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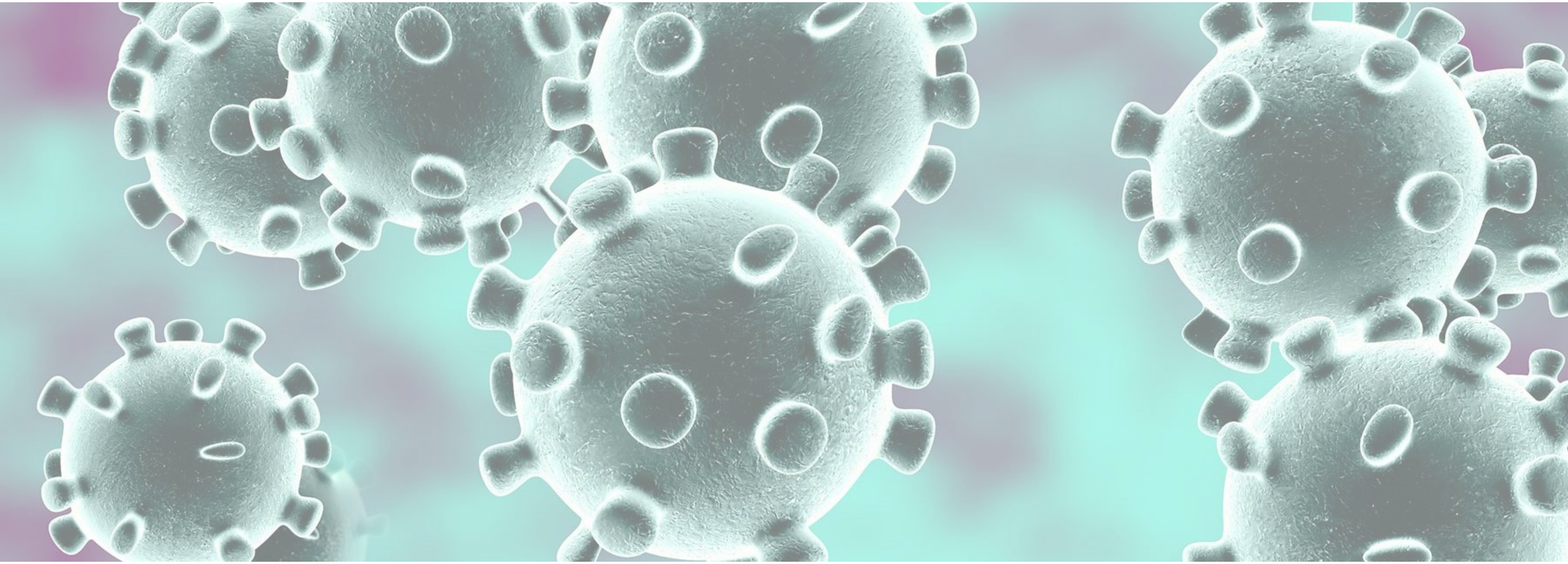


Deloitte Economics' Coronavirus Impact Monitor

Sharp deterioration in earnings expectations and confidence

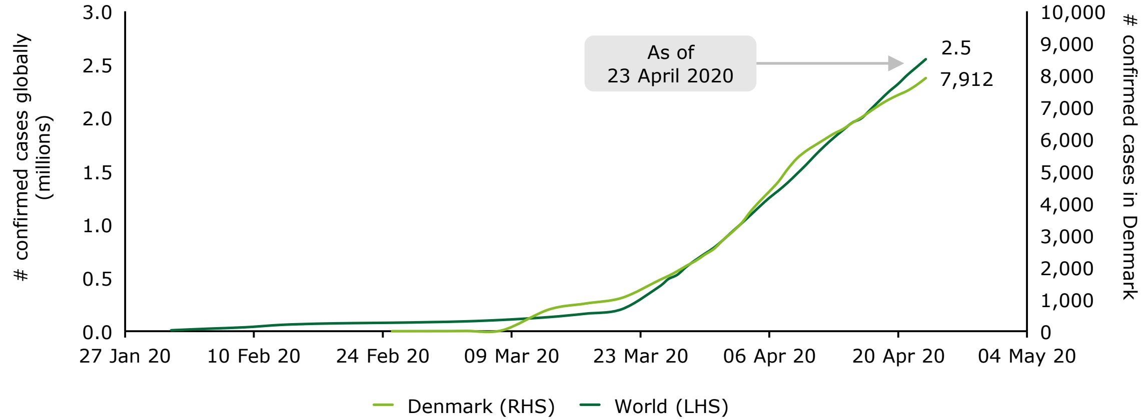
6th edition, 24 April 2020

The number of daily deaths related to COVID-19 appears to be slowing in Denmark

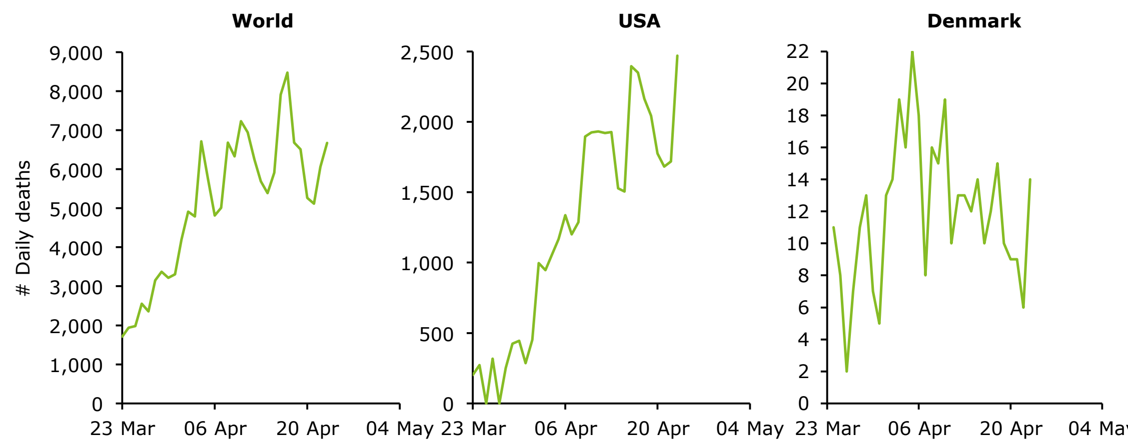
- Between 1 February 2020 and 23 April 2020, the number of global confirmed COVID-19 cases has risen from 9,800 to about 2.5 million.
- The pandemic's epicentre is focused on the United States, while in Europe there are signs that the growth in new cases is slowing.
- In Denmark, the increase in the number of confirmed cases seems to be slowing. As of 23 April 2020 there were 7,912 confirmed cases.
- As COVID-19 testing in Denmark has been sharply reduced, the actual number of cases is almost certainly underestimated.

- The bottom chart shows the daily number of deaths in the world, the United States and Denmark. There are currently around 5-7,000 daily deaths in the world, up from ~2,000 on 23 March 2020.
- In Denmark, it appears that the number of daily deaths is slowing.
- We have removed the chart displaying Danish COVID-19 patients in respirator, as respirator capacity is currently far from being exhausted. In Denmark, as of 22 April 2020, there were 80 patients in intensive care, of which 68 patients were also on respirators. The Danish Health Authority has ~925 respirators available for COVID-19 patients.

Confirmed COVID-19 cases: World and Denmark



Confirmed daily COVID-19 deaths: World, US and Denmark

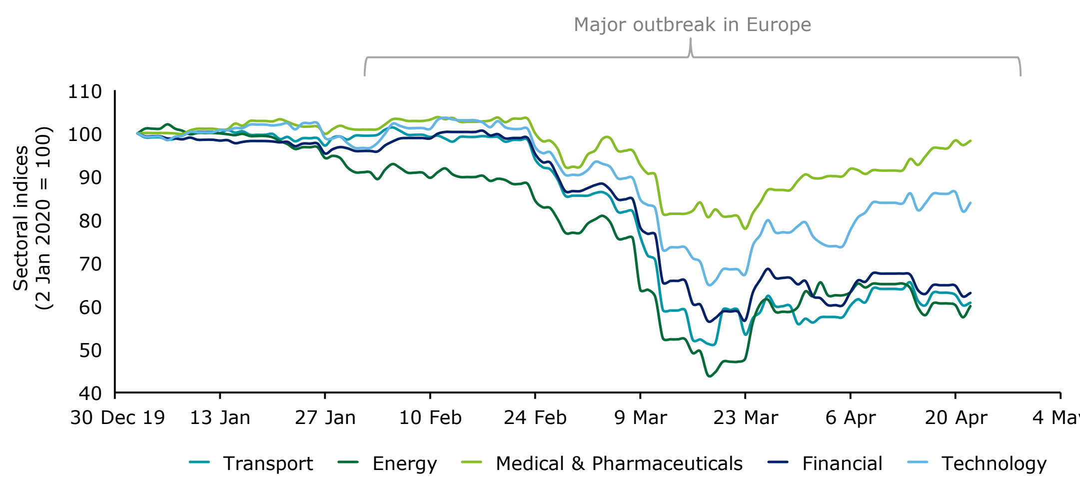


Source: World Health Organisation (WHO), The Danish Health Authority (Sundhedsstyrelsen)

