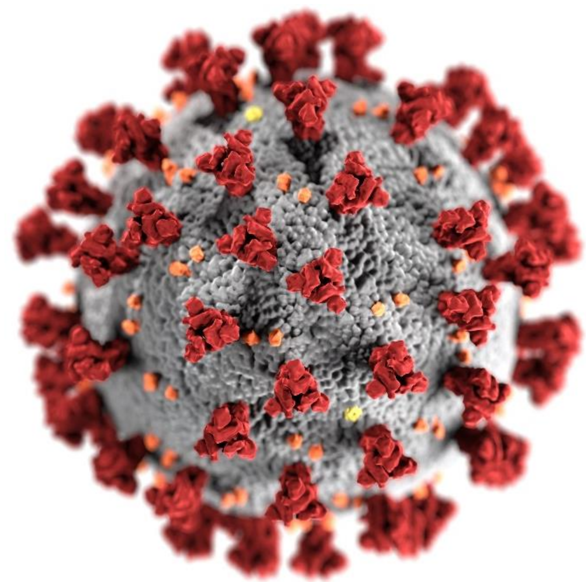
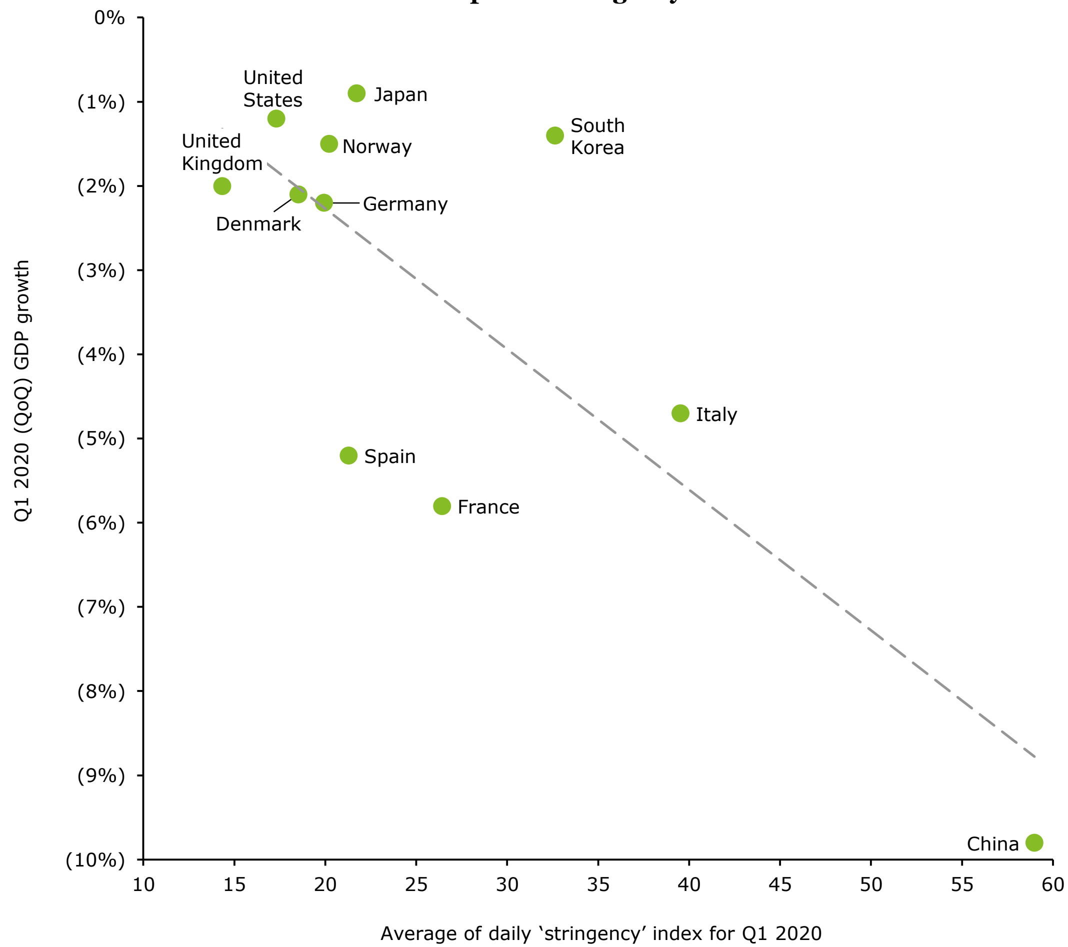
Appendices



