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MANAGERIAL ACTION

AS A RESULT OF THE IMPACT OF COVID - 19

30th September, 2020

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I

Foreword

Many businesses face their sternest test in the past few months, dealing with a pandemic that few will have anticipated. Managers have been forced to make crucial decisions under severe pressure. From a survey of 25 chairmen and chief executives of telecoms, transport and utilities firms in Hong Kong, Singapore and Italy, conducted by Arthur D. Little, four surprises stood out: difficulty of finding reliable information, the speed at which the crisis unfolded, the disruption that would simultaneously hit their entire "ecosystem" of suppliers and business partners and uncertainty about what comes next.

The Economist, 18 April, 2020

The purpose of this note was to gather selected information from public sources only, listed in the schedule hereto, that may help identify patterns in managerial action worldwide regarding the impact and fall-out of the COVID-19 outbreak, which may have a direct or indirect influence or be taken into consideration by leaders of businesses located in Portugal only.

It was circulated every Monday from 20th April through to 29th June, 2020 (the "Time Period").

Francisco Sá Carneiro

II

Identified Patterns

1. It will take years before the full impact of COVID-19 is measured across the globe. And yet companies and businesses across countries, economic zones and continents continue to operate to the extent possible, trying to adapt and plan in this constantly changing environment. The approval of a vaccine and its availability to the general population is expected to occur at the end of the first quarter of 2021 at the earliest. Herd immunity is expected to occur throughout the third quarter of that same year.

   Of the 43 countries listed in The Economist's "Economic & Financial indicators" (1) only 7 – China, Poland, Turkey, Australia, Pakistan, Egypt and Saudi Arabia – experienced positive percentage changes in GDP at the end of their second quarter. But, with no exceptions, all showed negative variations in their budget balance. According with the OECD Economic Outlook, (2) all OECD economies will have negative growth, with Spain, France and Italy being the lowest, and with Portugal in fifth place. If we consider that Spain is Portugal's number one trading partner, the impact of this crisis on the Portuguese economy will be significant.

2. As at the end of the second quarter, Portugal's (3) GDP was minus 16.3 per cent compared to the same period of 2019, unemployment was 7.6 per cent (in 2019 it was 6.1 per cent), up by 37 per cent compared to the previous year. Public debt as a percentage of GDP was

(1) Issue 29 August, 2020.
(2) Organisation for Economic Co-operation and Development, www.oecd.org
(2) PORDATA, www.pordata.pt

126.4 per cent, up by 5.7 percent from the same period in 2019. Exports have fallen by 10.1 per cent and imports are down by 23.1 per cent compared to June 2019.

3. From the information collected during the Time Period exclusively for this note, we have identified five different patterns of managerial action across the various businesses, industries and companies referred to in this note, which we list below.

First, a caveat. Managerial action varies from company to company, industry to industry, country to country, and the respective challenges and rationales were not fully disclosed by the various sources that we used to prepare this note.

The five patterns that we identified are: liquidity preservation, balance sheet management, supply maintenance, the rise of on-line shopping and, finally, the uptake of corporate partnerships.

1. LIQUIDITY PRESERVATION

A.1 In most of businesses that made the news during the Time Period, preservation of liquidity was certainly the primary and most common management decision. Most companies went into extreme cash-saving mode, reducing cash-outs, to restore the financial balance. This is likely to continue for quite some time due to the uncertainty surrounding recovery.

In the US, according to Lex, S&P non-financial companies were sitting on US$1.35 trillion of cash and equivalents at the end of June 2020, representing a 39 per cent increase on their position six months earlier. In the UK, cash and cash equivalents ballooned by 30 per cent – to £205 billion – at the largest UK non-financial companies on the FTSE 350 Index. And according to S&P, globally corporations have, at the end of June, raised US$2 trillion in bonds alone, a US$600 billion increase over the same period in 2019. ([4])

A.2 Basically, liquidity preservation is being achieved through a combination of all or some of the following measures: layoffs; tapping the markets; both equity – Compass raised £2 billion in equity in May apparently without any difficulty – and debt – Boeing raised US$25 billion in a single bond offering –; third party financing or Governmental financial assistance, when available; delaying, suspending or cancelling dividends – by 6 May the Eurozone banks had retained €27 billion of dividends in their balance sheets and Royal Dutch Shell cut its dividend for the first time since the Second World War –; slashing production or putting pressure on suppliers to accept price cuts of as much as 15 per cent; swapping debt-for-equity; or generally cutting opex and capex.

Some businesses took a step forward and planned and even implemented measures to cut costs by sharing parts of their production. This is what Renault did as early as the end of May, when it announced that it was sharing top halves to cut costs, and dividing the market up by geographies, allocating a brand to each one and concentrating a class or type of vehicle into each brand.

A.3 However, this level of liquidity – and in particular the rise of debt to cover liquidity shortages – means that businesses will in a not too distant future need a capital injection to offset such high levels of debt accumulated during the crisis, levels that most are likely never to have seen before. The scale of cash needed to repay the

([4]) Financial Times, 27 August, 2020.

public funding businesses have received from governments and central banks is likely to be so large that it is either going to be written off or sit on balance sheets, where its impact will be depressing.

A.4 Service companies, such as auditors or lawyers, went even further by slashing partners' payments to build up their cash reserves, cutting lawyer and administrative pay, deferring payment of bonuses or a combination of all of them. Service firms generally, and law firms in particular, run on low cash reserves, which means that the financial situation can degenerate rapidly if clients pay late and work dries up. Law firms operating under a lockstep system or mitigated lockstep system, as a vast majority do in Europe, tend to be more aggressive with respect to partners payments compared to law firms using the "eat-what-you-kill partner compensation system", which is more popular across the Atlantic, has already embodied a deferment.

2. BALANCE SHEET MANAGEMENT

B.1 This is another trend that we have detected during the Time Period, used in particular by financial institutions. By April this year, it was expected that Eurozone banks will at the end of this year post €100 billion of provisioning against bad loans. This may lead to temporary capital reliefs to boost lending, or economies would run the risk of stalling due to the lack of available cash. The concern was so high that, as early as May last, it led regulators to urge banks not to book huge charges against souring debt, fearing that it could lead them to stop lending just when companies needed it most. A lending vacuum would create a vicious circle of more bankruptcies and higher losses on loans, which would come back to bite the banks themselves. As early as the end of April, Deutsche Bank had more than tripled its provisions for bad loans. Credit Suisse reported a sevenfold increase in reserves for bad loans in the first quarter of this year. And HSBC increased its loans provisioning by 417 per cent to face bad loans for the first-quarter of this year.

B.2 The impact of COVID-19 on companies' balance sheets has yet to be calculated. Again, it will vary from company to company and from business to business. Hospitality, transport and non-food retailers seem to be the hardest hit. We believe the main challenge will be to manage the high levels of debt that could jeopardise companies' existence, unless they offload non-core assets to reduce their debt or increase equity through the use of various instruments. Governments and regulators might be inclined to give a helping hand by accepting that bail-out assistance extended to companies as loans can somehow be considered equity – e.g. for example by converting that debt into equity if the debtor fails to reimburse it by a certain date.

3. SUPPLY DISRUPTION

C.1 In spite of the impact of the pandemic, global logistics were not heavily impacted. One reason is obviously that the pandemic did not affect the entire world at the same time, but global supply chains seem to have stood up to the hardships of the pandemic. At least for the time being!

C.2 However, certain industries will be heavily impacted, such as the car and aerospace industries. However, unlike the car industry, the aerospace industry chain is heavily regulated, with each supplier certified to provide parts or systems. This may force

some manufacturers to bail out critical suppliers. VW German's plants rely on 6,500 individual part suppliers from Europe alone, and there are concerns that gaps will appear in the supply chain caused by independent suppliers failing to survive the crisis. Some companies like Danone and Unilever put in place measures to support suppliers, by extending funds to help them with liquidity. This reinforces the pattern referred to above in respect of the liquidity, but now at the supply chain level.

4. ACCELERATION OF BUSINESS MODEL CHANGE

D.1 This trend is not new. For the last 20 years online shopping – Amazon is the best example of its success – continues to grow. The internet now affects most aspects of our professional and personal lives, from education, research and entertainment to work, financial transactions, shopping and many others. But the trend that we saw during the Time Period was that people's confinement accelerated the use of internet in many businesses, in particular related to in shopping. This was particularly the case in non-food retail: l' Oréal saw its e-commerce sales, both from its own branded websites as well as from online retailers such as Amazon or Walmart, rise significantly during the crisis; and Mercadona is investing in the backbone of its internet structure, as is Inditex where online sales, already accounting already for 50 per cent of total sales, rose by 95 per cent in April alone.

D.2 Albeit focused on a particular industry, car makers are also rethinking their distribution network. They are taking the opportunity to bypass the expensive dealership networks and create direct relationships with buyers, thus transforming their sales model to a kind of "agency model". For example, Daimler Group expects that by 2025, 25 per cent of its sales will be made via online channels, through digital dealerships, putting additional pressure on traditional dealerships, which will, as a result, need to reinvent themselves and be more customer-oriented and efficient.

5. UPTAKE OF CORPORATE PARTNERSHIPS AND M&A

E.1 Finally, the fifth trend detected, albeit to a lesser extent, is partnerships or arrangements whereby parties agree to cooperate to advance their mutual interests. This may take different forms. It may be aimed at combining resources to split capital expenditure, such as in the mining industry. It may be a matter of combining forces to serve clients better or to attract new clients, such as in the case of the partnership between Accor and Axa to offer online medical consultations to guests across Accor's 5,000 hotels network. It may also take the form of a merger between companies or businesses, such as the possible merger between Honda and Nissan (also fuelled by the divergence between Nissan and Renault) or between Accor and Intercontinental, or the very recently announced merger between Bankia and CaixaBank in Spain, which has the full support of the regulator and of the Spanish government, offering considerable synergies, aimed at restoring profitability. In the media industry substantial changes are expected to take place in its landscape as a result of the crisis: the threat of Netflix, Disney+ and Amazon Prime streaming platforms, boosted by the confinement periods imposed in many countries, has raised the levels of companies or business tie-ups.