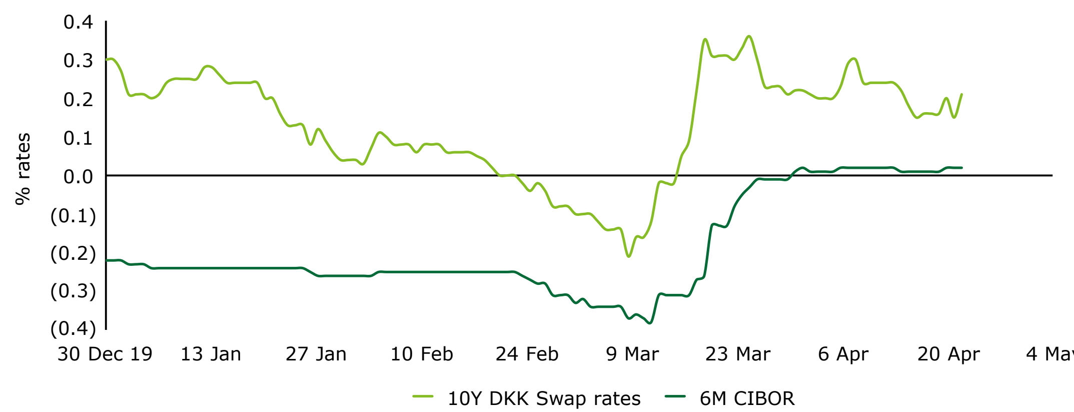
COVID-19 impact on equity markets differ markedly by sector

- The outlook for increased public expenditure and central bank interventions to ease liquidity strains have supported markets.
- European equity indices suffered material losses following the COVID-19 outbreak in Europe, but have recovered from the bottom reached around mid-March 2020.
- Especially the Transport industry, including airlines, was severely affected by the spread of the virus and related travel bans. The EURO STOXX Transport index is down by some 39% since the end of January 2020, driven by a material decline in volumes.
- The European energy sector, including oil and gas companies, has lost more than 34% since the end of January 2020. Declining energy prices have applied downward pressure on energy equities.
- Financials, including banks, have also experienced value destruction. Market concerns about increased credit losses and funding squeezes are likely drivers, but aid packages and initiatives appear to have supported this sector in recent weeks.
- Interest rates have risen from the bottom reached around 9-12 March 2020 on the outlook for increased public expenditure and central bank interventions.
- Equity market volatility and implied default probabilities remain elevated, ref. page 13.

Equity markets: Sectoral indices in Europe[1]



Interest rates: 10Y Interest rate (swap) and 6M interest rates (CIBOR)



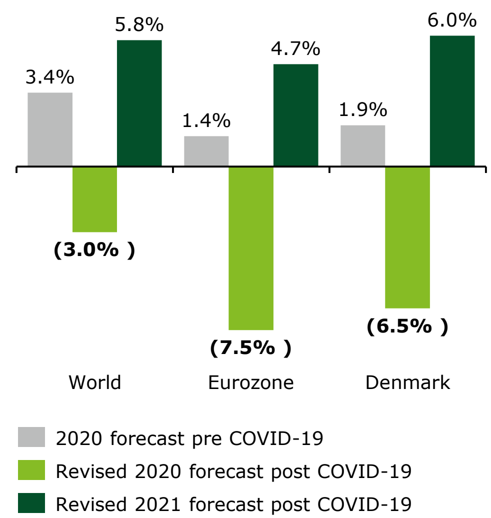
Note: 1) European sector indices: EURO STOXX Transport, Energy, Pharmaceutical, Financials, and Technology index

Source: Thomson Reuters Eikon

IMF warns of worst economic downturn since the Great Depression

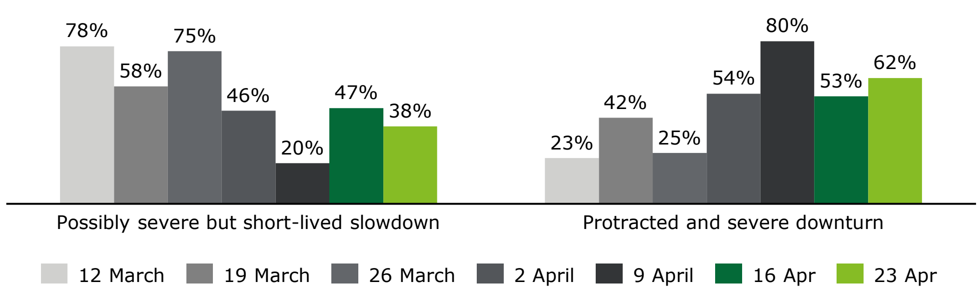
- The "sudden stop" in the global economy, caused by the COVID-19 pandemic, has translated into significant downward revisions of economic growth projections worldwide. According to IMF's latest predictions:
  - The global economy is expected to contract by 3.0% in 2020 instead of the initially estimated 3.4% growth. This 3.0% contraction in global GDP is much worse than the 0.1% contraction experienced during the 2009 financial crisis. IMF's growth forecasts for 2020 are extreme in a historical context, ref. page 10 in the appendix.
  - Danish GDP is projected to contract by 6.5% in 2020 in compared to 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 -4.7%, according to our survey of professional forecasters, ref. page 11 in the appendix.
- Deloitte's latest survey among 2,000 colleagues and clients from all over the world on 23 April 2020 reveals that the majority of views foresee a protracted downturn. A less optimistic distribution of views compared with a week ago, when views were more evenly split. The survey also shows that the majority of survey participants believes that the economy will recover at the beginning of 2021 and beyond.

Economic growth projections

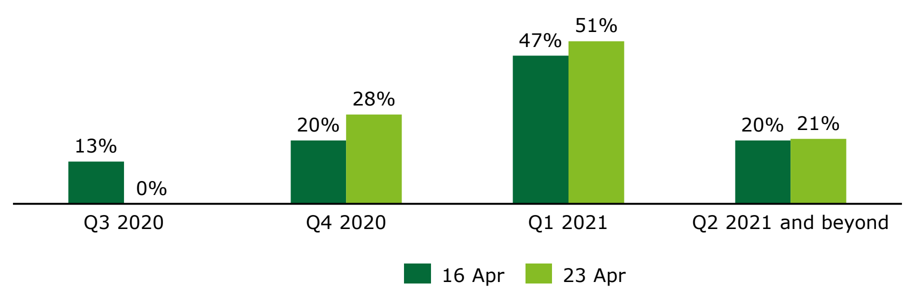


Results of Deloitte surveys[1]

What will be the ultimate impact on economic growth of COVID-19?



When do you think activity will rebound in your economy?

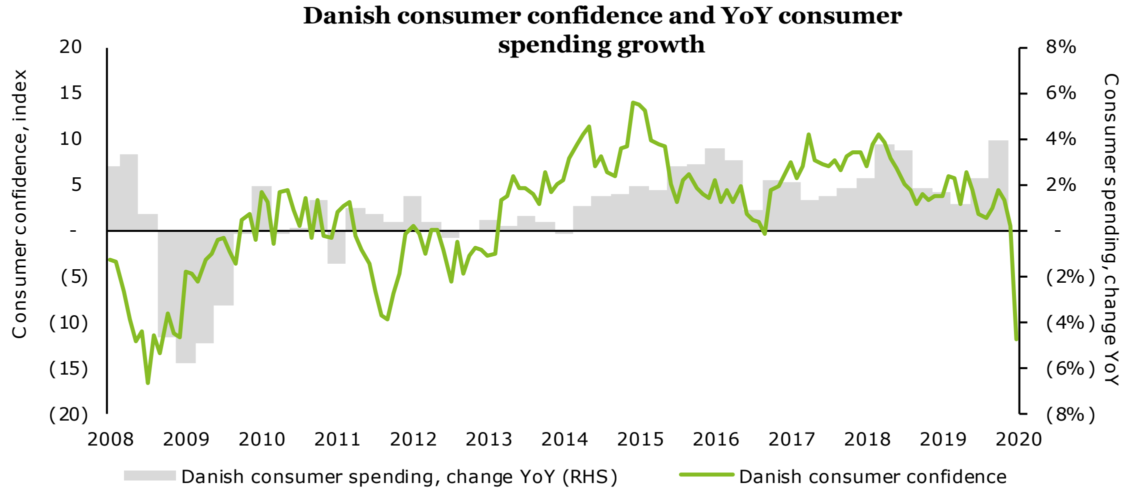


Note: 1) Deloitte surveys conducted on 12, 19 and 26 March 2020, and on 2, 9, 16 and 23 April 2020, involving about 2,000 colleagues and clients.