Q1 economic contraction broadly in line with the stringency of the lockdown in Denmark

- Several countries have published first estimates of GDP growth for Q1 2020. These initial GDP estimates highlight how the coronavirus pandemic, and the response to it, has affected the global economy. It is expected that the duration of the outbreak, the public health restrictions imposed to contain the virus spread, and other voluntary social distancing measures, will affect the economic slowdown.
- The Government Response Stringency Index captures this information by collecting information on government policy responses to measure the stringency of the lockdown country by country.
- The Government Response Stringency Index is a composite measure based on nine response indicators, including school closures, workplace closures, and travel bans, given the policies that have been put in place in Denmark.

Q1 2020 GDP growth vs the Oxford COVID-19 Government Response Stringency Index[1]



Note: 1) The index is a composite measure based on nine response indicators, including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest response).

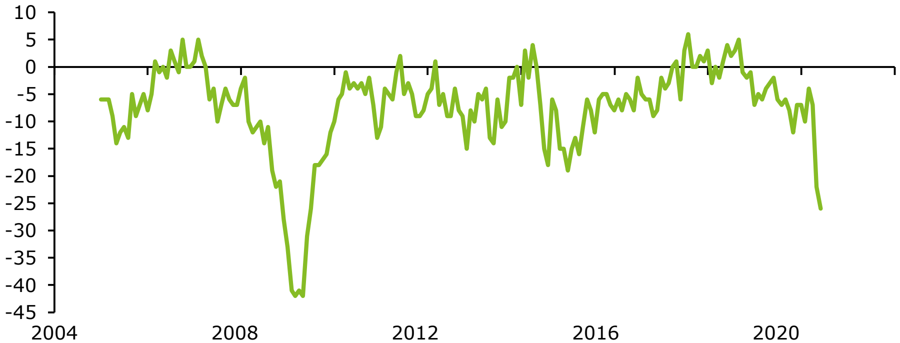
Sources: Oxford COVID-19 Government Response Tracker, Thomson Reuters Eikon

Danish business sector confidence indicators

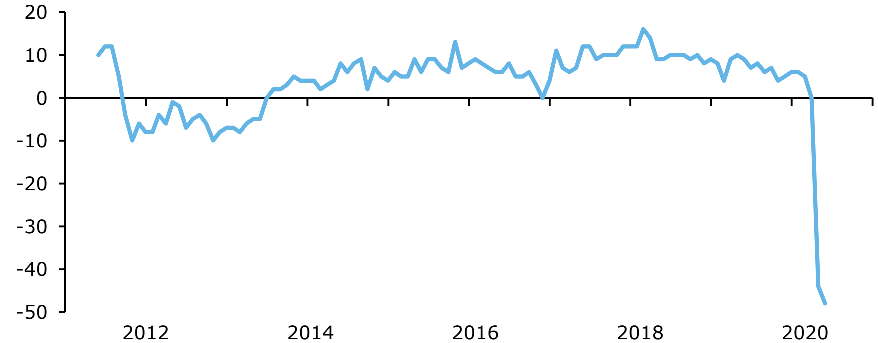
Sentiment across key sectors stabilised in May 2020

- Recent data suggests that sentiment across key sectors in the Danish economy stabilised in May 2020 after falling sharply in April 2020.
- Within the Services and the Industrial sectors, sentiment deteriorated slightly in May 2020.
- Sentiment has improved across the Construction and Retail trade sectors, possibly reflecting a more positive outlook on the economy, as the government implemented the first two phases to reopen society.
- Interestingly, sentiment within Industrials and Construction, while falling sharply in April 2020, did not reach the same levels as during the financial crisis, suggesting that the COVID-19 related restrictions are perhaps not deemed to be as damning to the economy.