E.2 Although it is still early days, it looks like mergers, in particular non-cash deals, will be a trend in the near future. It is a simple and somehow expeditious way to expand a business, acquire markets, by entering new geographies or acquiring brands and

saving costs – often at the expense of the workforce – with the ultimate goal of improving profitability. Some companies, particular in the sectors most impacted by the crisis caused by the pandemic, are or will soon be in a much weaker position than just one year ago. As such, they may prove easy prey for investors looking for a bargain or be more inclined to accept a merger, therefore losing their independence. Either way, it is expected that M&A activity will surge in the near future, as industry, country or even global players seek new growth opportunities or just to join forces to face the incredible challenges that emerge in the coming years.

III
Countries and European Institutions

1. General

Three factors should separate the bad economic outcomes from the dire ones: a country industrial structure; the composition of its corporate sector; and the effectiveness of its fiscal stimulus. (i) Lock downs will slam countries that depend on labour-intensive activities. Those with large construction sectors, such as many central European countries, look vulnerable. So do those who rely on tourism – it accounts for one in eight non-financial jobs in southern Europe. (ii) Economies with a large share of small firms are more likely to be scarred by long shutdowns, as they have few if any cash buffers, making it hard to survive a drought in revenues. (iii) Rich countries have deployed stimulus on an unprecedented scale. Even by most conservative estimate, these packages are more than twice as large as in 2008-09. The average fiscal boost in France, Spain and Italy, as a share of the GDP, is about half of that provided in Germany. The design of the stimulus, though, matters as much as its size. Government pledges to protect jobs are normally a bad idea. They prevent workers moving from failing sectors to up-and-coming ones, slowing the recovery. But the corona virus recession may be different, however. If the lockdowns are lifted soon, some European economies will be able to resume production quickly. Elsewhere workers will have to search for jobs and bosses to hire them (The Economist 18 April).

We at Citigroup feel that markets are way ahead of reality, and we are telling every client to tap the market if they can because we think the pricing now couldn't get any better. As the second quarter comes along and we start seeing the pain, and the collateral effects of that, we think this is going to be much tougher than it looks. Low assets prices can tempt activist investors to buy into companies on the cheap and then look for ways to make them more profitable, often by cutting costs and jobs (FT 1 June).

Government's interventions to offset the impact of the pandemic have driven the level of global debt close to the peaks seen in the second world war (FT 15 June).

World trade experienced an "unprecedent" fall in April when most big economies were under strict lockdown. The volume of global trade in goods dropped 12.1 per cent compared with March, the largest monthly contraction since records began in 2000. The drop exacerbated the 2.4 per cent decline in world trade in March. All regions reported declines but the eurozone was the hardest hit with volumes falling by 20.1 per cent month on month in April. Its goods trade has contracted 28.5 per cent over the past year. Trade volumes in the US fell 16.8 per cent month on month in April, and China and India, 6 per cent (FT 26 June).

2. Brazil

The currency weakened to a record low against the dollar, having lost 25 per cent of its value since the start of the year. Expectations are growing that the central bank will cut interest rates to combat the economic crisis (FT 23 April).

3. China

Hitachi is looking forward to Beijing splashing out in infrastructure as it tries to turbocharge the economy's recovery (FT 13 April).
It is expected that growth in the first quarter will be negative, China's first official contraction in more than four decades. In the past this would have guaranteed a big stimulus. Yet this time the response has been more restrained. China has not made any special announcement, instead rolling out a hodgepodge of policies that, added up, reach perhaps 3 per cent of its GDP. China does not need any fiscal parachutes, they are built into the system: as much as 80 per percent of corporate loans go to state firms and hence already enjoy implicit guarantees. China without fanfare is in fact leaning on state-owned banks (The Economist 18 April).
GDP plunges 6.8 per cent in starkest economic signal from global pandemic (FT 18 April).

4. European Central Bank

On 18 March the ECB announced an emergency asset-purchase scheme that would buy 750 billion in government and corporate bonds. The ECB has amended some of the rules that have until now governed its asset purchases. One of its self-imposed rules is to buy government bonds in proportion to the capital each member state puts into it (or its "capital key"), which is roughly in line with the size of its economy (ii) or the rule of the "*issuer limit*, which meant that the ECB could not hold more than a third of the members sovereign debt (which could raise heckles in Germany), (iii) expanding the range of assets it will buy, as the new scheme will cover Greek sovereign bonds, which had previously been deemed ineligible because of their low credit rating (iv) buying assets with maturities of less than a year (The Economist 28 March).
The European Central Bank has changed its rules to accept "fallen angel" bonds that lose their investment-grade credit rating to maintain bank's access to its ultra-cheap liquidity during the corona virus crisis. [Albeit] subject to "haircuts" to reduce their value as collateral based on their latest credit rating (FT 24 April).
The Eurozone is on the brick of sliding into deflation after the coronavirus pandemic dragged price growth down to 0.1 per cent in May, its lowest in four years. Economist worry that a prolonged period of deflation wold be painful for the Eurozone as it would make high corporate and government debt levels even harder to manage as interest payments stay fixed but wages, prices and tax payments all fall in cash terms (FT 30 May).

5. European Stability Mechanism

The European Stability Mechanism has made available € 240 billion, the European Central Bank € 200 billion and the European Commission € 100 billion (Jornal Negócios 9 April).
Companies given emergency equity injections by EU states will not be allowed to pay out dividends and take "excessive risk taking" or "engage in aggressive commercial

expansion". European business that receive an equity injection of more than 20 per cent will also be obliged to set up a clear exit strategy (FT 16 April).

6. European Union

The direct economic impact is likely larger in the southern Eurozone economies and France than in the northern countries where the lockdown has been lighter. Italy, Spain and France have suffered the biggest drops in activity, while Netherlands, Finland and Germany appear to have the least restrictive lockdowns, with Greece, Belgium and Austria in between (FT 23 April.)

A bond is a government liability; but so is money. In a world of near-zero interest rates, cash and bonds are indistinct. As central banks print money to buy ever more bonds the lines between fiscal and monetary policy become increasingly blurred. This is true even in the Eurozone, which has tried hard to keep the lines clear (FT 25 April).

Goldman Sachs estimates that, roughly, an Italian-style lockdown is associated with a GDP decline of 25 per cent (The Economist 2 May).

The most vulnerable firms are in the hospitality, transport and non-food retail sectors. They were among the most insolvency prone business before the covid crisis. The other weak link is Europe's 25 million small and medium-size enterprises (defined as firms with fewer than 250 staff), which employ over 90 million people. 90 per cent of Europe's small firms are affected by the pandemic and 30 per cent of them say they are losing 80 per cent of sales or more (The Economist 16 May).

It normally takes the European Commission about six months to review an EU member state's request to derogate from the rules against subsidising domestic industry. Not these days. A trickle of demands from all over the block has turned into a flood. Nearly 200 subsidy schemes and bail-outs worth over € 2 trillion, equivalent to Italy's GDP, have been cleared by the eurocrats. Never have the rules been so loosened to the extent they have been today. Some countries, notably Spain, have complained that the free-spending regime threatens the single market. Almost half of the state aid paid out across Europe in done by Germany, which is big, wealthy and entered the crisis with relatively low debt. Concerns that China and America are pampering their own firms with subsidies are widespread (The Economist 30 May).

Brussels is seeking new powers to review and potentially block takeovers by European companies by rivals deemed to have received unfair support from a foreign government. The European Commission will propose new tools to scrutinise the activities of state-owned and supported companies that are operating in Europe or seeking to enter the single market. The commission is due to publish its policy proposal on June 17. The ideas will be submitted for public consultation before consideration by the European Parliament and by the council of member state governments (FT 3 June).

7. France

The pandemic is knocking 1.5 percentage points off French growth for every two weeks. 6 per cent, the amount by which France's economy could have contracted in the first quarter (FT 9 April).

The threshold for foreign holdings of a business will be reduced from 25 per cent to 10 percent until the end of the year, subject to restrictions. Finance Minister Bruno Le Maire told LCI television: "Technologies are exposed and could be bought at low prices by foreign competitors and I won't let that happen" (FT 30 April).

8. Germany

The German economy will shrink by 10 per cent in the three months to June (FT 9 April). Berlin braced for a € 82 billion tax shortfall as a result of Covid-19, which represents a 10 per cent compared to 2019. Germany is heading for the worst recession in its post war history, with GDP set to shrink by 6.3 per cent. German exports dropped 7.9 per cent in March and retail sales 2.8 per cent (FT 15 May).

European Central Bank delivers a € 600 billion stimulus boost at it slashes growth forecast, after Germany coalition government agreed to tax cuts and spending increases worth nearly 4 per cent of the GDP to boost its economic recovery. It would be the biggest stimulus package since the federal republic was established in 1949 (FT 5 June).

9. Italy

Italy's coalition government is debating whether to bid for all or part of Borsa Italiana as Rome seeks to take back control of strategic assets including government bond-trading infrastructure. State lender Cassa Depositi e Prestiti would take the acquisition from the London Stock Exchange Group, as it seeks EU anti-trust approval for its US$ 27 billion merger with data group Refinitiv, and may be forced to sell assets. (FT 30 May).

10. Japan

53 per cent of companies in the Topix Index are net cash (FT 8 April).

Japan's fiscal stimulus is around 10 per cent of its GDP, and rises to twice that when loans and loan guarantees are included (The Economist 18 April).

The finance ministry published a list of 518 companies as being the core national interest, and more than half of all Tokyo-listed companies as operating in the "designated" sectors of security concern. Foreign investors will have to notify the ministry before buying 1 per cent of any covered company if they intend to nominate a director or propose the disposal of a security-related division (FT 9 May).

The number of corporate bankruptcies in Japan rose by 15 per cent compared with a year earlier in March, as coronavirus pushed already struggling businesses over the edge. Of the 743 bankruptcies, 71 were linked to the virus outbreak. Hotels, leisure facilities and retailers were the hardest hit (FT 14 May).