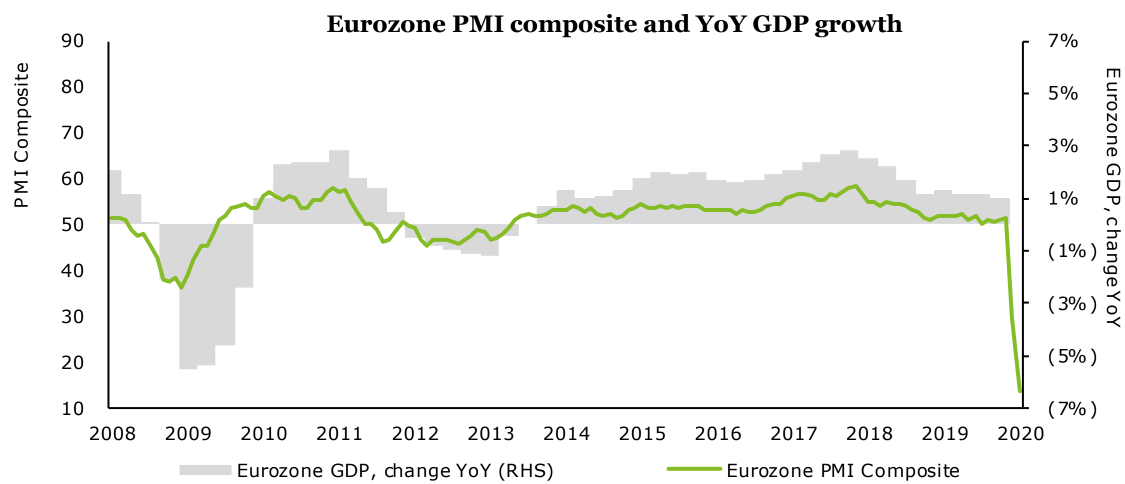
Source: Deloitte surveys, IMF World Economic outlook (October 2019) for pre COVID-19 figures; IMF World Economic Outlook (April 2020) for revised forecasts

Latest indicators point to sharp economic slowdown in Denmark and across the Eurozone

- Danish consumer confidence for April, based on survey data collected during 1-19 April, declined to -11.9, down from 0.4 in March.
- The decline in consumer confidence is primarily driven by deteriorating economic conditions in Denmark, but the propensity to consume has also declined markedly.
- The latest reading on Danish consumer confidence does point to a significant slowdown in consumer spending, even if the past link between consumer confidence and growth in consumer spending is not perfect.



- The preliminary read on Eurozone PMI, measuring business sentiment across the Eurozone, plummeted to an all-time low of 13.5 in April, down from a prior record low of 29.7 in March. This indicates by far the largest collapse in European GDP growth recorded in over two decades of survey data collection. By comparison, the lowest reading seen during the global financial crisis was 36.2, reached in February 2008.
- Looking into the details of the survey responses, it appears that the service sector bore the brunt of the impact from the lockdown measures. However, manufacturing also saw a record fall. Supply chain delays hit the highest ever reported.

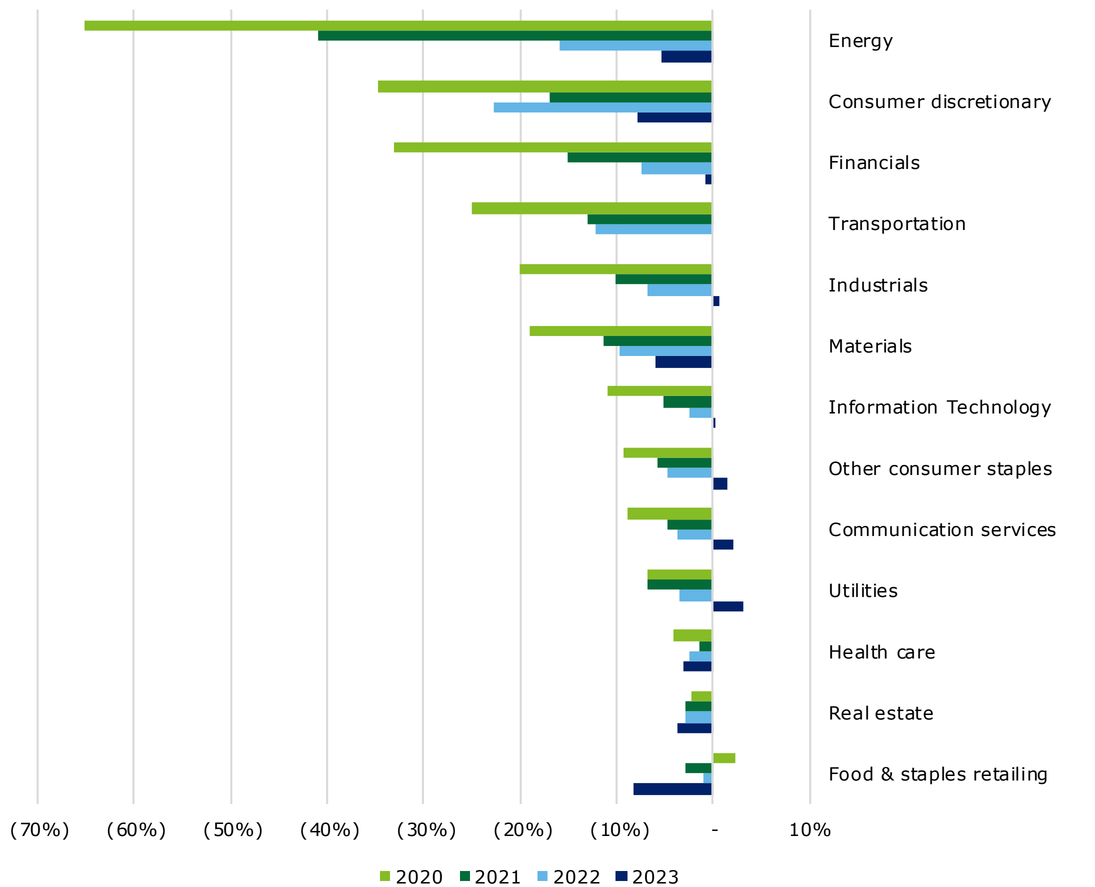


Source: Thomson Reuters Eikon, Markit Economics, Statistics Denmark, Eurostat

Corporate earnings expectations have been severely curtailed since the start of the outbreak

- The selloff in European equity markets, triggered by the COVID-19 pandemic and the associated economic slowdown, differ across sectors, ref. page 3.
- To shed light on the underlying drivers of this selloff across sectors, the chart on the right displays changes in stock analysts' expectations. In particular, the chart shows how stock analysts have downgraded consensus expectations of Net Income across sectors and time:
  - Energy, incl. oil and gas companies, saw their Net Income estimates being downgraded by 40-65% for 2020-21, likely due to the sharp declines in oil and gas prices.
  - Consumer discretionary, Financials, and Transportation are also expected to be severely impacted. Their Net Income estimates for 2020 are, on average, more than 30% below pre-crisis estimates.
  - Healthcare and Real Estate are expected to weather the storm relatively well both in the short (2020) and long (2023) term.

Change in Net Income consensus estimates between 31 Jan 2020 and 22 April 2020[1]



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

Source: S&P Capital IQ

Coronavirus heatmap

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

Transport
- High short-term impact due to limitations on travel/supply chain disruptions *(we will include an in-depth coverage of the sector in the next release)*.

Consumer
- Consumer spending is moving online, while the hospitality sector remains challenged. New consumer behaviour and patterns are expected to affect the industry going forward.

Energy & Resources
- Coronavirus has decreased demand and impacted short-term prices, but prices are expected to rebound in 2021.

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

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

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

Industrials
- The Eurozone revealed in April the largest output deterioration since June-1997.

Real Estate
- Significant reduction in M&A activity for all asset classes, except logistics.

