



THE EFFECTS OF COVID-19 ON 1Q 2020 RESULTS OF LARGE MULTINATIONALS, SECTOR BY SECTOR

WEBSOFT, LARGE-SCALE DISTRIBUTION AND PHARMACEUTICAL COMPANIES ALL POST GROWTH, WHILE AIRCRAFT MANUFACTURERS, OIL & ENERGY AND FASHION INDUSTRY OPERATORS ALL SEE HUGE REDUCTIONS

The impact of the COVID-19 pandemic on the 1Q 2020 results of multinationals in many sectors has been profound.

*Overall aggregate sales were unchanged versus 1Q 2019,
But in various segments sales, Ebit, Ebit margin and net profit all decreased substantially.*

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The **Mediobanca Research Area** has analysed the impact of the COVID-19 pandemic on the 1Q 2020 results of more than 150 large multinationals with total sales of over €3bn, comparing them with the results of the first quarter in 2019.

The presentation is available for download from www.mbres.it

COVID-19 and large multinationals: an overview

The **COVID-19 pandemic** is having a huge impact on the real economy at global level. The current crisis is unique in its kind and unprecedented in its proportions, and its consequences are affecting all economic players, including **large multinationals**. The hardest hit of all have been the **aircraft manufacturers**, the **oil & energy giants** and the large **fashion** houses, which have seen sharp falls in all the main balance-sheet items. Changes in purchasing habits, meanwhile, have generated substantial reductions in total sales for the **WebSoft companies**, **large-scale distribution** and **pharmaceutical companies**. In general, the effects of the pandemic in 1Q 2020 have been especially painful for companies which generate most of their sales in Asia, in particular China. Here though, even from end-March 2020, there have been signs of recovery. But it is a different story for those groups which do most of their business in Europe and the Americas: for these companies the impact hit a few weeks later, and further contraction is expected in 2Q 2020. The data for 1H 2020 will very likely reflect the clearest evidence of the economic crisis, while the recovery is expected in 2H and in particular 4Q 2020. Many multinationals have said that **the impact of COVID-on the figures for FY 2020 is still very difficult to predict for many reasons**: first and foremost, the substantial uncertainty generated by this crisis, the scale, duration and geographical extent of which are changing all the time.

Large multinationals in 1Q 2020: winners and losers

If we look at the **total sales** figures in more detail, on average they are unchanged compared to those recorded in 1Q 2019, the reductions in some sectors offset by the growth in others. The WebSoft companies are the ones which grew most (up 17.4% on 1Q 2019), followed by the large-scale distribution firms (up 9.1%), the pharmaceutical companies (up 6.1%), the electronic payments sector (up 4.7%), the electronics companies (up 4.5%), and



the food industry operators (up 3.4%). By contrast the aircraft manufacturers were the ones in most difficulty (down 22.1%), followed by the oil & energy firms (down 15.9%), the fashion companies (down 14.1%), the automotive manufacturers (down 9.1%), and the telecommunications companies (down 2.6%). The groups operating in the media & entertainment and drinks sectors were largely stable, with sales down just 0.5% and 0.1% respectively.

At the operating level there was a generalized reduction, with Ebit down 18.9% on 1Q 2019.

The best performers were large-scale distribution (up 33.6%), the pharmaceutical groups (up 18.1%), the WebSoft companies (up 17.6%) and the electronics firms (up 10.9%). Sharp reductions were recorded by the aircraft manufacturers (which posted a loss at the Ebit level), the oil & energy sector (down 87.8%), the fashion industry (down 81.5%) and the car manufacturers (down 75.8%) which were hit hardest of all. Less pronounced but still substantial reductions were posted in the drinks sector (down 10.1%), and in electronic payments (down 8.9%), media & entertainment (down 7.7%), telecommunications (down 5.9%), and food (down 3.4%).

In 1Q 2020 the multinationals' average **Ebit margin** was **14.3%, 2.4 percentage points lower than in 1Q 2019**. The electronic payments sector was the most profitable, recording the highest Ebit margin of all (28.4%; down 4.2 percentage points). Next came the pharmaceutical companies, with 26.8% (up 2.6 percentage points) and the electronics segment (22%; up 1.1 percentage points). The fashion industry recorded a double-digit reduction (down 10.7 percentage points), with an Ebit margin of 2.9% in 1Q 2020.

The new consumer habits caused by the COVID-19 pandemic in 1Q 2020 helped **large-scale distribution**, which saw net profits climb by 34.8%. Increases in net profit were also recorded by the pharmaceutical multinationals (up 20.5%), the WebSoft companies (up 14.9%) and the electronics sector (up 10%). Meanwhile, the repercussions for the aircraft manufacturers and the oil & energy giants were considerable (both of which went from recording a profit to a net loss), and substantial reductions were reported by the automotive and fashion industries (down 92.4% and 92% respectively).

Media Relations

Tel.no.: (0039) 02-8829.914/766

media.relations@mediobanca.com