Many Japanese companies have come to view being publicly listed as a burden. Japan could be heading for a boom in management buyouts, delistings, and mergers between listed and unlisted companies. This trend could be accelerated by the Covid-19 emergency (FT 18 May).

11. Portugal

In Bank of Portugal's the worst scenario, the drop in the GDP is estimated to be - 5.7 per cent. In a more moderate scenario it will be - 3.7 per cent (Jornal de Negócios 9 April).

The Portuguese Minister of Finance estimates that the impact will cause a loss in the annual GDP of 6.5 per cent per each 30 business days of contention (Público 14 April).

The estimates of the IMF for Portugal are worse than those of the Bank of Portugal's worst scenario, with a 8 per cent drop of the GDP, but with an improvement of 5 per cent for 2021 (Público 15 April).

The IMF expects a loss of revenue of € 8,300 million and an increase of expenses of € 5,750 million (Jornal de Negócios 16 April).
The law proposal introduced before the Portuguese Parliament by the Communist Party aimed at blocking banks and the financial sector generally from distributing dividends failed to obtain the required majority (Jornal de Negócios 6 May).

12. Russia

Russia's industrial output contracted 2.5 per cent in March (FT 21 April).

13. Spain

Unicredit research suggests Spain set to suffer more from the crisis than any other European economy, estimating a 15.5 per cent decline in gross domestic product this year and a fiscal deficit of 12.5 per cent of GDP (FT 13 April).
BBVA estimates that Spanish GDP will drop 12 per cent in the second quarter and 8 per cent in the full year (Expansión 14 April).
According to the IMF, Spain's deficit for 2020 is expected to be 9.5 per cent of GDP and public debt will raise 113 per cent of GDP in 2020 (Expansión 15 April).
The Spanish government is under particular pressure because its ERTE scheme runs out at the end of June. Although officials say their ERTEs have worked, Spain is likely to be the big European economy hit hardest by the shakeout, with unemployment hitting 22 per cent by the end of September according to OECD forecasts (FT 22 June).

14. United Kingdom

More than £ 52 billion in Company dividends are at risk in the UK this year, which means a drop of 53 per cent. More than 40 per cent of UK companies have already axed dividends, representing cuts of € 28.2 billion. (FT 9 de April).
Britain set aside £ 330 billion for loan guarantees to corporates (The Economist 18 April).
Andrew Bailey has backed forecasts that output in the UK economy has already plunged 35 per cent since the corona virus lockdown (FT 18 April).
The British government is preparing new legislation aimed at blocking foreign acquisitions that may represent a risk for national security. British companies are to notify any intent by a foreign to acquire more than 25 per cent of its shares or a significant influence or intellectual property rights (El Confidencial 8 June).

15. USA

14 per cent of companies in the S&P 500 have net cash (FT 8 April).
America has earmarked US$ 850 billion for loans to companies (The Economist 18 April).
Corporate America is preparing for billions of dollars in unpaid bills as the effects of the coronavirus shutdown ripple from shopping malls, offices and factories through global supply chains. Pain suppliers, food manufacturers and truck rental operators are among a diverse group of US listed companies that have disclosed higher provisions in recent days against losses they expect from business partners falling behind on payments. Amazon increased its allowance for credit losses by US$ 380 million in the first quarter to US$ 1.1 billion, in part because of late payments for its cloud computing services, while Disney's rose by US$ 160 million in the six months to the end of March to US$ 535 million. Suppliers to the retail and fashion industries face particular challenges. US companies have been forced to increase the provisions in part because of an accounting

change introduced this year; previously, they only need to add to reserves when customers missed payments; under the new standard, they have to do so based in predictions about future creditworthiness (FT 18 May).

US corporate bond issuance from investment-grade companies has already crossed the US$ 1 trillion this year. The total, which included debt raised by financial institutions, outpaces the US$ 540 million issued over the same period in 2019 and is closing in on the US$ 1.3 trillion full-year average over the past five years. All bi names decided to come in and build up their war chests. (FT 27 May).

The percentage of commercial property loans left unpaid by borrowers in the US more than trebled last month, in a sign of a deepening crisis in the US$ 1.3 trillion market for bonds backed by the mortgages. The delinquency rate on loans underpinning commercial mortgage-backed securities rose from 2.3 per cent in April to 7.4 per cent in May. Borrowers are considered delinquent when they fail to make a payment within 30 days. A further 8.6 per cent of mortgages were in that 30-day grace period after missing a payment. The largest increase in unpaid mortgages has been seen in the "lodging" category, which covers hotels, and retail properties such as shopping malls (FT 3 June).

IV
Business by Sectors

1. Activism

With M&A activity grinding to a halt and corporations fighting to preserve liquidity, activists are losing arrows in their quiver (FT 17 April).

Activist Insight, a data gatherer, says the number of companies target by activists globally in the first quarter fell by 25 per cent compared with the same period last year. It is expected to plummet further in the coming months. It would be foolish, for instance, to force a company to shrink its balance-sheet and return cash to the shareholders when companies are desperate to conserve whatever resources they have. Hostile takeovers may be off the table, too. "Poison pills" are surging, and some call them "anti-coronavirus pills". Activist Insight counts 17 new ones in America in March alone, just one fewer than in the whole of 2019 (The Economist 18 April).

1.1. Elliot Management

Elliot Management is closing in on victory in its battle with Hong Kong's Bank of East Asia, as the city's last large family-owned lender starts discussions about a sale of its banking operations. Elliot Management bought a significant stake in BEA in 2014 and has long pushed for the controlling Li family to sell the business it founded in 1918. BEA is the last large lender in Hong Kong to remain under the control of a tycoon family. The Lis own just 7 per cent of BEA shares but have been able to retain control through a complex family holding structure common to many Asian conglomerates and rarely challenged in court. Elliot has about 8 per cent of BEA, while Japan's SMBC and Spain's Caixa have stakes of 17.5 per cent and 16 per cent respectively (FT 2 June).

2. Aeronautics

2.1. International

Manufacturers are keenly aware of the risks of supplier disruption. Unlike the car industry the aerospace industry chain is highly regulated, with each supplier certified to provide parts or systems. Some manufacturers could be forced to bail out critical suppliers. Getting new suppliers certified takes time. So we may be forced to buy some of them. Chinese companies, with strong backing from the state, have already acquired a number of small to medium-size aerospace suppliers in Europe and the US (FT 21 April).

France has unveiled a € 15 billion support plan for the aerospace industry, warning that 100,000 jobs were on the line after Covid-19 saw borders close and travel curtailed as governments sought to stem the spread of the virus. The aerospace industry employs 300,000 in France, either directly or indirectly, and brings € 58 billion in revenues every year (FT 10 June).

2.1.1. Airbus

Is cutting aircraft production by a third in a move expected to trigger job losses (FT 9 April).

Airbus is rapidly "bleeding cash" threatening the company's existence the chief executive has told employees in a letter: "we must now act urgently to reduce our-cash-out, restore our financial balance and, ultimately, to regain control of our destiny" (FT 28 April).

2.1.2. Boeing

Has called for US$ 60 billion in state aid to help the industry through the crisis (FT 21 April).

Boeing's plan to acquire the regional-jet business of Brazil's Embraer hung in the balance yesterday as the two sides haggled over conditions attached to the multibillion dollar (US$ 4.2 billion) tie-up just hours ahead of the deadline giving each the right to walk away (FT 25 April).

Boeing plans to cut its workforce by 10 per cent (16,000 jobs) corresponding to a 15 per cent cut in its commercial aeroplane division. It posted a US$ 641 million net loss in the first quarter compared with US$ 2.1 billion in net income for the same period last year. It completed a US$ 25 billion bond offering to help weather a cash drain of as much as US$ 20 billion this year (FT 30 April).

Boeing cancelled its proposed US$ 4.2 billion joint venture with Embraer, claiming that the Brazilian aerospace firm did not satisfy the necessary conditions during talks (The Economist 30 April).

Boeing plans to dismiss more than 12,000 workers in the US as it responds to the drop in demand for aircraft because of the coronavirus. Boeing has raised US$ 25 billion from the bond market to access the cash it needs to navigate the crisis (FT 28 May).

2.1.3. Embraer

Embraer launched arbitration proceedings against Boeing seeking to claw tens of millions of dollars it had already spent in preparation to the sale of its regional jet business to the US group. They are facing a huge challenge. The solution lies with China "it's an inevitable marriage. We have the knowhow, they have the demand", although the company acknowledged that it does not have any conversation or negotiation in place at this moment. Embraer is facing a cash crunch and is expected to receive US$ 1 billion

from Brazil's development bank in exchange for equity in the coming months (FT 11 May).

2.1.4. Rolls-Royce

Rolls-Royce will suspend its dividend for the first time since privatisation in 1987 (FT 6 April).

Rolls-Royce is preparing to cut up to 8,000 jobs, the biggest single reduction in more than 30 years, after aircraft makers Airbus and Boeing slashed production to cope with plunging demand. "We have taken swift action to increase our liquidity, dramatically reduce our spending in 2020, and strengthen our resilience in these exceptionally challenging times. But we still need to take further action (FT 2 May).

Rolls-Royce is to cut nearly a fifth of its workforce – a deeper than expected cut of at least 9,000 jobs out of total of 52,000 - in a bid to survive the collapse of the aircraft demand caused by the coronavirus pandemic, which is expected to last for several years. The restructuring which included factory closures is expected to deliver savings of £ 1.3 billion, of which £ 700 million will be contributed by job losses (FT 21 May).

Rolls-Royce is threatening to withdraw "support" from suppliers who do not agree to price cuts of up to 15 per cent, heightening pressure on the chain. The company spends £ 7 billion a year with suppliers (FT 26 May).

2.1.5. Safran

The French group has invoked *force majeur* with several suppliers, allowing it to stop taking deliveries even if goods are being manufactured (FT 26 May).