We refer to pages 13-20 in the Appendix for in-depth coverage of developments in the sectors above

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

Sources: Deloitte analysis, Dansk Erhverv

Key messages

Sharp deterioration in earnings expectations and confidence

- In Denmark, the increase in the number of confirmed cases seems to be slowing. As of 23 April 2020 there were 7,912 confirmed cases. The number of daily deaths from COVID-19 in Denmark appears to be declining even if there continues to be significant daily variation.
- COVID-19 has caused severe damage on the world economy. Equity markets have suffered major losses, and equity market volatility has spiked to levels experienced during the global financial crisis. Supply chain disruptions and negative demand shocks have spread from China to the rest of the world. Unemployment rates have increased rapidly. In the United States, the crisis has hit hard, as 26 million Americans have lost their jobs in the last five weeks. This would be, by far, the highest rate since the early 1930s.
- Economic activity in Denmark is set to contract by some ~ 5% in 2020 according to our survey of economic growth forecasts, similar to the contraction experienced during the financial crisis in 2009 (see appendix). For the global economy, IMF warns that the current 'Great Lockdown' represents the worst recession since the Great Depression in the 30'es.
- Stock analysts' expectations to corporate earnings have severely curtailed since the start of the outbreak. At the same time a decline in consumer confidence points to a significant slowdown in consumer spending.
- Governments all over the world, including Denmark, are introducing major aid packages to help companies and employees through the health crisis. This will ease the severe and long-lasting impact of COVID-19 on the world economy. However, this is raising questions around the sustainability of the associated huge increases in government spending.
- The COVID-19 crisis is slowly entering into a new phase as lockdown restrictions are being lifted in some Western countries. Restrictions on the Danish economy are gradually being lifted and schools and certain liberal professions have re-opened. Evidence from other countries, e.g. Singapore, suggests that managing this easing of restrictions can be challenging. Singapore experienced a new wave of COVID-19 cases as restrictions were initially eased.
- Deloitte Economics will continue monitoring the impact of the Coronavirus in Denmark and globally. Find our updates here

For questions on the contents of this report, please contact:

Majbritt Skov

Director, Head of Deloitte Economics

Mobile: +45 30 93 54 71

maskov@deloitte.dk

Tinus Bang Christensen

Partner

Mobile: +45 30 93 44 63

tbchristensen@deloitte.dk

Peter Lildholdt

Assistant Director

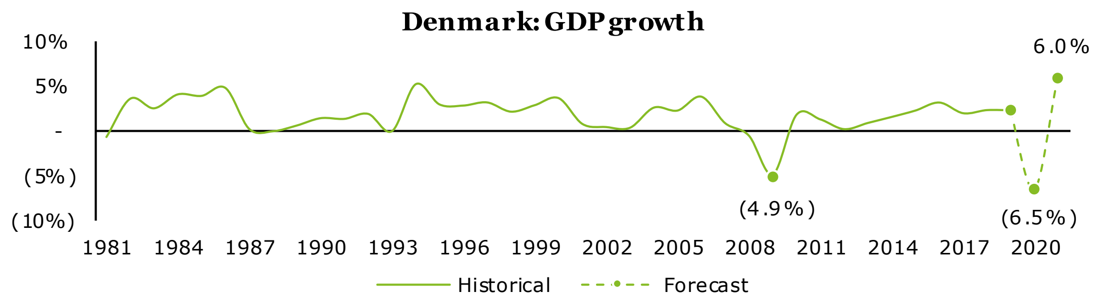
Mobile: +45 40 35 25 36

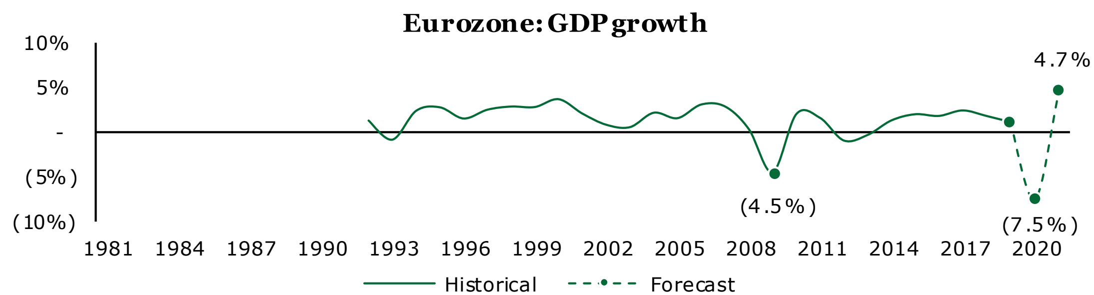
plildholdt@deloitte.dk

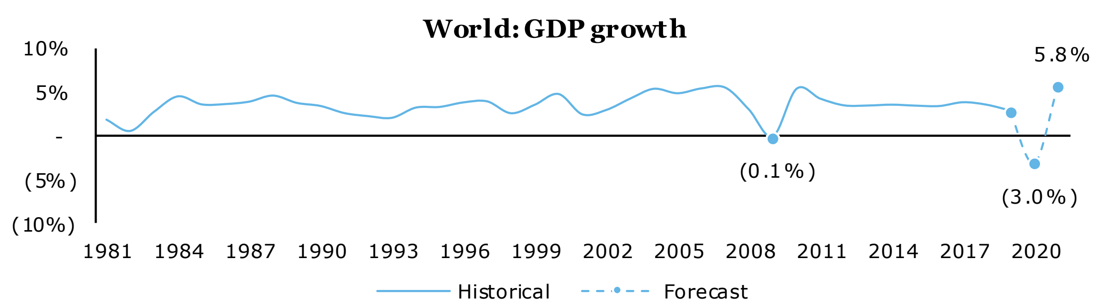
Appendix

World Economic Outlook: GDP growth projections for Denmark, Eurozone and World

- IMF is projecting the global economy to contract by 3% in 2020, far worse than the -0.1% growth experienced during the 2009 financial crisis. The economic growth forecasts from the IMF assume that the COVID-19 pandemic fades in the second half of 2020 and containment efforts can be unwound. The disruptions are assumed to be concentrated mostly in the second quarter of 2020 for almost all countries, with a gradual recovery thereafter, as it takes some time for production to ramp up after the shock.
- The global economy is projected to rebound in 2021, growing at 5.8% as economic activity normalises, helped by policy support. In comparison, global growth rebounded to 5.4% in 2010 from -0.1% in 2009.
- It is stressed that the 2021 rebound depends critically on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence.







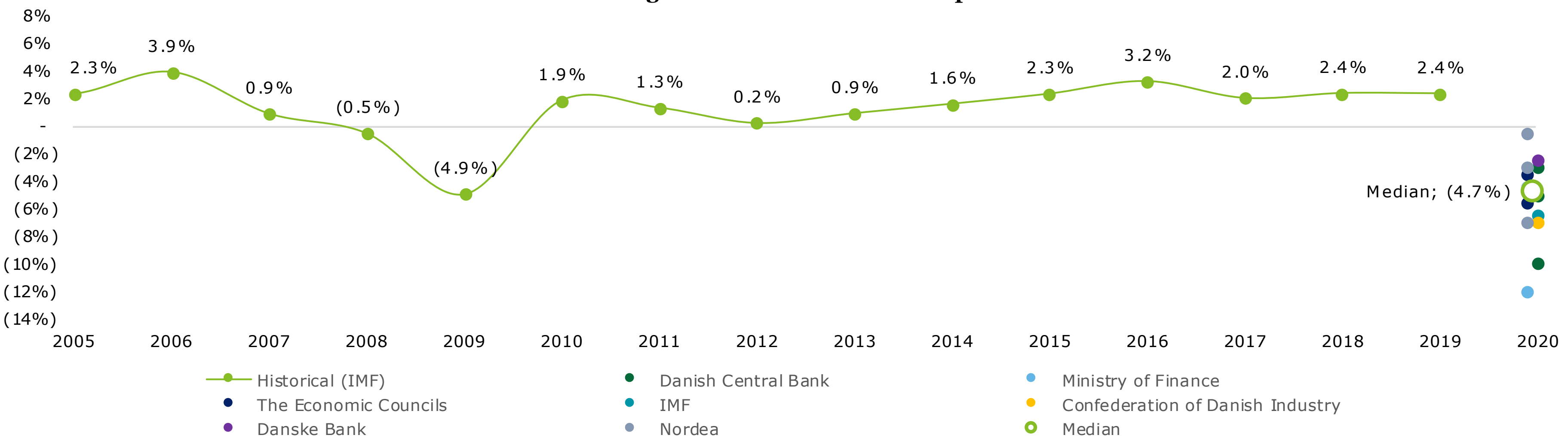
Source: IMF, World Economic Outlook (April 2020)

Danish GDP expectations

Danish GDP projected to contract by 4.7% according to our survey of forecasters

- 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.
- Nordea has published an economic forecast for the Danish economy based on three scenarios for global developments: a V-shaped recovery, a slower U-shaped scenario, and a pessimistic L scenario. The positive V-shaped recovery is associated with a steep decline in GDP in the first half of 2020, but the recovery is taking sharp during the summer, and GDP declines by a relatively modest 0.5% in 2020.
- 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.

