Vara Research
CREATING TRUST

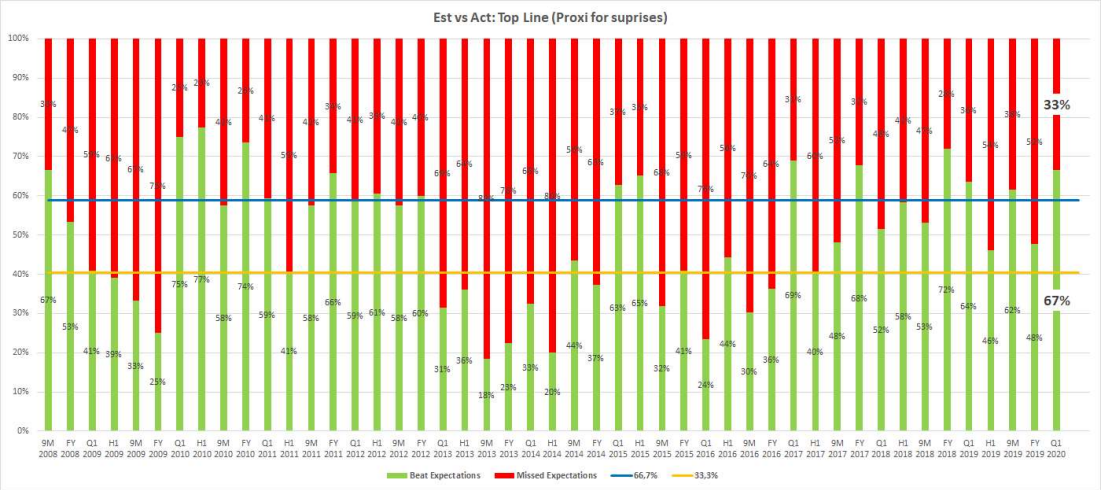
Dear Reader,

We have created graphs of consensus data to inform you about the developments on capital markets. A few points that we infer from Post Q1 '20 data are described below in our second Newsletter.

The high quality of the Vara data allows for some interesting empirical analysis with high credibility. Using data on around 100 European blue-chip and mid-cap companies, we can provide you with insight into the current stage in the cycle. Although empirical, this study gives you a good feel for the markets. We will send out such an update regularly, when our clients' post-results polls are closed.

Best regards
Your Vara Research Team

First reactions too pessimistic; hence Q1 came out better than expected



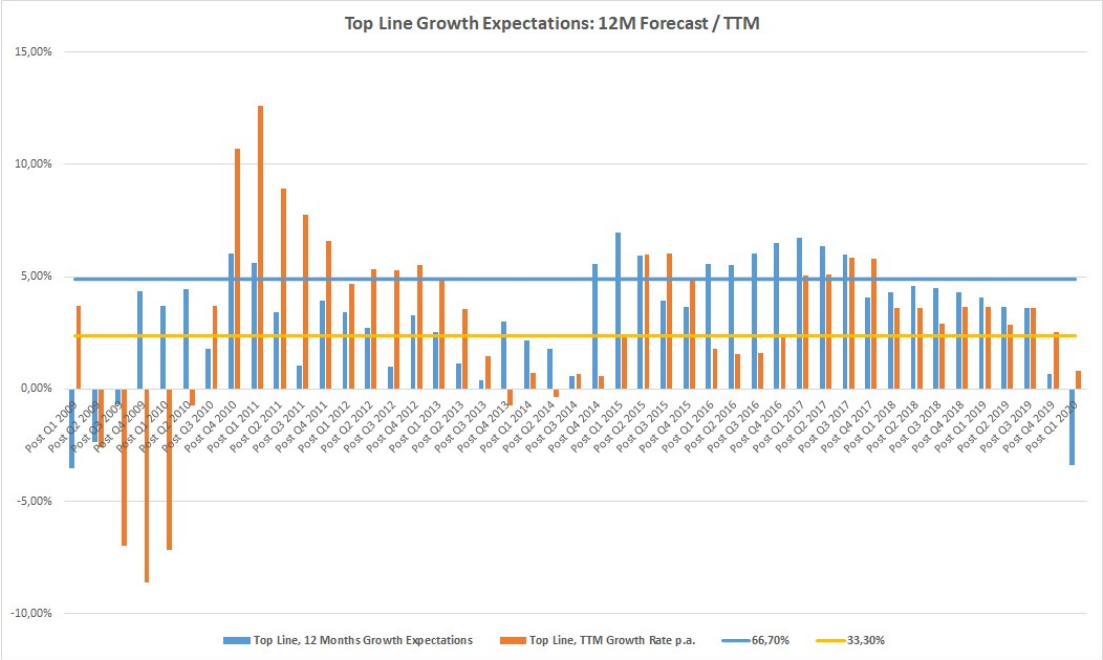
View Graph

Q1 results not as bad as feared

The median reduction in analysts' expectations for sales pre-Q1 had been -2.2%. When reported the sales in Q1 2020 were indeed lower than a year earlier (median –1.9%). Many of the companies involved were able to exceed market expectations after top-line estimates had already been revised down.

Expectations for FY 2021 will determine the near-term future performance, however Q2 will be an exciting event as we will see the full impact of Covid-19 and more companies start to give concrete guidance again.

For approximately 60% of our clients the TTM (trailing 12 months) revenue declined in Q1 20 compared with last quarter. However, in post-Q1 just as many estimates were increased as were reduced. So on average the Q1 publications and outlook information did not change the analysts' expectations. The changes in estimates took place pre-Q1 when the estimates were reduced for 97.1% of our clients. Whereas, FY 2020 sales estimates were reduced on average (median) by -8.0%, FY 2021 estimates were reduced by only -1.8%.



View Graph

Reductions in 12-month growth expectations similar to those in 2008

In the last 2 quarters the trailing twelve months' (TTM) growth in actual revenue decreased successively from 3.6% down to 0.8% (see the graph above); the slowdown will probably show itself in the form of a contracting top line in Q2 consensus data as was the case in 2008/9.

This contraction has led to the top-line estimates for the coming 12 months being revised down significantly, to -3.7% in the Post Q1 consensus data. A similar decrease was seen back in the 2008 financial crisis (hitting -3,5% in post Q1 2009). The question now, is how fast do the markets recover and how strong will the recovery thereafter be. After the 2008/9 financial crisis forward expectations turned positive for the first time again as of Q4 2009 and the TTM turned positive in Q3 2010.

As mentioned above, the 12-month expectation declined mainly because the FY 2020 estimates were reduced significantly. Due to various fiscal and monetary measures announced in response to the Covid-19 crisis, the markets currently expect more or less a normal year 2021.

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About Vara Consensus

Vara Research is a provider of external investor relations services. Our company provides the necessary transparency and trust between listed companies and the capital market. Our products allow listed companies to distribute objective information for the capital markets efficiently. The company's philosophy "Creating Trust" means Vara Research is committed to provide services, which are impartial and long-term orientated. More reliable information is a decisive factor which can ultimately lower investor risk. Our name is a benchmark for high-quality and objective consensus estimates.

Learn more about Vara

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