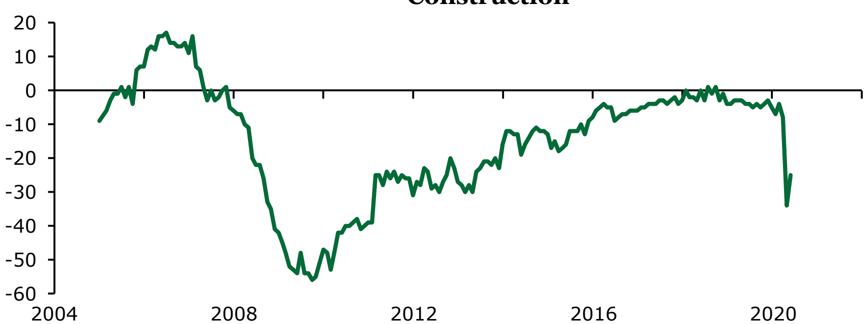
Industrials[1]



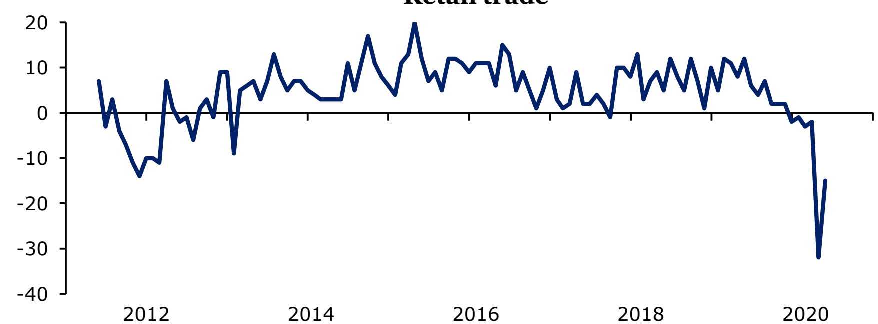
Services[1]



Construction[1]



Retail trade[1]



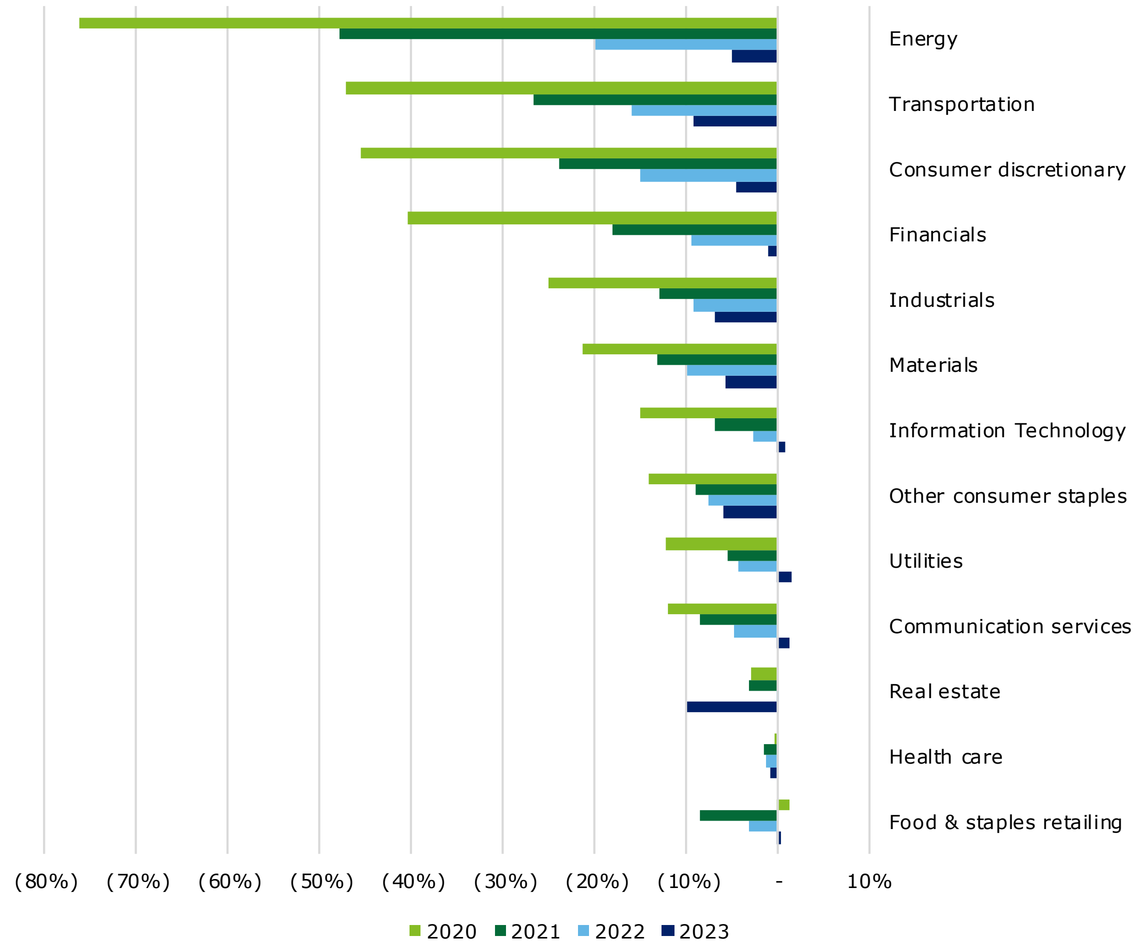
Note: 1) Net index which expresses the difference in percentage of companies, weighted by employees, which have stated positive and negative expected sector development.