Denmark: GDP growth and 2020 market expectations

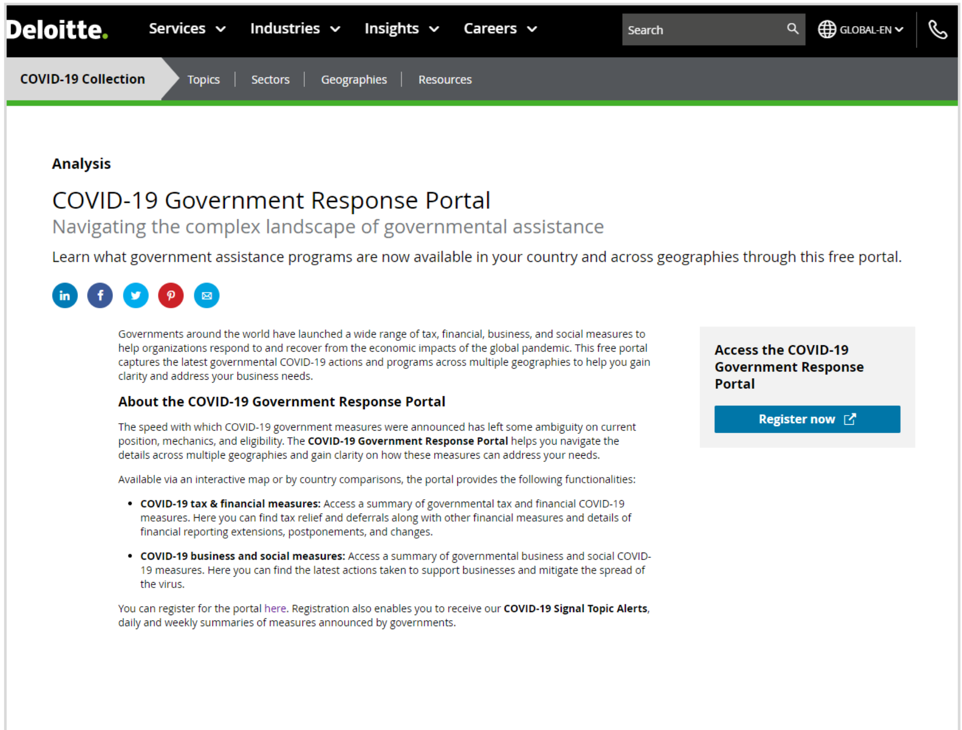


Source: IMF, Danish Central Bank, Danish Ministry of Finance, DØRS, Confederation of Danish Industry, Danske Bank, Nordea

Deloitte Government Response Portal

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

- To aid our clients in navigating the complex landscape of COVID-19 assistance programmes, Deloitte has developed a free digital portal that captures the latest tax, financial, business and social measures enacted by country.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COVID-19 Collection | Topics | Sectors | Geographies | Resources

Analysis

COVID-19 Government Response Portal

Navigating the complex landscape of governmental assistance

Learn what government assistance programs are now available in your country and across geographies through this free portal.

Governments around the world have launched a wide range of tax, financial, business, and social measures to help organizations respond to and recover from the economic impacts of the global pandemic. This free portal captures the latest governmental COVID-19 actions and programs across multiple geographies to help you gain clarity and address your business needs.

About the COVID-19 Government Response Portal

The speed with which COVID-19 government measures were announced has left some ambiguity on current position, mechanics, and eligibility. The **COVID-19 Government Response Portal** helps you navigate the details across multiple geographies and gain clarity on how these measures can address your needs.

Available via an interactive map or by country comparisons, the portal provides the following functionalities:

- **COVID-19 tax & financial measures:** Access a summary of governmental tax and financial COVID-19 measures. Here you can find tax relief and deferrals along with other financial measures and details of financial reporting extensions, postponements, and changes.
- **COVID-19 business and social measures:** Access a summary of governmental business and social COVID-19 measures. Here you can find the latest actions taken to support businesses and mitigate the spread of the virus.

You can register for the portal here. Registration also enables you to receive our **COVID-19 Signal Topic Alerts**, daily and weekly summaries of measures announced by governments.

Access the COVID-19 Government Response Portal

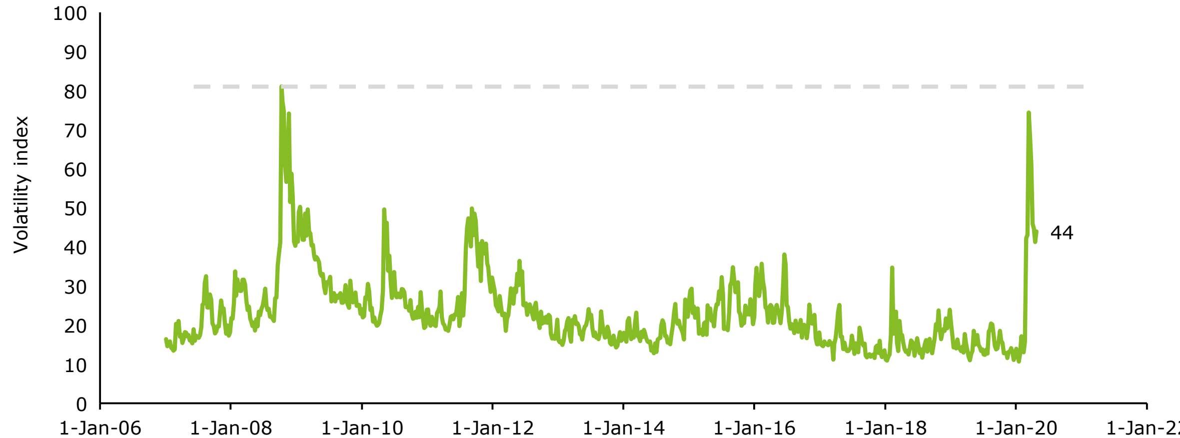
Register now

Access the portal!

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 it still remains elevated and comparable to the levels observed during the global financial crisis.

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 34%, we are at the highest level since the European debt crisis, but still below peak financial crisis levels.
- 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]

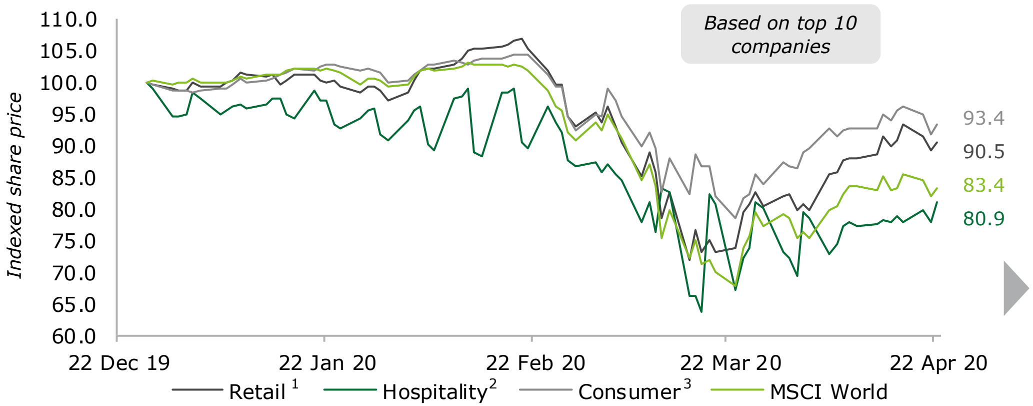
Note: 1) VSTOXX as volatility index of EURO STOXX; 2) Default probability calculated based on 5Y iTraxx European Crossover CDS and a recovery rate of 40%.

Source: Thomson Reuters Eikon

Industry outlook: Consumer

Consumer spending is moving online while the hospitality sector remains challenged

Highlights from the industry (as of Apr-22)



- Positive tendencies across all consumer indices.
- The Hospitality sector's indexed share price increases from index ~78 last week to index ~81 this week, though it is still challenged.

Brick-and-mortar retailers are suffering due to COVID-19

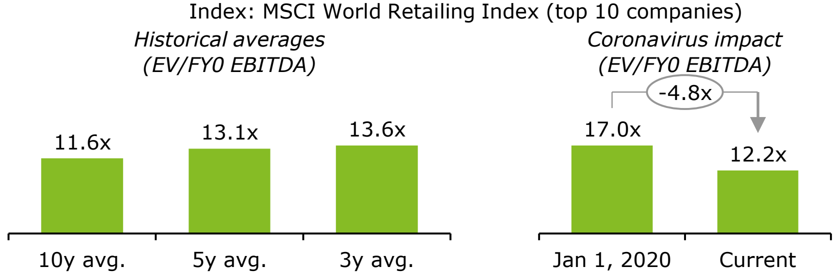
- US retail sales fell by a record 8.7% month on month in March with clothing and accessories as one of the worst-hit areas.
- Online supermarkets experience rapid growth leading supermarket chains to invest heavily in grocery delivery.
- Western European retail sales is expected to experience a 1% growth in retail sales in 2020, whereas the US is projected to fall by 4.7%.