3. Agriculture

3.1. US

As restaurants, hotels and schools have closed, farmers and ranchers who supplied them have lost customers. But redirecting their production to grocery stores [has] proved difficult because of the different demands of commercial food operations and people cooking in their kitchens. The result has been scenes out of the Great Depression: farmers destroying their products as Americans line up by the thousands outside food banks. Shifting production away from restaurants [has] been tricky because commercial and consumer products are prepared and packaged so differently (FT 23 April).

4. Air Transport

4.1. China

The country's aviation regulator said yesterday that carriers had suffered a record loss of Rmb 33.2 billion in the first quarter of the year, with passenger traffic diving 54 per cent (FT 16 April).

4.2. International

IATA estimates that sector revenue shall suffer a 44 per cent drop, i.e., US$ 252 billion. 2 million flights have been cancelled. Between 35 and 45 per cent of the costs in an airliner are fixed costs (The Economist 4 April).

Globally, fight numbers are down 70 per cent this month, according to IATA. London Heathrow expects traffic in April to fall 90 per cent. Shares in the largest listed operator, Aena of Spain, have fallen by a third. Aéroports de Paris shares are down by almost half (FT 15 April).

More than 60 per cent of the world's commercial aircraft have been grounded as governments quarantined their populations and closed borders (FT 21 April).

In the short term, we're likely to see airlines flooding the market with cheap tickets to get people over their fears. But once we get over the sugar rush, it's inevitable that prices go up because there will be fewer airlines. IATA said any move for social distancing on aircraft would fundamentally shift the economics of aviation by slashing the maximum load factor to 62 per cent – well below the average industry break-even load factor of 77 per cent (FT 25 May).

4.2.1. Air France/KLM

Air France/ KLM will receive up to € 11 billion form the French (€ 7 billion) and Dutch governments (€ 4 billion). The airlines are losing € 25 million a day (Jornal de Negócios 30 April).

In the first quarter of 2020, Air France/KLM registered a fall of 15.5 per cent in revenue, to € 5.02 billion and losses of 1.8 billion (Público 8 May).

4.2.2. Alitalia

Has been nationalised (again) (The Economist 4 April).

In June, the government will incorporate a new company which will take 100 per cent of the airline (Jornal de Negócios 30 April).

4.2.3. Cathay Pacific

The Hong Kog government will take a stake in Cathay Pacific and increase its influence over the airline's board as part of the HK$ 29 billion (US$ 5 billion) rescue plan, in the form of a bridge loan, preference shares and warrants. The Hong Kong's government will also be able to send two "observers" to board meetings and have access to information from management. The deal will hand Hong Kong government a 6.1 per cent stake but Swire Pacific will remain the controlling shareholding, with its holding diluted from 45 per cent to 42 per cent after recapitalization. Air China's stake will fall from 29.9 per cent to 28 per cent. Qatar Airways, the third-biggest shareholders, will have its stake diluted from 9.9 per cent to 9.3 per cent (FT 10 June).

4.2.4. Condor

The German government has already come to the aid of one German airline, lending € 550 million to Condor in conjunction with the state of Hesse (FT 29 April).

4.2.5. EasyJet

EasyJet has secured a loan of £ 600 million guaranteed by the Treasury. Has disbursed a credit line of € 407 billion. Its cash reserves total £ 2.3 billion (Jornal de Negócios 30 April).

EasyJet plans to reduce staff numbers by up to 30 per cent. The company has some £ 1.5 billion of liquidity (FT 29 May).

4.2.6. Finnair

The Finish government (that controls more than 50 per cent of the company's share capital) is available to guarantee up to € 600 million in loans. The company estimates to lose € 2 million a day during the second quarter of 2020 (Jornal de Negócios 30 April).

4.2.7. IAG

The holding of British Airways and Iberia has recorded operating losses of € 535 million (expansion 28 April).

IAG has announced losses of € 1.86 billion in the first quarter of 2020, as a result of the coronavirus impact. The company is also considering revising down word the € 1 billion

cash consideration for the acquisition of Air Europa by Iberia, using a mechanism built-in in the agreement signed last November (El Confidencial 7 May).

IAG warned that it will not restart flying if Britain imposes a 14-day quarantine on passengers arriving in the country, saying it cannot foresee demand under those circumstances (FT 8 May).

Standard & Poor's downgraded IAG's rating from BBB- to BB, stressing that in its opinion in 2020 IAG will double the amount of its debt and that its EBITDA will be negative (Expansión 20 May).

The chief executive of IAG has said he is considering legal action over the UK government's quarantine travel rules, which he claimed have torpedoed plans to restart passenger flights next month (FT 6 June).

4.2.7.1. British Airways

British Airways is slashing 12,000 jobs, representing almost 30 per cent of its work force (FT 29 April).

4.2.7.2. Iberia

Iberia has asked the [Spanish] Government and the banks for € 1 billion with urgency in order to guarantee its survival (El Confidencial).

4.2.8. LATAM

Latam Airlines, South America's largest airline and its affiliates in Chile, Peru, Colombia, Ecuador and US filed for bankruptcy protection in a New York City court the proceeding is aimed at restructuring its debt in the US. The company has US$ 1.3 billion of liquidity and the decision is backed by its largest shareholders, the Cueto and Amaro families and Qatar Airways, who will inject US$ 900 million of additional liquidity (Expansión 36 May).

4.2.9. LOT

The owner of Poland's state-controlled airline LOT as decided to pull out of a deal to buy German Condor from Thomas Cook. This may lead the German Government to nationalise the German airline (FT 14 April).

4.2.10. Lufthansa

Is permanently decommissioning more than 40 of its aircraft and axe its Germanwings low-cost arm, has furloughed almost 90,000 workers and scrapped its dividend, adding that "it will take months until global travel restrictions were completely lifted and years until the worldwide demand for air travel returns to pre-crisis levels" (FT 8 April).

Has tripled its losses until March to € 1.2 billion before taxes, and is preparing a government rescue of € 10 billion. Revenue for the period has dropped to 6.4 billion. It has access to 4.4 billion in cash (Expansión 23 April).

Lufthansa is considering credit protection as bailout talks over the bail out stall. The group, that includes Austrian, Swiss and Brussels Airlines, is burning through € 1 million an hour, and has requested emergency funding from governments in Brussels, Vienna and Bern. Any aid for the airline is likely to come in the form of an equity stake (FT 29 April).

Germany is planning to get 25 per cent of Lufthansa in exchange of a bail out of € 9 billion (Expansión 7 May).

The German state is insisting on taking a 25 per cent equity stake and seats on the supervisory board. Carsten Spohr, the group's chief executive commented "we may need government support, but we do not need government management" (FT 9 May).

Berlin will give € 9 billion (of which € 3 billion in guarantees) in exchange of 20 per cent in Lufthansa and two board seats (Público 22 May).
Berlin agrees a € 9 billion from the German government, which will own at least a fifth of the national carrier. The aid is subject to approval by the EU and shareholders and will include a € 3 billion in loans via KfW, the countries state owned development bank. It will preclude the airline to pay dividends and constrain executive pay. The German government has committed not to exercise its voting rights in day-to-day matters, and plans to sell its stake by the end of 2023. Berlin will nominate two people to sit on Lufthansa's supervisory board (FT 26 May).
Lufthansa may be forced to give up coveted slots at Frankfurt and Munich airports as the European Commission pushes to attack conditions to Germany's € 9 billion bailout of the airline and Ryanair threatens to challenge the deal (FT 27 May).
Lufthansa's supervisory board refused to approve the € 9 billion bailout proposed by Berlin after the European Commission sought to force the airline to give up slots at Frankfurt and Munich. The group said it would put off calling the extraordinary meeting required to get shareholders' approval for the deal, even as it burns through € 1 million an hour with most of its planes grounded (FT 28 May).
The Supervisory Board backed the € 9 billion bailout by the German government and called for an extraordinary shareholders meeting for June 25. Investors now face a choice between a capital hike that will dilute their holdings, or tipping Europe's biggest airline towards insolvency. Lufthansa management has told German officials and labour representatives that it will run out of cash on June 15. Under the compromise deal reached last Friday, Lufthansa will reduce its presence in Frankfurt and Munich by four aircraft apiece and surrender enough slots for 12 daily return flights (Bloomberg 1 June).
Lufthansa chief executive has admitted the group's € 9 billion bailout from the German government is more than it needs to survive, and is designed to ensure the airline maintains a "global leading position". Such comments came after the European Commission warned against state aid being used to give the group an unfair advantage and strong criticism from low-cost rival Ryanair, which has pledged to launch a challenge once the bailout is approved by antitrust authorities (FT 4 June).
Lufthansa has warned that its € 9 billion bailout from the German government is at risk, after its biggest shareholder indicated he might reject the deal in a vote later this month. Heinz Hermann Thiele, one of Germany's richest men, who owns more than 15 per cent of the airline, told that he did not want to block the rescue package, he wanted to determine what other solutions were available to Lufthansa before being forced to vote it through. The Frankfurt based carries responded saying the board considers it is possible that the stabilization package could fail to achieve the two-thirds majority of votes cast that would be required in this case, adding that if the rescue package fail to win approval at an extraordinary meeting on June 25, the company would probably be forced to begin insolvency proceedings. (FT 18 June).
Mr Thiele (Lufthansa's largest shareholder) argued the government was buying Lufthansa's stock at an unreasonable discount, paying a nominal € 2.56 per share – less than a third of the current market price. With only 38 per cent of the shareholders registered by Saturday's deadline, Mr Thiele could single-handedly derail the package, as a supermajority, or two-thirds of those present, is needed for the motion to pass (FT 25 June).