Source: Statistics Denmark

Corporate earnings expectations have been severely curtailed since the outbreak

- The selloff in European equity markets, triggered by the COVID-19 pandemic and the associated economic slowdown, differs across sectors, ref. page 3.
- To shed light on the underlying drivers of this selloff across sectors, the chart opposite displays changes in expectations of stock analysts. In particular, the chart shows how stock analysts have downgraded consensus expectations for net income across sectors and time:
  - Energy, including oil and gas companies, saw its net income estimates being downgraded by 40%-80% in 2020-2021 likely due to sharp declines in oil and gas prices.
  - Consumer Discretionary, Financials, and Transportation are expected to be severely affected. Their net income estimates for 2020 are, on average, more than 40% below pre-crisis estimates.
  - Health Care and Real Estate are expected to weather the storm relatively well, both in the short (2020) and the long (2023) term.
  - Food & Staples Retailing is the only sector whose expectations for 2020 have improved, albeit the improvement is marginal.

Change in net income consensus estimates between 31 January 2020 and 11 June 2020[1]



Note: 1) Based on analyst estimates for S&P Europe 350 Index constituent companies

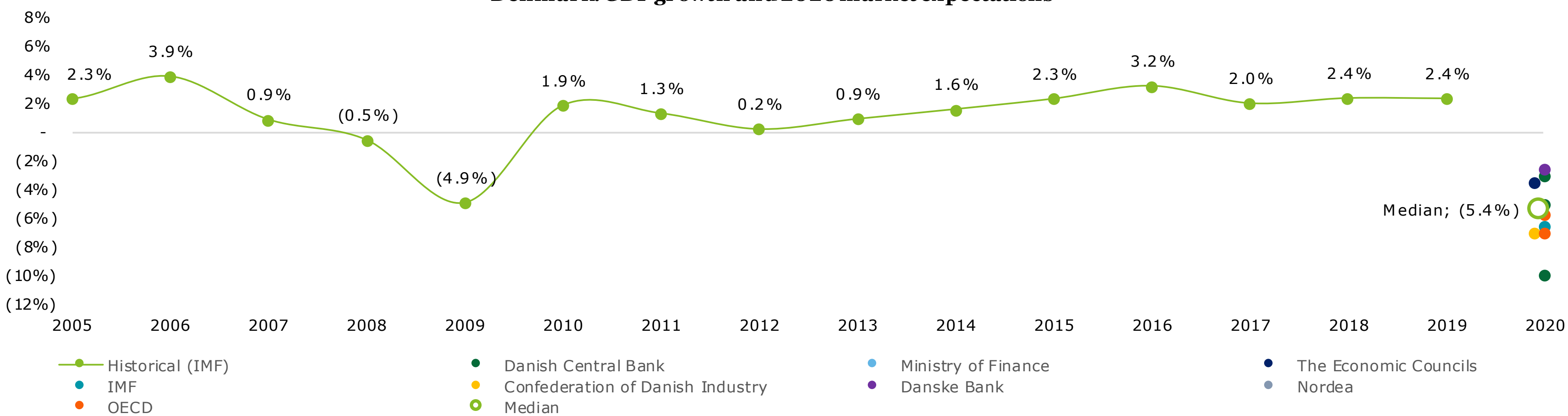
Source: S&P Capital IQ

Danish 2020 GDP expectations

Latest survey of forecasters suggests a Danish GDP contraction of 5.4% for 2020

- The Danish Central Bank forecasts three scenarios for the Danish economy in 2020. The three scenarios differ by the speed, with which containment efforts are unwound. In the mild scenario, where GDP is contracting by 3% in 2020, restrictions are gradually eased from Easter to a full lifting of restrictions by October 2020.