Widespread travel bans keep travel and tourism on its knees

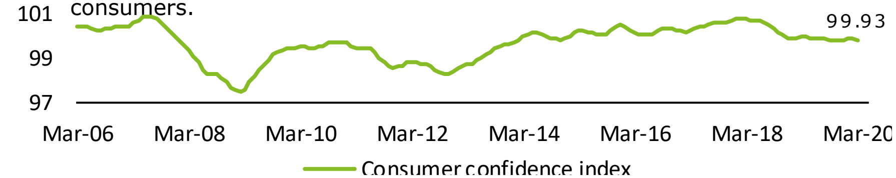
- Many airlines are still forced to keep their entire fleet grounded.
- It is expected that the COVID-19 crisis will continue to challenge most airlines if governments do not take action.
- The European Union's tourism and travel industry is estimated to lose between 275 and 400 billion euros because of the pandemic.

Trading multiples and economic outlook (as of Apr-22)

Index: MSCI World Retailing Index (top 10 companies)



- As of March 2020, the consumer confidence index[4] was 99.93 indicating a slightly doubtful attitude towards the future economic development, possibly resulting in higher saving and less consumption among consumers.



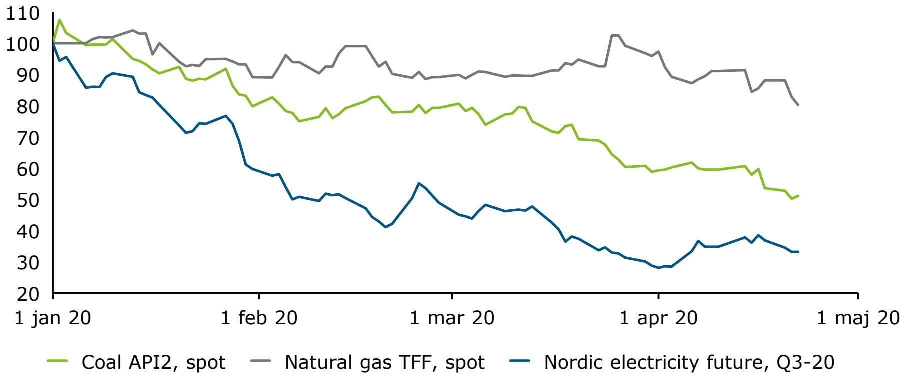
Note: 1) MSCI World Retailing Index; 2) MSCI World Consumer Services Index; 3) MSCI Consumer Staples Index; 4) Based on OECD – Europe region

Sources Capital IQ; MSCI; The Economist Intelligence Unit; TIME

Industry outlook: Energy & Resources

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

Highlights from the industry (as of Apr-23)



- 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

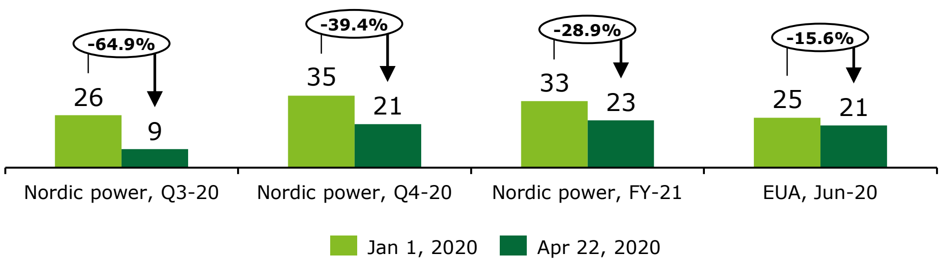
- The corona virus lockdown has negatively impacted the demand of both public institutions, private individuals and corporations.

Carbon market prices

- Lower emissions of CO2 and other greenhouse gasses has led to a decrease in carbon prices.
- Coal becomes cheaper, thereby 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

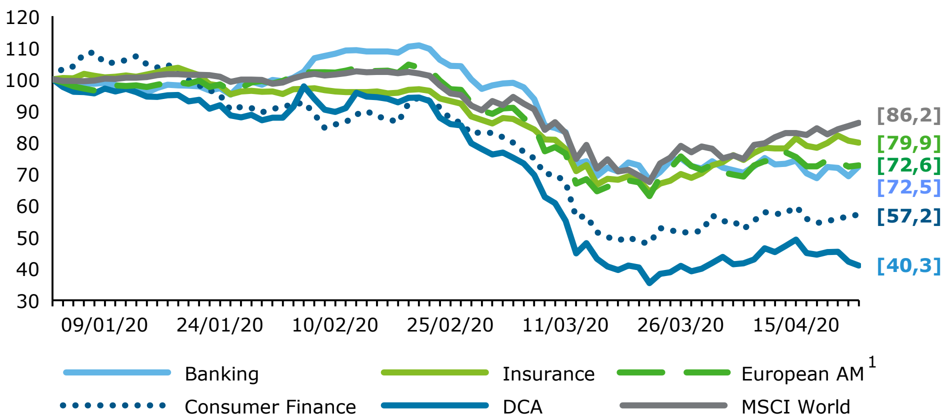


- As the effects described above are temporary and are the result of the current lockdowns and restrictions on travel, we expect an increase in prices once the restrictions are lifted.
- Although the short-term impact on electricity producers are significant, we expect prices to rebound in 2021. This is supported by significantly larger price drops in electricity futures prices in the short-term compared to the long-term.

Industry outlook: Financial Services

The anticipated recession related to the Coronavirus will have a large impact on the sector

Highlights from the industry (as of Apr-23)



- The impact of decreasing bank base rates, a fear of an increase in customer defaults, and turmoil in the equity markets will impact profitability in the financial sector.
- News of fiscal stimulus packages on national levels in March has been received with modest optimism in the market. Volatility is expected to continue.

Banks and consumer finance

- As a result of the GFC, capital levels and controls are more robust reducing the impact of the impending recession. However, IFRS 9 will result in an increase in provisions for macroeconomic assumptions, loan forbearance and default payments.
- Levels of available funding may be challenging to both borrowers and lenders and at a higher cost.

Insurance

- Higher claims and claims handling expenses are likely to impact profitability for both life and general insurers.
- Non-life insurers may benefit short term from some products (e.g. motor), which sees decreases in claims under social distancing.

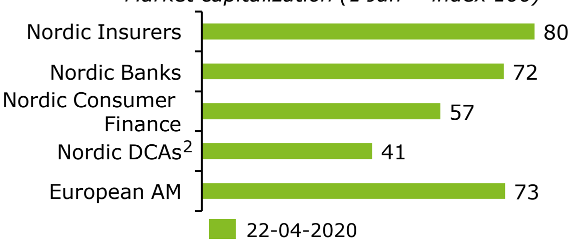
Asset Managers

- AuM has reduced especially for funds with a high equity to fixed income asset ratio which will negatively impact profitability. Risk exists around any guaranteed pension schemes.
- Opportunities may exist for those who can successfully deploy a non-contact distribution network.

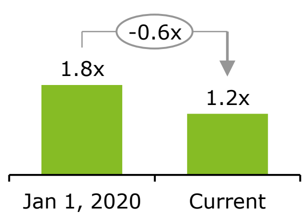
Trading multiples and economic outlook

Index: S&P Capital IQ

Market capitalization (1 Jan = index 100)



Coronavirus impact (P/BV) [3]



- Some of the economic issues will play out over the coming months. In particular, the recovery of forborne loans following the re-commencement of trading and the implications of claims experience for insurers.
- There is a likelihood of some market consolidation, certainly in the banking sector where smaller lenders with high cost: income ratios, suffer from increases in provisions. In addition, Asset Managers who have suffered from revenue falls as a result of the decrease in AuM. A measured response to trading conditions is important for each FS sub-sector.