Lufthansa's shareholders have voted through a € 9 billion bailout package that gives the German government a stake in the group almost a quarter of a century after it was privatized. The deal, which allows Berlin to raise its holding to a blocking minority in the event of a hostile takeover bid, has been in jeopardy after the airline's largest investor. Heinz Hermann Thiele, indicated that he wanted to reopen talks with Angela's Merkel's administration. Mr Thiele ended up supporting the package, as overall more than 98 per cent of those registered voted to back the deal. Lufthansa is expected to emerge as a smaller group, with at least 100 fewer aircraft. Ryanair has vowed to challenge the bailout in court. The success of the vote is a blow to a number of US and UK hedge funds, which had stood to profit if the rescue package was scuppered. The German carrier shares are one of the three most-shorted stocks in Germany. Early yesterday, the European Commission approved the aid package, and last night Lufthansa reached a deal with the independent flight attendants union UFO, securing savings of more than € 500 million through measures including the suspension of pay increases (FT 26 June).

4.2.11. **Norwegian**

The bulk of its fleet is likely to remain grounded for the next 12 months and full recovery would not take place until 2022. As part of a planned US$ 1.2 billion debt-for-equity swap to try to ensure the low-cost airline's survival. It is hoping to 60 per cent of its bonds and 85 per cent of a convertible bond, as well as US$ 500 million from lessors into equity which would leave current shareholders with 5.2 per cent of the share capital before a separate US$ 40 million rights issue. The restructuring is part of Norwegian's attempt to unlock NKr 2.7 billion of loan guarantees from the government to rescue the airline. The moves would boost its equity ratio above the Norwegian government's requirements of 8 percent (FT 28 April).

This Sunday, Norwegian managed to obtain the consent of the various groups of the 4 bond issues, necessary for the debt-for-equity swap. Now, it needs to obtain the consent of the 24 different airplane lessors, ahead of its shareholders' meeting (El Confidencial 3 May).

Shareholders overwhelmingly supported the plan at an extraordinary meeting held yesterday even though they will be wiped out. Minutes before the shareholder meeting, Norwegian announced it had reached an agreement with enough aircraft leasing companies that it should be able to convert US$ 970 million of debt into equity, pushing its equity ratio to 15-17 per cent, significantly higher than the 8 per cent threshold needed for the government-backed loan guarantees. Norwegian added that it was only paying "absolutely vital operational invoices" with no debt or interest payments until July (FT 5 May).

Two of the largest aircraft leasing groups have become the biggest shareholders in Norwegian Air Shuttle, as the airline sealed its government-backed rescue. Ireland's Aercap (controlled indirectly by Boeing) would own 15.9 per cent while BOC Aviation (majority owned by state-controlled Bank of China) would have a 12.7 per cent after they converted parts of their lease obligations into shares in Europe's third-largest low-cost airline (FT 21 May).

4.2.12. **Quantas**

The airline is on track to reduce its cash burn rate to US$ 26 million a week by the end of June (FT 6 May).

Quantas Airlines will slash 6,000 jobs (more than a fifth of its working force), ground 100 of its aircraft for at least a year and raise A$ 1.9 billion (US$ 1.3 billion) in equity

as the Australian carrier steps up measures to ensure it survives the pandemic. Quantas will not resume international flights in any significant way until July 2021. The company will target savings of A$ 15 billion by reducing the frequency of flights, fuel consumption and staff numbers. Quantas raised a further A$ 1.5 billion in debt secured on aircraft, the company announcing that it would not need a government bailout (FT 26 June).

4.2.13. Ryanair

It may have to shed up to 3,000 jobs of pilots and cabin crew within the next two years, as a result of the loss of demand (Jornal de Negócios 3 May).
The carrier is preparing to cut up to 15 per cent of its 19,000 workforce and is planning to make more legal complaints to countries over state aid concerns, having already filed two against Swedish and French bailouts (FT 13 May).

4.2.14. SAS

In order to support the company, the Swedish and Danish governments (both shareholders of the company) have committed loans and guarantees in the amount of € 276 million (Jornal de Negócios 30 April).

4.2.15. Thai

Thailand's government is poised to push Thai Airways into bankruptcy protection in a move that would mark one of the first failures of a national flag carrier since the outbreak (FT 19 May).

4.2.16. Virgin Atlantic

The bank hired by Virgin Atlantic has approached more than 100 potential investors, with "all options on the table" including a cut in Richard Branson's majority stake (FT 27 April).
Virgin Atlantic is preparing to cut almost a third of its 10,000 workforce and close its London Gatwick operations. It will take up to three years to return to 2019 traffic levels (FT 6 May).

4.2.17. Virgin Australia

Australia's second-biggest carrier collapsed into administration after failing to secure a bailout, making it the airline industry's first big casualty. Virgin's investors – Singapore Airlines, Nanshan Group, HNA, Virgin Group and Etihad – resisted ploughing in extra funds. Those that "were getting government support from their own governments were told that money wasn't to be spent anywhere but in their own country" (FT 25 April).
Virgin Australia bondholders have lodged an eleventh-hour proposal to recapitalise the stricken airline that is subject of rival takeovers bids from consortiums lead by Bain Capital and Cyprus Capital Partners. The bondholders' position as unsecured creditors would limit their negotiating power (FT 25 June).

4.2.18. Wizz

The Hungarian low-cost airline is cutting close to a fifth of its workforce and reducing the pay of senior management, pilots and crew (FT 15 April).

4.3. Portugal

In the first quarter of the year, airports with a 15.3 per cent drop in traffic. In January traffic has grown 6.9 per cent and in February 10.1 per cent (Jornal de Negócios 16 April).

4.3.1. TAP *

Mr Humberto Pedroso wishes to continue as shareholder of TAP. "I am not available to sell the position in TAP". Mr David Neeleman was negotiating the sale of his position either to Lufthansa or to United. At the end of 2019, the [TAP] Group has a cash position

of € 434 million. Its cash position should last until the end of April, but it is seeking a loan of € 300 million, with the Government's guarantee, which would keep it going until the end of this year (Jornal de Negócios 15 April).

TAP has already requested the Government assistance, and the increase of the Government's 50 per cent position in the share capital. This assistance is necessary to save the company, and not any particular shareholder. (Expresso 16 April).

Industrial and Commercial Bank of China may be one of the three foreign banks that TAP is in contact with to extend loan facility in the amount of € 375 million, which will benefit from the Portuguese Government's guarantee (Economia on Line 17 April).

TAP is delaying its payments to suppliers, including rents on aircrafts leasing (Jornal de Negócios 17 April).

Without public intervention the company has no feasibility. The company has € 800 million of debt. € 350 million will not solve TAP problems (Público 30 April).

Parpública [controlled by the Portuguese Government] wishes to convert in shares the convertible bonds it holds in TAP, subscribed in 2016, with the par value of € 30 million (Jornal de Negócios 4 May).

Mr João Nuno Mendes has been appointed to lead the working party that will negotiate a solution with the private shareholders of TAP. Vieira de Almeida and Deloitte have also been retained to advise (Jornal de Negócios 13 May).

TAP's financial debt total € 1 billion; the debt with aircraft leasing contracts is 2.3 billion and the company operates 15 to 17 more planes than forecasted in its strategic plan. If the conditions announced by the government are not accepted by TAP's private shareholders there will be no public support. Such conditions precedent are the sharing of the burden, management control and the suspension of certain clauses of the shareholders agreement (Jornal de Negócios 20 May).

Standard & Poor's cut Tap's rating to B- (Economia on line 20 May).

Brussels has approved a loan up to € 1.2 billion to TAP. The loan is to be advanced with conditions, which have not been disclosed. But the funds will only be transferred if the private shareholders accept the terms of the financial assistance (Jornal de Negócios 12 June).

The Supreme administrative Court has accepted to review an injunction filed by the *Associação Comercial do Porto* to block the € 1,2 billion of public funds assistance to TAP. The private shareholders of the Portuguese flag carrier are currently negotiating with the government the terms and conditions of an advance of € 1 billion of public aid that has been approved by Brussels (Público 24 June).

4.4. US

The Treasury is taking just a nominal equity interest in return for grants and low-interest loans, attracting criticism it has been too generous to the carriers' shareholders. So far 93 US airlines have secured US$ 12.4 billion of US$ 25 billion in government funding available for payrolls, each getting 70 per cent in the form of grants that do not have to be repaid. As well as curbing share buybacks and executive pay, companies that took the money agreed not to lay off staff or axe routes until September 30. The White House relaxed minimum-service rules this week, saying it would allow some airlines to drop routes as long as they are served by another carrier. Warren Buffett has given up on the sector, selling his stakes in the four largest Us carriers at a loss: "You've got too many planes" (FT 15 May).

4.4.1. American Airlines

Has secured a US$ 5.8 billion aid from the Government. It is also expecting a further US$ 4.75 billion from the US Treasury (Jornal de Negócios 30 April).

American is "right sizing" and planned to reduce its 2020 operating and capital expenditures by more than US$ 12 billion (FT 19 May).

4.4.2. Delta

Says it is losing US$ 50 million a day (The Economist 4 April).

Is burning through US$ 60 million a day while 600 aircraft are parked on the tarmac and 80 per cent of April's scheduled flights were cancelled (FT 21 April).

Will receive grants from the government of US$ 5.4 billion (Jornal de Negócios).

4.4.3. United

Has obtained assistance from the government in the amount of US$ 5 billion (Jornal de Negócios 30 April)

5. Auditing

5.1. International

Auditors suffer worst crisis in a decade. EY and Deloitte will slash partners payments between 20 and 25 per cent to build up cash reserves, following similar moves by KPMG and PwC. Mid-tier rivals furloughed junior staff to cope with the crisis (FT 16 April).

5.2. Portugal

5.2.1. KPMG

KPMG Portugal has asked its employees to waive one month salary in exchange for one month vacation (Expresso 23 April).

6. Banking

6.1. Europe

Brussels has offered banks temporary capital relief that it said could boost lending by up to € 450 billion this year (very informal projection according to the Commission), but it still requires approval from governments and by the Parliament. Eurozone banks are expected to record an extra € 100 billion of provisions against bad loans this year. The proposed rule change would free up an extra € 30 billion of capital (FT 29 April).

Regulators have urged banks not to book huge charges against souring debt, fearing it could then cause new lending to dry up just when companies need access to it most (FT 4 May).

Eurozone banks have retained in their balance sheets € 27 billion of dividends (Expansión 6 May).