- The Confederation of Danish Industry has based its projection of a 7% decline in 2020 GDP on a survey of its member firms.
- The Economic Councils project two scenarios for the Danish economy. In the optimistic scenario, the economy rebounds relatively quickly, and GDP declines by 3.5% in 2020. In the pessimistic scenario, a second wave of COVID-19 emerges during the fall, and new containment efforts and restrictions are activated; new aid packages are introduced. In this scenario, GDP contracts by 5.5% in 2020.
- Nordea updated its economic outlook for Denmark and the Nordic countries on 27 May 2020. Nordea expects the Danish GDP to contract 5% in 2020 before rebounding 4% in 2021. Previously, Nordea expected a 3% fall in output in 2020.
- The Danish Ministry of Finance has also updated its forecast, expecting a 5.25% contraction in national output in 2020 (compared to an earlier prediction of -4.4%).
- The OECD has forecast both a "single-hit" and a "double-hit" scenario, pencilling Danish GDP contraction at between neg. 5.8% and neg. 7.1%.

Denmark: GDP growth and 2020 market expectations

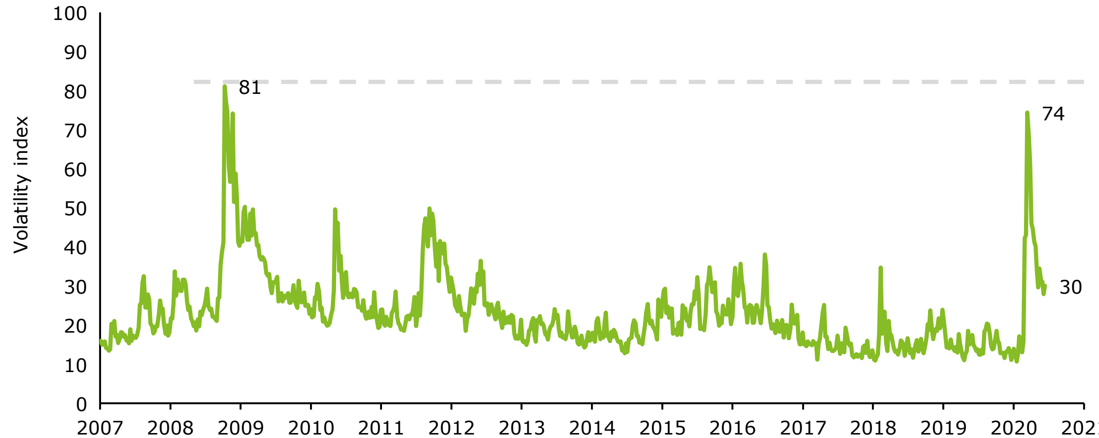


Sources: IMF, Danish Central Bank, Danish Ministry of Finance, DØRS, Confederation of Danish Industry, Danske Bank, Nordea

Equity market volatility remains elevated and comparable to the levels observed during the global financial crisis

- The VSTOXX Index measures 30-day implied volatility of the EURO STOXX 50 equity index and reflects investors' uncertainty about future equity market moves.
- As shown, the coronavirus induced an increase in volatility to a level comparable to that experienced during the global financial crisis in 2008. Since then, volatility has declined but still remains elevated.