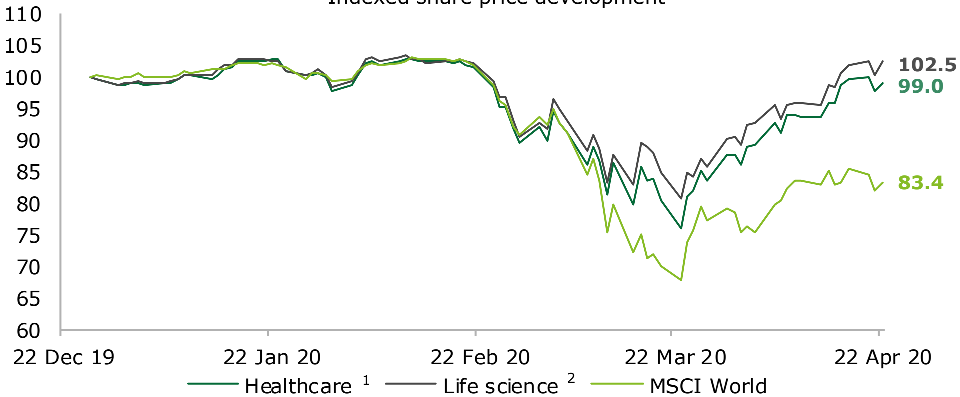
1) Indices are from Stoxx Europe 600 Financial Services and MSCI World 2) DCA: Debt Collection Agencies 3) P/BV is measured as average of Nordic Insurers, banks, and DCA

Industry outlook: Life Science and Healthcare (LSHC)

Recovery of LSHC sector with listed companies trading at pre-corona levels

Highlights from the industry (as of Apr-22]

Indexed share price development



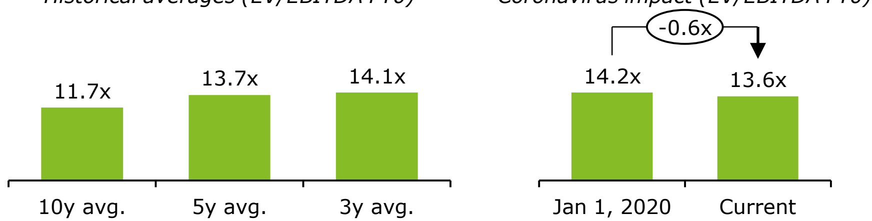
- Significant recovery in both Healthcare and Life Sciences in recent weeks continues.
- Both indices trade at pre-corona levels.
- Significantly better performance among Life Science and Healthcare companies compared to the general market.

- **Acceleration of digital transformation in healthcare**
  - COVID-19 is changing both patient and staff views of the benefits of digital technology.
  - New and evolving technology adoptions include remote patient monitoring, AI for drug and vaccine discovery, etc.
- **Race for COVID-19 vaccine or other treatment**
  - Race for vaccine picks up, as Germany and UK began human trials during this week.
  - The nearest solution on the horizon for treatment is expected to be antivirals with the earliest available likely to be in three to four months.
  - The vaccine horizon is more likely 12-18 months.
  - According to Milken Institute, 92 candidate vaccines and 152 different treatment variations are being developed as of 23 April 2020.

Trading multiples and economic outlook

Index: MSCI World Healthcare Index

Historical averages (EV/EBITDA FY0) *Coronavirus impact (EV/EBITDA FY0)*



- LSHC companies trade around pre-corona levels.
- Continued high demand for COVID-19 related therapies and equipment.
- Countries are reopening and many healthcare systems are again focusing on other illnesses and treatments than COVID-19.
- Rapid recovery expected for several LSHC companies as demand for non-essential medications and equipment is expected to rise.

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

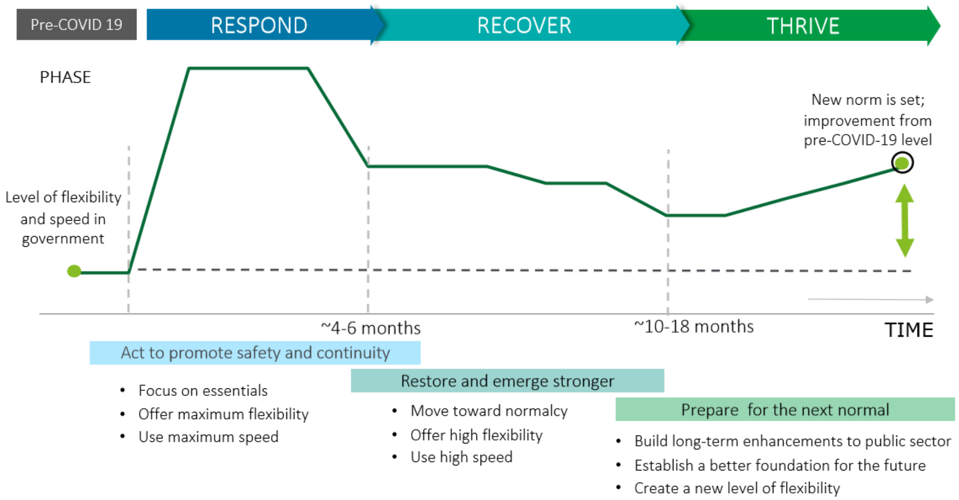
Sources Milken Institute, Deloitte Health Forward Blog, Capital IQ

Industry outlook: Public

After a resolute respond to COVID-19, the reopening of society has begun

Highlights from the industry (as of 23 April 2020)

A timeline for COVID-19 government response



Source: Deloitte Insights, *Governments response to COVID-19. From pandemic crisis to a better future*, April 2020

- **Dealing with an immediate crisis**
  - The government is moving fast and bypassing many typical procedures: extreme measures have been taken to limit the human cost and economic disruption.
  - The health care system is challenged, but a meltdown has been avoided as seen in other countries.
- **Back to normal**
  - The government has slowly begun the reopening of society. Day care institutions and schools reopened last week, and this week many liberal professions was allowed to open.
  - The health care system has slowly begun to reduce the hump of deferred operations.
- **Implementation of aid packages**
  - Provision of emergency financial support for individuals and businesses is a new and large assignments in the economic ministries. E.g. so far 2.7 billions in wage compensation to 150,00 employees has been granted based on applications from 14,500 companies.

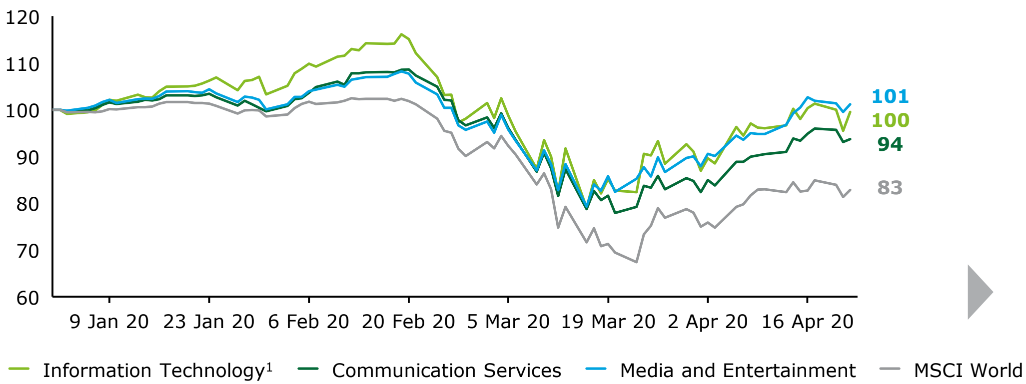
Economic outlook

- 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.
- The severe and long-lasting financial and economic impacts of the pandemic depend on the effects of the aid packages and the strategy for reopening the society.
- Aid packages might challenge government spending in the long run.
- Digitalisation in the public sector might be boosted, as the crisis has reinforced virtual ways of working.

Industry outlook: TMT

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

Highlights from the industry (as of 23-Apr 2020)

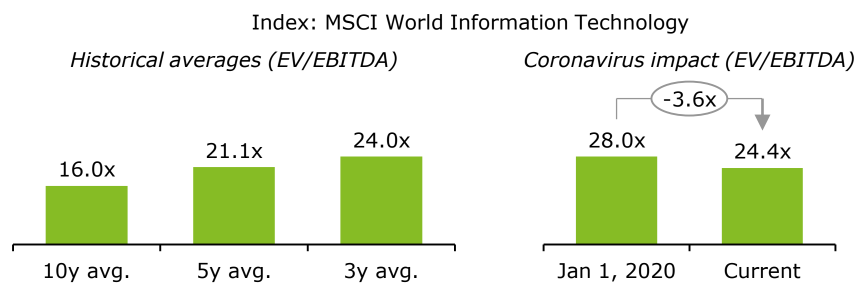


- TMT companies are trading above the overall equity market.
- Media and Entertainment quickly recovered after the shockwave on the stock market – as people stay home, the entertainment market are making records[2]

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 & Entertainment:** Financial impact vary across sub-sectors. Media consumption up (e.g. Netflix, Disney+), but willingness/ability to pay will potentially be constrained going forward, 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 the global tech market growth 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 highest growth, while computer equipment and IT consulting and systems integration services spending are expected to show weaker growth.