European banks are expected to suffer a hit of up to € 380 billion to their capital due to the economic disruption from coronavirus, but most should be able to absorb the losses, according to the EU banking watchdog. The share prices of many European banks have fallen almost 50 per cent this year as investors anticipate how the economic and financial turmoil caused by the pandemic will hurt their weak profitability and may force some to raise extra capital. The European Banking Authority estimate for the capital likely to be wiped out by the crisis ranged from 2.3 to 3.8 percentage points of bank's total risk-weighted assets. Every percentage point of risk-weighted assets is worth about € 100 billion of capital. Total NPLs in the top 121 Eurozone banks had more than halved in six years to € 506 billion, or 3.2 per cent of their loan books, by the end of last year. But Greek, Cypriot, Portuguese and Italian banks still have ratios above 6 per cent The

watchdog said that 18 per cent of European bank loans were to companies in sectors expected to be hardest hit by the disease, including hotels, restaurants, manufacturing, electricity and transport and storage (FT 26 May).
The European Banking Association still expects losses to eat up to 3.8 percentage points of European bank's core tier-one capital ratio (the average buffer for banks in the region is 14.8 per cent) (The Economist 13 June).

6.1.1. Germany

6.1.1.1. Commerzbank

Commerzbank second-largest shareholder Cerberus has launched an attack on the German lender's leadership and called for two seats on its supervisory board to prevent Commerzbank's demise. In a confidential letter sent to the bank's chairman, the private equity form argued that "swift and decisive action "was required to stop a "downward spiral" caused by bloated costs, low profits and managerial inaction. It called for "significant change at the supervisory board, the management board and the company's strategic plan" (FT 11 June).

6.1.1.2. Deutsche Bank

Deutsche Bank has more than tripled its provisions for bad loans and will suspend its capital targets. It booked € 500 million of provisions for credit losses during the first three months, up from € 140 million in the same period last year (FT 28 April).
Deutsche Bank has restarted its job cuts programme, just six weeks after suspending redundancies during the coronavirus pandemic. New ways of working can drive cost efficiencies, for example, through reduced external spent, travel and real estate (FT 14 May).
Deutsche Bank is asking hundreds of top managers to join the executive committee in foregoing a month's pay after the lender resumed a sweeping job cuts program to reduce expenses. The management board and the group management committee have decided to lead by example and give a broader group of senior managers the opportunity to be part of this initiative (Bloomberg 23 May).

6.1.2. Italy

UniCredit [will] set aside an additional € 900 million to cover the impact of coronavirus on its lending book (FT 24 April).
The bank provisioned € 1.3 billion to cover an unexpected surge in bad loans, about € 900 million of which was specifically related to Covid-19 (FT 7 May).
Intesa Sanpaolo, Italy's largest lender by assets, has increased the number of assets it will sell to allay competition concerns in its takeover of smaller domestic rival UBI (Italy's third-largest bank). Intesa said yesterday that it had agreed the sale of 532 branches to Modena based BPER. This is up from 400-500 branches initially envisaged, and at a slightly higher discount for BPER (FT 16 June).

6.1.3. Portugal *

The five largest banks operating in Portugal (BCP, BPI, CGD, Novo Banco and Santander) have a slack of almost € 8 billion to confront the crisis, corresponding to the difference of their current CET1 Ration and the one imposed by the European Banking Authority (Jornal de Negócios 16 April).
Portuguese banks will have to book provisions between € 2 billion and € 6 billion (Jornal de Negócios 22 April).

The Portuguese government published on 6 June the Economic and Social Stabilization Program (*Programa de Estabilização Económica e Social – PEES*), that plans to introduce an additional 0.02 percentage points to the solidarity contribution to help finance the crisis. It is expected to contribute € 33 million to the government (Economia Online 7 June).

6.1.3.1. BCP *

Cancelled the intention to propose the distribution of € 133.9 million of dividends (Público 16 April).
Executive President renounces to his bonus (Economia on Line 22 April).

6.1.3.2. BPI *

BPI has backtracked on its decision to distribute € 117 million in dividends (Público 15 April).

6.1.3.3. Banco Montepio *

PwC is imposing on Associação Mutualista Montepio Geral [the bank's majority shareholder] a € 400 million slash in the valuation attributed to Banco Montepio, although net worth of the association remains positive (Economia On Line 20 April).
Montepio misses again the deadline to deliver its annual accounts (Público 4 May).
Montepio is reorganizing its distribution model and its commercial network, by closing 31 agencies out of 328 (Público 24 June).

6.1.3.4. Caixa Geral de Depósitos *

Executive President relinquishes his bonus, and CGD reduces bonus to employees (Economia on Line 22 April).
Caixa is withholding dividends (Jornal de Negócios 22 April).

6.1.3.5. EuroBic *

The Spanish bank Abanca has given up on its intention to acquire 95 per cent of Portuguese lender EuroBic. The reason behind the decision relates to the results of the due diligence completed during the last two weeks and the impact of the Covid-19 in EuroBic accounts. The initial proposal put forward by Abanca was around € 240 million (Economia Online 16 June).

6.1.3.6. Novo Banco

Novo Banco will have to ask additional funding from the Resolution Fund due to the Covid-19 pandemic (O Jornal Económico 14 June).

6.1.4. Spain

Santander and BBVA are revaluating bonuses in the aggregate amount of € 500 million.
Spanish banks carry a "stock" of toxic assets valued at € 85 billion (Expansión 21 April).
Covid-19 destroys in one month four years of the banks accounting armour, generating a debate over the efficiency of IFRS 9 (classification and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items), pursuant to which a financial assets is classified based on the entity's business model (El Confidencial 10 May).

6.1.4.1. Banco Santander *

In the first 3 months of the year, profits dropped 13.4 per cent to € 118.9 million, and has booked € 30 million of general provisions (Jornal de Negócios 15 May).

6.1.4.2. Bankinter

Is cutting its benefits in 10.1 per cent, following provisions of € 107 million (Expansión 12 April).
BlackRock becomes the second largest shareholder in Bankinter, overtaking the Masaveu family. Only Jaime Botín holds more shares in the Spanish lender (Expansión 24 June).

6.1.4.3. BBVA

Has agreed to sell 50.01 per cent of its life insurance business to Allianz, and closed a 15 year long bank assurance arrangement (El Confidencial 27 April).

6.1.4.4. Caixa Bank

Caixa Bank top brass are renouncing to their bonuses (Expansión 16 April).

6.1.4.5. Santander

Santander profits € 331 million, after protecting its balance sheet with 1.6 billion of provisions (Expansión 28 April).

6.1.5. Switzerland

6.1.5.1. Credit Suisse

Credit Suisse reported a sevenfold increase to in reserves for bad loans in the first quarter. Nevertheless, Credit Suisse reported its highest quarterly net income since 2015, rising 75 per cent. The bank was taking a conservative approach to loan losses, considering that it was entering the "worst economic crisis the world has seen since 1920s. There is potential for future capital releases if provisions have been too pessimistic (FT 24 April).

6.1.6. United Kingdom

Retail investors in the UK and in Hong Kong reacted with fury after the bank was forced by the Bank of England to cancel its dividend (FT 3 April).
British banks are withholding £ 8 billion worth of dividends (The Economist 11 April).
The economic projections of the Bank of England came with a warning to Britain's banks that if they tried to stem losses by restricting lending, they would worsen the situation. A failure to lend would create a vicious circle of more bankruptcies and higher losses on loans that would come back to hit the banks themselves (FT 8 May).

6.1.6.1. HSBC

HSBC cut its first-quarter profit in half after reserves for bad loans surges. Loan provisions rose 417 per cent to $ 3 billion as the lender prepared for a run of bankruptcies and defaults caused by the lockdowns. The bank has responded by suspending its dividend, reducing expenses and slashing the bonus pool by a third. A large chunk of the loan losses was blamed on a single "corporate exposure in Singapore", i.e. oil trader Hin Leong at US$ 600 million which filed for bankruptcy and is under police investigation for fraud (FT 29 April).

6.2. Asia

6.2.1. Japan

Japan's three megabanks – Mitsubishi UFJ, Mizuho and Sumitomo Mitsui - have put aside a collective ¥ 1.1. trillion (US$ 10 billion) in loan loss provisions for their current financial year, highlighting the huge hit they expect to suffer from Covid-19 and setting a potential agonising precedent for the rest of the country's rickety banking sector. Japan's

Financial Services Agency recommended last December to move to a "forward-looking" methodology when analysing loan books (FT 16 May).

6.2.2. Hong Kong

HSBC has come out in support of China's plan to impose a national security law on Hong Kong. The bank, which books the vast majority of its profits in Hong Kong, had come under pressure to back the law, intended to prevent "subversion" in the territory (FT 4 June).

Nomura is examining its Greater China strategy and the scale of its operations in Hong Kong. The business was critically important but the political situation had to be factored in (FT 4 June).

HSBC and Standard Chartered have drawn the ire of politicians and investors in the UK for their public support of a controversial national security law China plans to impose on Hong Kong. Both banks are headquartered and regulated in London but make the majority of their profits in Asia, specially in Honk Kong (FT 5 June).

6.3. US

Goldman Sachs, Morgan Stanley and Citibank defend that they have the means to continue to pay dividends and cutting them would be "destabilising to investors". The top 20 US banks have more than US$ 200 billion in excess capital and make more than US$ 50 billion in profits before loan losses every year, according to Barclays, giving ample room to cover dividend pay-outs. Research shows that 2/3 of US banks' pay-outs are in the form of share buybacks, which the 8 largest banks voluntarily suspended at least until July. In Europe, share buybacks account for 10 per cent of capital return. (FT 6 April)

Bank of America reported that a sixth of its small business customers have deferred loan payments. Lower interest rates will eat into interest margins. And banks are bracing for loan losses. America's four largest lenders booked US$ 24.1 billion in provisions for credit losses, as increase of US $ 18.7 billion compared with the first quarter of 2019. The question is how much more the banks need to set aside. Provisions in the first quarter amounted to around 0.6 per cent of their loan portfolios (The Economist 18 April).