VSTOXX Index[1]



- The chart opposite shows the development in the implied default probabilities based on the 5Y iTraxx European Crossover spread of Credit Default Swaps and an assumed recovery rate of 40%. It measures default probabilities on a portfolio of sub-investment grade corporate debt in Europe.
- With a current default probability of about 27%, we are still at elevated levels compared with the last three years.
- As the index reflects cost of debt, any refinancing will be costly for leveraged companies, even though interest rates are close to being record low.

iTraxx Europe Crossover index: Default probability[2]

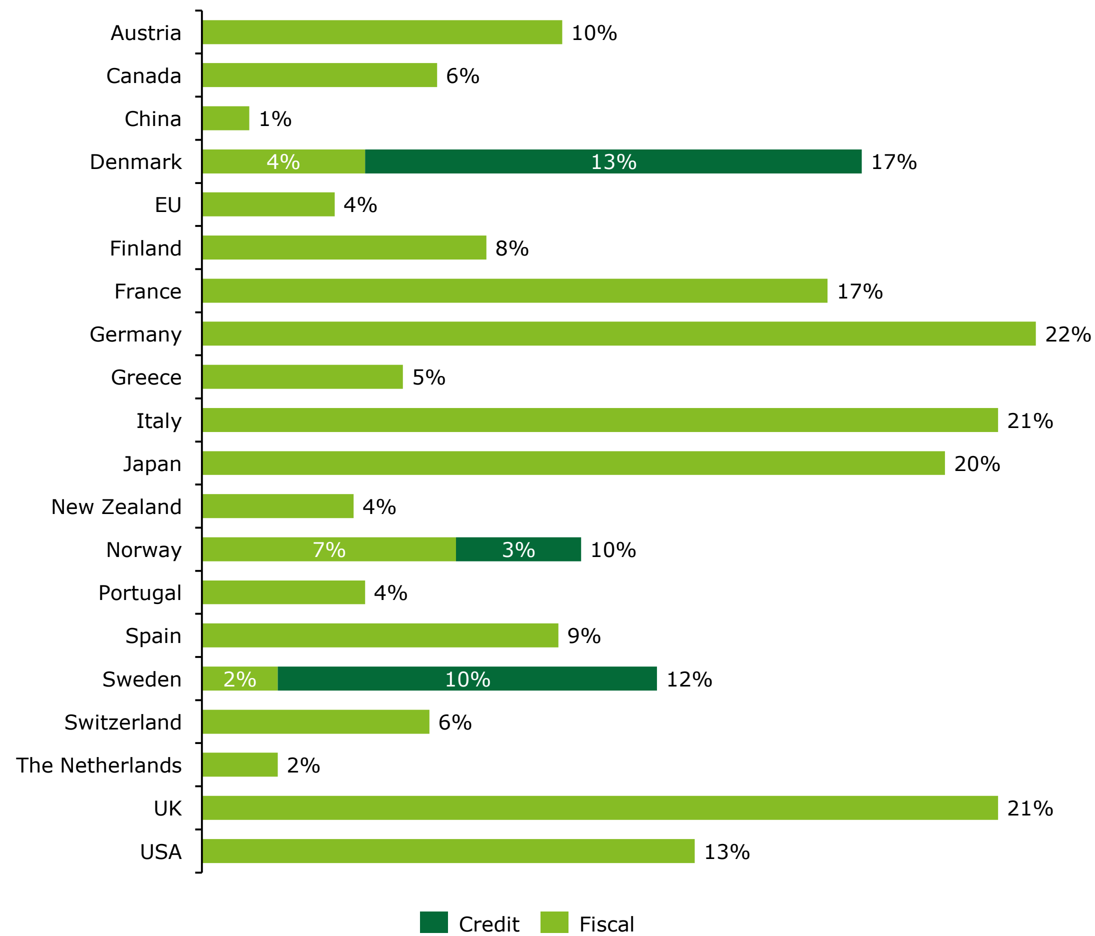
Note: 1) VSTOXX as volatility index of EURO STOXX; 2) Default probability calculated based on 5Y iTraxx European Crossover CDS and a recovery rate of 40%