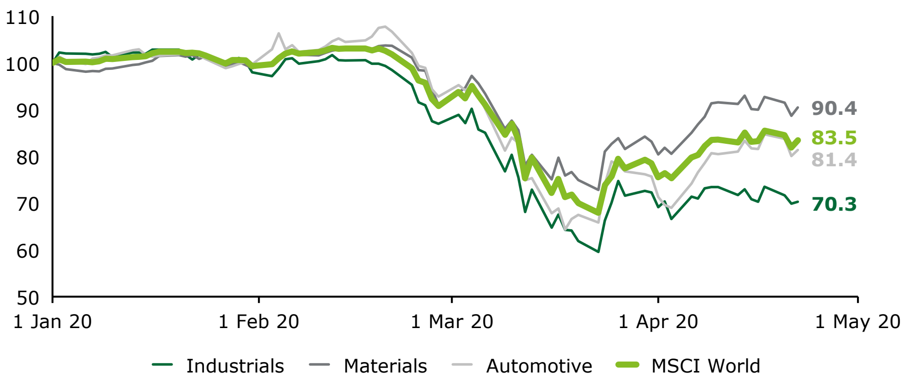
Note: 1) MSCI World industry indices used, 01-01-2020 = index 100, 2) In EMEA and selected Asian countries physical games sales are up 63% according to GamesIndustry.biz

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

Industry outlook: Industrials

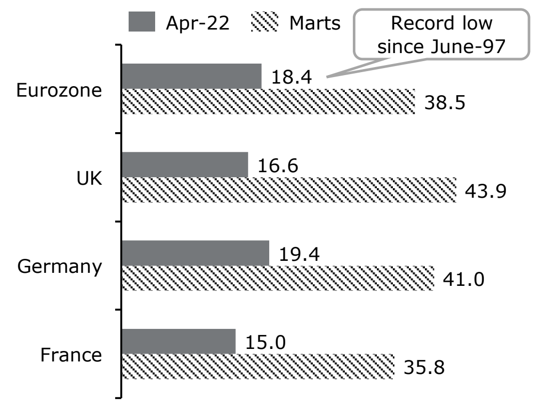
The Eurozone revealed in April the largest output deterioration since June-1997

Share price development year-to-date



- Share prices have been volatile the last week due to market factors such as high fluctuation in oil prices.
- Share prices was not impacted negatively by shocking PMI values for the Eurozone indicating a significant global economic slowdown are priced into markets.

The "*Manufacturing PMI Output Index*[1]" deteriorate to record low levels



The Index is based on the survey question:

"Is the level of production/output at your company higher, the same or lower than one month ago?"

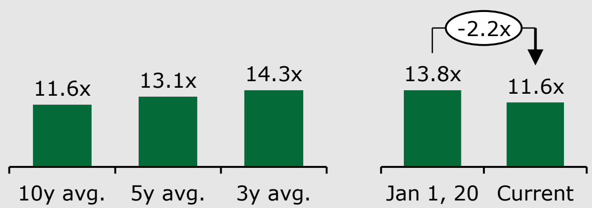
Index =50:	No change
Index <50:	Contradiction
Index >50:	Expansion

- The Eurozone manufacturing saw a record set-back in production with many non-essential businesses having closed and other reporting either dramatically reduced demand or being by shortages of staff and/or inputs

Trading multiples

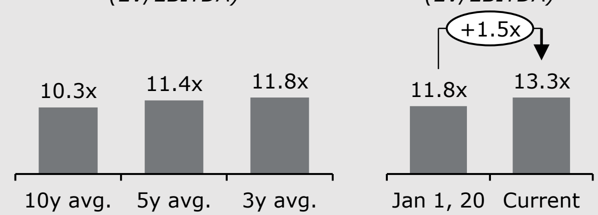
MSCI World **Industrials** Index

Historical averages (EV/EBITDA) | *Coronavirus impact (EV/EBITDA)*



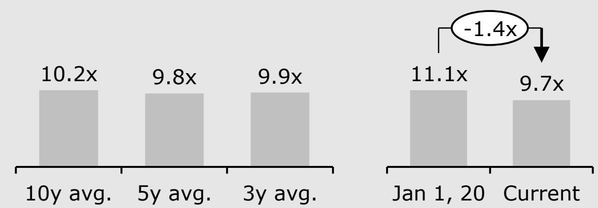
MSCI World **Materials** Index

Historical averages (EV/EBITDA) | *Coronavirus impact (EV/EBITDA)*



MSCI World **Automotive** Index

Historical averages (EV/EBITDA) | *Coronavirus impact (EV/EBITDA)*



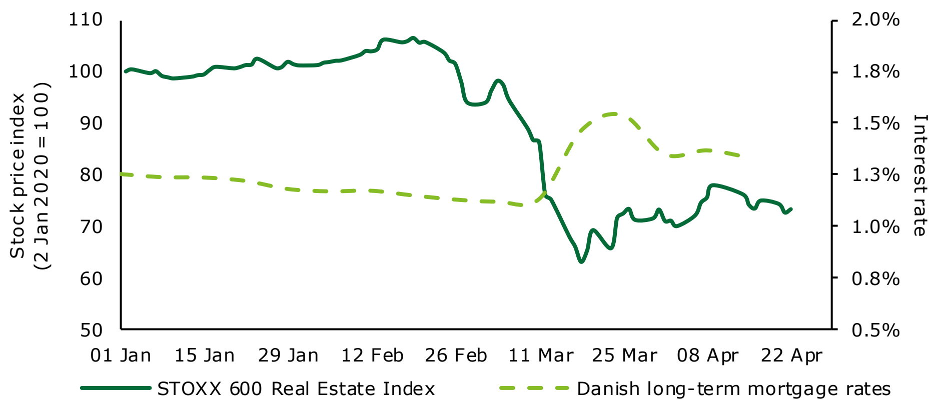
Note: 1) Be aware that in this update we use the "PMI Manufacturing Output index" instead of "Manufacturing PMI index" used last week

Source: Capital IQ; MSCI World Indices; Trading Economics: IHS Markit

Industry outlook: Real Estate

We expect a significant reduction in M&A activity for all asset classes, except logistics

Highlights from the industry (as of Apr-23 2020)

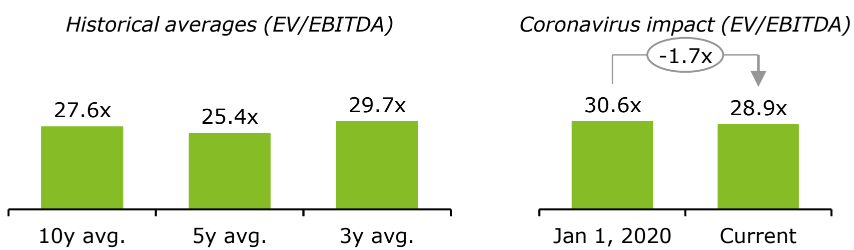


- The recovery of real estate share prices seems to have ended for now.
- Also, interest rates are also stabilising at a higher level before covid-19.
- As predicted in our last release, we believe that the sector is still in the response phase, and the full impact of COVID-19 is yet to be seen. Spill-over effects from retail and hospitality will have a significant impact in the real estate sector.

- **Retail**
  - Long-term impact on retail from accelerating shift to online trade implies rethinking of RE strategy (see also Consumer analysis).
  - Initially, the financial institutions will support both lessors and lessees. However, at some point equity is required and therefore an increasing number of forced M&A opportunities will take place.
- **Commercial**
  - COVID-19 implies rethinking and redesign of workspace models.
  - Financial restructuring anticipated and intake of non-performing loan transactions.
  - Expectations of write-down on property values in Q1 reporting.
- **Residential**
  - RealkreditDanmark/Danske Bank have introduced 10% own financing on acquistion of residentials. Despite, political pressure we expect the competitors to follow soon. This will lead to further price pressure and reduction in volumes from less first-time buyers in the market.

Trading multiples and economic outlook

Index: Custom weighted average index[1]



- We expect a significant reduction in M&A activity for all asset classes, except logistics (positive effect). For liquidity reasons, we believe a number of stressed transactions will take place, attracting opportunistic investors.
- Especially the Retail sector, but also the Commercial sector, will face new requirements from tenants, leading to revised strategies.
- With increased interest rates, uncertainty about vacancy rates, and increased unemployment rates, we expect depressed share prices and multiples to continue at least through 2020 and perhaps also part of 2021 despite the short-term recovery.

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 groups

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

Consumer

Mads Damborg
Partner
Email: madsdamborg@deloitte.dk
Mobile: +45 30 93 54 81

Energy & Resources

Troels Ellemose Lorentzen
Partner
Email: tlorentzen@deloitte.dk
Mobile: +45 30 93 56 90

Financial Services

Mike Robinson
Partner
Email: michrobinson@deloitte.dk
Mobile: +45 30 93 00 03

Life Sciences & Healthcare

Mads Damborg
Partner
Email: madsdamborg@deloitte.dk
Mobile: +45 30 93 54 81

Government & Public Services

Rikke Beckmann Danielsen
Partner
Email: rdanielsen@deloitte.dk
Mobile: +45 30 93 56 92

TMT

Kasper Svold Maagaard
Partner
Email: kmaagaard@deloitte.dk
Mobile: +45 30 93 54 54

Industrials

Niels Stoustrup
Partner
Email: nstoustrup@deloitte.dk
Mobile: +45 30 93 59 15

Real Estate

Tinus Bang Christensen
Partner
Email: tbchristensen@deloitte.dk
Mobile: +45 30 93 44 63