US banks are pulling back from lending to European companies during the corona virus pandemic. In Germany, JP Morgan recently pulled out of talks over an additional credit line for BASF. Similarly, Bank of America lent half as much as the other six international banks that underwrote a € 3 billion state-backed loan to sportswear giant Adidas. Goldman Sachs did not take part in a € 12 billion facility to long term client Daimler (FT 25 April).

The Federal Reserve is facing growing criticism for not intervening to stop banks from paying dividends, as regulators in the UK and the EU have done (FT 15 May).

Net income at the big Wall Street lenders fell an average of 50 per cent during the first quarter as they boosted their loan-loss reserves. Low rates are putting the squeeze on net interest margins. Recession fears have added to the gloom. US regional banks with large energy lending portfolios have been marked down even more the historic collapse in oil prices is likely to set off a wave of loan defaults. Big US banks also have exposure to the energy sector but the Goliaths of the banking world are better place to weather the fallout than the Davids. (FT 26 May).

In mid-April, as they reported their first-quarter results, America's top four lenders unveiled US$ 24.1 billion in provisions for credit losses, a jump of US$ 18.7 billion compared with the first quarter of 2019. JP Morgan increased its provision by nearly US$

6.9 billion, hitting in one quarter the level it had reached in six during the financial crisis (The Economist 13th June).

The Federal Deposit Insurance Corporation is monitoring US banks' dividend policies after they declared pay-outs totalling almost twice their earnings in the first quarter, eroding capital cushions as the coronavirus crisis took hold. The country's 5,100 lenders and savings institutions declared dividends of US$ 32.7 billion for a quarter when they made profits of US$ 18.5 billion – 70 per cent less than the same period the year before. Provisions for loan losses wiper almost US$ 52.7 billion from bans' profits in the first quarter, according the FDIC, versus US$ 13.9 billion a year earlier. An 8 per cent rise in loan balances, the biggest year-on-year jump since 2008, putting further pressure on capital ratios since the ratios are capital as a percentage of total assets (FT 17 June).

7. Beauty

7.1. L' Oréal

"The crisis has profoundly accelerated the digital transformation of the beauty sector, said Lubomira Rochet, L' Oréal chief digital officer. "In ecommerce, we achieved in eight weeks what it would have otherwise taken us three years to do". About 20 per cent of L' Oréal revenues now come from its own branded websites or those online retailers such as Amazon or Walmart. In the first quarter to the end of March, the French group's ecommerce sales grew 53 per cent compared with a year earlier (FT 16 June).

8. Beverages (Alcoholic)

8.1. Europe

8.1.1. Carlsberg

Slashing spending on consultants, training, facilities, technology, travel and entertainment (FT 11 April).

8.1.2. Heineken

Cutting non-essential spending, as many of its sports sponsorship costs have disappeared as events have been postponed (FT 11 April).

In March Heineken has reduced its sales by 25 per cent (Expansión 22 April).

8.1.3. Portugal *

8.1.3.1. Super Bock Group

Super Bock Group decided to reduce its work force by 10 per cent due to the impact of the Covid-19 in order to protect the sustainability of the group (Expresso 16 June).

8.1.4. Spain

The beer sector in Spain has recorded a 40 per cent drop in volume sales; bars and restaurants represent about 2/3 of the beer market and around 80 per cent in revenue (Expansión 11 May).

8.2. International

8.2.1. Anheuser-Busch InBev

It sold almost a third less beer and other drinks in April and has warned of a "materially worse" second quarter. The slump in beer sales has prompted a series of cost cutting measures including the "renegotiation of commercial contracts where possible, including sponsorships (FT 8 May).

9. Beverages (Non-alcoholic)

9.1. International

9.1.1. Coca-Cola

Sales volumes have dropped by a quarter. Company would prioritize its dividend, which it has increased for 57 consecutive years. Marketing and travel are among the budgets being targeted for cuts (FT 22 April).

9.1.2. Constellation Brands

The beer and spirits maker has seen its shares drop by nearly a fifth because of its exposure to drinking and dining out (FT 22 April).

10. Car Manufacturing

10.1. International

Car companies have 4-10 of cash on hand, maybe double that if they tap credit lines, according to Jeffries, a bank (The Economist 4 April).

Emissions from cars and motorcycles in Europe have fallen 88 per cent since the crisis began, according to Sia Partners (FT 15 April).

Supply chain weakness threatens car sector revival (FT 16 April).

Car sales in Europe fell 55 per cent in March, and are expected to drop further in April (FT 18 April).

Credit Suisse expects GM and Ford to burn through US$ 10 and US$ 14 billion of cash, respectively, in the first half of 2020. PSA Group used up to € 4 billion in cash between January and March, leaving it with a gross liquidity of € 19 billion. Companies are cancelling dividends and begging governments for assistance. Wages eat up around 15 per cent of car firms' revenues. More consolidation looks certain, though perhaps not through full mergers, which have a mixed record in car making. Investors would welcome efforts to reduce the duplication of investment, which has long depressed returns. They can expect more alliances to pool scarce resources, such as the one announced last year by BMW and Jaguar Land Rover (joint development of electric vehicles) or between Ford and Volkswagen (sharing of electrification costs). Chinese companies may look for cheap bargains abroad (The Economist 25 April).

UK car sales in April fell 97 per cent, with similar declines in Spain and Italy (FT 6 May).

Oliver Zipse, the BMW chief warned that China was "only of limited use as a blueprint for development in other markets" (FT 7 May).

While auto production has restarted in Western Europe, dealerships in some countries remain closed and demand is likely to remain very weak. What happens next will depend heavily on the extent of government support. Germany's car lobby has been calling for Berlin to reintroduce a scrappage bonus (FT 14 May).

German carmakers damaged by the "Dieselgate" emissions scandal are finding it hard to convince Angela Merkel's government to pull a scrapping bonus to propel car sales in the country. Yet opposition to a scrapping scheme is not confined to politicians and activists. Several leading German economists say market conditions do not call for its revival, despite a warning from rating agency Moody's that the western European market is facing a 30 per cent decline in sales this year; unlike in 2009, there is no problem with financing car purchases, and the industry is even more reliant on exports than it was a decade ago, with almost two thirds of demand coming from abroad (FT 19 May).

French president Emmanuel Macron has announced a € 8 billion plan to revive the country's motor industry, which included subsidies for buyers of electric or hybrid cars

and support for research into hydrogen power and self-driving cars. The sector in France employs 400,000 directly, a number that rises to nearly 1 million if associated services are included. Mr Macron plan included a € 600 million fund to take equity stakes in struggling suppliers and consolidate them to strengthen the industry as it retools and invests in automation (FT 27 May).

The German car industry has condemned Angela Merkel's government for excluding subsidies for new petrol and diesel vehicles from its multibillion-euro stimulus package, as record low sales and exports hit the sector. The € 130 billion package, announced late on Wednesday, includes a € 6,000 subsidy for electrical vehicles and a temporary 3 per cent cut to VAT. The German Federation for Motor Trades said that the stimulus was not even a drop in the ocean due to the more that € 15 billion worth of unsold combustion engine cars still in Germany (FT 5 June).

10.1.1. **BMW**

BMW has mounted a robust defence of its decision to pay more than € 1.6 billion in dividends, despite requesting car purchase subsidies from the German government and relying on state-sponsored furlough schemes (FT 15 May).

10.1.2. **Daimler**

Daimler cautioned last week that suppliers did not have liquidity "to cope with a longer shutdown" (FT 6 May).

Has raised a new line, setting up a € 12.5 billion facility in April (FT 16 May).

10.1.3. **FIAT Chrysler**

FIAT Chrysler is in talks to establish a new € 6.3 billion credit facility guaranteed by the Italian government that would be the largest state-backed credit line granted to a single company in the country's banking history, after drawing down €6.25 billion from its revolving credit facility, and set up a separate line of € 3.5 billion from a group of banks. The group ditched its € 1.1 billion dividend for this year. The Italian government's loan guarantee comes with strong advice not to pay dividends for the year (FT 16 May).

The US$ 50 billion merger between France's PSA and Italian-American Fiat-Chrysler faces a full-scale antitrust probe after they failed to provide concessions to EU officials. The combined van units would give PSA-FCA a third of the European market, more than double the 16 per cent of Renault or Ford, the two closest competitors (FT 11 June).

10.1.4. **Nissan**

Nissan is closing its Barcelona van plant, relocating production of its Navara pick-up to South Africa. In addition, Nissan and Renault are discussing moving production of Renault Kadjar and Captur models from Spain to the UK, to bolster output from Nissan's flagship international factory at Sutherland. Nissan employed about 5,000 people in Spain, has already temporarily laid off about 3,000 people (FT 15 May).

10.1.5. **Renault**

Last month, Renault signed a € 5 billion credit line that is backed by the French state (FT 16 May).

The French government will not tolerate closure of any of the plants located in France (Expansión 20 May).

According to the Japanese news agency Kyodo, Nissan will let go 20,000 jobs, most of them in Europe and in emerging economies (Expansión 22 May).

Renault, Nissan and Mitsubishi have torn up their decades-old strategy built by Carlos Ghosn to force rival team to work together, in an attempt to slash costs and preserve an alliance hit hard by the coronavirus pandemic. While the companies already make

close to half of their cars on shared basis, they will now begin sharing top halves of the models to cut costs. The new scheme will also put each company in charge of specific markets: Europe and Russia for Renault; China, the US and Japan for Nissan; and south-east Asia for Mitsubishi. Renault will take the lead on smaller cars and diesel models, while Nissan will focus on larger vehicles, and Mitsubishi will front the hybrid development for sport utility vehicles (FT 28 May).

The alliance will put profitability before volume, a strategy that helped turn around PSA Group, Renault's French rival. The novel approach (please see previous paragraph), will shave € 2 billion from the cost of developing a new small SUV (The Economist 30 May).