Source: Thomson Reuters Eikon

Massive state aid packages are launched to counter economic fallout from COVID-19

- The various lock-down measures in response to COVID-19 have halted economic activity in certain sectors and harshly disrupted others. The resulting job losses and bankruptcies may crate major economic strains for millions in Europe and worldwide.
- Gigantic state aid packages have been launched across the world to counter the impact of the economic crisis.
- EU finance ministers agreed on a EUR 540bn (3.5% of EU GDP) emergency support package for countries hit by the coronavirus. The measures aim to provide safety nets for workers, businesses and sovereigns.
- As these state aid packages are launched, governments sharply increase debts to finance the increased spending levels. On this background, the questions about the following issues have started start to emerge:
  - The sustainability of government debt funding
  - The impact on inflation from sharp increases in government spending

State aid packages relative to GDP



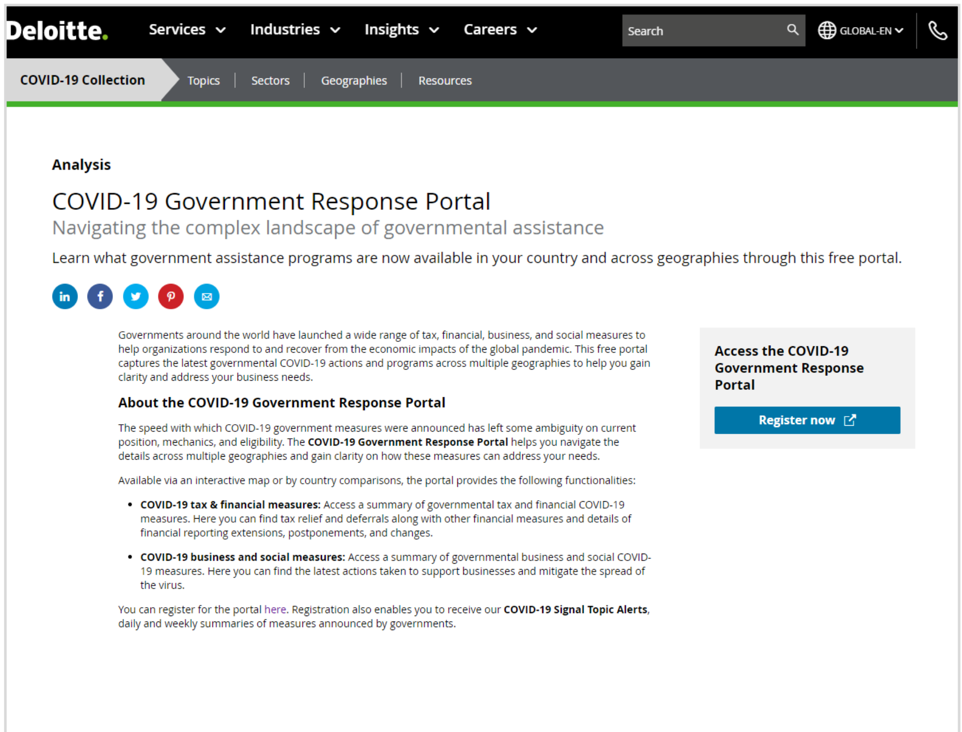
In some countries, including Denmark, aid packages also include credit measures like state-guaranteed loans.

Sources: Danske Bank, Deloitte Covid-19 portal as of 5 May 2020

Deloitte Government Response Portal

Database of financial, tax, business and social measures announced by governments globally

- To aid our clients in navigating the complex landscape of COVID-19 assistance programmes, we have developed a free digital portal that captures the latest financial, tax, business and social measures enacted by country.



Access the portal!