Renault plans to cut 14,600 jobs (4,600 in France), shrink production (from 4 million vehicles to 3.3. million by 2024) and restructure some of its French factories as the carmaker looks to slash € 2 billion in costs over the next three years amid falling demand and the aftermath of the arrest of Carlos Ghosn in 2018. Renault employs more than 180,000 people globally (FT 30 May).

The new "leader-follower" system puts one group in charge of the production of a particular models and regions, in an attempt to play to each company's strengths. Now we have faced reality, we do not want to be on top of the world. What we want is to have a sustainable, profitable company, said Clotilde Delbos, Renault's interim chief executive. It's a complete change of gaols (FT 1 June).

10.1.6. Toyota

Toyota has warned of an 80 per cent collapse in its operating profits over the next 12 months. It has tapped a ¥ 1.25 trillion credit line to bolster its cash-heavy balance sheet. The move is potentially to support its empire of sales subsidiaries and parts suppliers hit by coronavirus crisis (FT 13 May).

10.1.7. Volkswagen

It is losing € 2 billion per week (The Economist 4 April).

Autoeuropa, VW Portuguese plant closed since 17 March, will gradually return to production on 27 April (O Jornal Económico 17 April).

First quarter profits fell 80 per cent (FT 18 April).

EU governments [should] consider generous scrappage schemes in which drivers are paid thousands of euros to swap their vehicles for new ones. A special incentive is needed to trigger sales of new cars. In Germany the scrappage scheme following the 2008 crisis costed € 5 billion (FT 21 April).

Volkswagen has warned that the cost of crucial car components has risen sharply because of the pandemic, putting further pressure on profits as the industry enters a deep recession. VW's German plants rely on 6,500 individual parts from Europealone. The company has expressed concern at gaps in the supply chain if smaller contractors failed to survive the crisis (FT 6 May).

The German group began ramping up operations at the world's largest auto plant in Wolfsburg on April 27, but it will now be forced to idle assembly lines, adding to the ballooning cost of keeping underutilised factories running (FT 14 May).

10.1.8. ZF Friedrichshafen

One of the world's biggest suppliers or car transmissions, was reportedly considering laying off 15,000 staff, half of them in Germany. The company employs 150,000 people in 40 countries (The Economist 6 June).

10.2. Portugal *

Manufacturing in Portugal suffered a drop of 46.1 per cent in March, and is expected to reach 100 per cent in April. The plants opening will be gradual, as 97.5 per cent of the car manufactured in Portugal are exported (Jornal de Negócios 15 April).

10.2.1. Continental

Margins in the automobile business should be close to zero, in sales of € 6 billion during the first quarter of 2020. 30.000 employees (half of the work force in Germany) have been in effect furloughed and 40 per cent of its almost 250 sites worldwide have been temporarily shut. The *Board* will take a10 per cent cut in their basic monthly pay. It has € 2.3 billion in cash and € 4.6 billion of available credit (FT 2 April).

11. Car Rental

11.1. International

The pandemic has exposed a sharp divide between the two models of fleet ownership that underpin the industry. The "buy back" approach, favoured by Europcar, involves a rental group taking vehicles under an agreement whereby the carmaker will buy them back at a fixed price. This shelters the hire group from any unexpected changes in used car prices. The second approach, pursued by Hertz and Enterprise, is where the groups buy the cars outright, saddling them with the job of selling the vehicles at a later date – a set-up portentously known as the "at-risk" model. (FT 11 May).

11.1.1. Avis

Avis posted a US$ 158 million loss in the first quarter, warning of an 80 per cent fall in sales in April as well as an US$ 800 million cash burn between April and June. It is expected to face a US$ 700 million to stump up cash as additional collateral at the end of the quarter due to the fall of used-car prices. (FT 11 May).

11.1.2. Europcar

Tapped its banks for a € 220 million loan that is 90 percent guaranteed by the French state. Typically Europcar buys 150,00 cars between March and May, its peak buying months ahead of the summer surge, this year it will buy none (FT 11 May).

Volkswagen may regain control of Europcar. It sold the company to Eurazeo in 2006 for € 3.32 billion. Yesterday, Europcar's capitalization was € 380 million. Apollo Global Management and other private equity outfits are also looking at the rent-a-car company (Expansión 24 June).

11.1.3. Hertz

Hertz is one step away from insolvency due to the Covid-19 and more than US$ 15 billion of debt (El Confidencial 6 May).

Hertz staved off bankruptcy after striking a deal with lenders to extend crucial payment deadline, moving the date from May 4 to May 22 (FT 9 May).

Hertz holds 90 per cent of its cars "at risk" in the US, faces a potential payment of US$ 800 million, accounting for almost all of its US$ 1 billion liquidity (FT 11 May).

Hertz files for bankruptcy last Friday after sweeping travel restrictions and the global economic collapse destroyed demand for its vehicles. The Chapter 11 filing allows Hertz to keep operating while its devises a plan to pay creditors and turn around the business. The second-largest US car-rental-car company does not need debtor-in-possession financing for now, because it has more than US$ 1 billion cash on hand. The Chapter 11 proceedings involve the company's US and Canadian subsidiaries and don't include its international operations in Europe, Australia or New Zealand (Bloomberg 23 May).

Hertz is looking to sell up to US$ 1 billion in stock to take advantage of frenzied trading in its shares, in an unprecedented move for a company whose solvency is in doubt. The company believes it has roughly 250 million unissued shares that it wishes to market through Jefferies, its investment bank (FT 13 June).

11.1.4. Sixt

Sixt secured a € 1.6 billion loan partially financed by state development bank KfW (FT 11 May).

12. Catering

12.1. International

12.1.1. Compass

The huge UK-based caterer has nixed the dividend, halved capex and furloughed half of its work force. With a famously conservative balance sheet, replete of £ 3 billion of liquidity, and yet it feels the need to raise £ 2 billion, an amount approaching one-eighth of its current (depressed) market cap just as lockdowns are easing. The message to investors is: be afraid, be very afraid. As head chef to schools, offices and gyms, Compass was in the line of fire, and is burning through £ 100 million to £ 150 million a month, but net debt £ 4.9 billion at the end of March was twice EBITDA, which is below covenants. Interest cover was 20 times. These are not metrics crying for a capital raise (FT 20 May).

13. Chemicals

13.1. International

The future of petrochemicals has seemed unequivocally bright. The International Energy Agency, an industry forecaster, expects them to count for half the growth in oil demand from 2019 to 2025. Better yet, America's shale boom has furnished cheap feedstock in the form of natural gas. Exxon-Mobil is spending US$ 20 billion on chemicals and refining facilities long America's Gulf Coast. Royal Dutch Shell is building a huge complex in Pennsylvania. Saudi Aramco, the largest oil firm of all, this month completed the US$ 69 billion acquisition of a 70 per cent stake in SABIC, Saudi Arabia's chemical giant. Use of petrol, diesel and jet fuel has plunged amid lockdowns but plastic packaging and medical supplies are in high demand. (The Economist 27 June).

13.1.1. India

Indian chemical groups are positioning themselves as an alternative to China, as the corona virus crisis prompts companies to diversify their supply chains. India still has a much cheaper workforce than China. If the government is able to provide better infrastructure and some export incentives, it could be the next chemicals hub. (FT 18 May).

14. Conglomerates

14.1. Siemens

Siemens, one of the world's largest train makers, has insisted that mass rail commuting will remain "the backbone of cities" even if the German group confronts the disruption to public transport wrought by coronavirus. "Energy consumption is lower on trains, and social distancing between seats can be done more profitably than on planes. The basic mathematics of the rail industry are still intact" (FT 16 July).

15. Construction and Related

15.1. Portugal

15.1.1. Barbot *

In the first quarter of 2020, sales have increased 5 per cent in respect of the same period of 2019 (Economia on Line 20 April).

15.1.2. Gabriel Couto *

The Israeli group Taga-Urbanic has awarded two new construction projects in Oporto, for 700 units (Jornal de Negócios 23 April).

15.2. International

15.2.1. Spain

15.2.1.1. Ferrovial

Ferrovial is planning to proceed with a share capital increase of up to a maximum of 10.3 million shares in order to distribute one share per each 71 shares held as a dividend in kind (El Confidencial 7 May).

16. Crude

16.1. Russia

Russian oil producers are partially insulated by the country's floating rouble, which weakens as oil falls, increasing the domestic revenue per dollar earned on each exported barrel. But the rate of tax levied on producers also declined in line with the prices, meaning the federal budget loses disproportionately. Moscow's budget relies on oil and gas sales for 40 per cent of its revenues and balances when Brent crude is about US$ 40 a barrel, roughly doubled the current level (FT 23 April).

16.2. Saudi Arabia

Has announced that it will reduce state spending by 5 per cent and was prepared to raise its debt ceiling from 30 per cent of gross domestic product to 50 per cent (FT 23 April).

16.2.1. Saudi Aramco

Saudi Aramco yesterday declares the world largest quarterly dividend, of US$ 18.8 billion, despite suffering a 25 per cent fall in first-quarter earnings to US$ 16.7 billion, against US$ 22.2 a year earlier. The approved dividend is far greater than the free cash flow for the period of US$ 15 billion. Gearing ratio is minus 4.9 per cent (FT 13 May).

16.3. US

Based on an oil price of US$ 35 a barrel, US shale companies could be forced to write down US$ 300 billion of their assets this year, raising the sector's leverage from 40 per cent to 54 per cent, triggering insolvencies and restructuring. By the end of May, 18 explorers and producers have declared bankruptcy, this year. Consolidation is likely, but Deloitte thinks only 27 per cent of shale companies would offer enough value for buyers. Only large independents such as Chevron and ExxonMobil still have the financial strength to make acquisitions (FT 23 June).

17. Dairy Products

17.1. International

17.1.1. Danone

[Is putting] in place a € 300 million fund to help fragile suppliers. It postponed the decision on paying a dividend and scrapped profit forecasts. It has raised € 800 million in a bond issue to push out maturity on its € 12.8 billion of net debt (FT 28 April).

18. ENERGY

18.1. INTERNATIONAL

18.1.1. Iberdrola

The company is accelerating its investments in response to the global downturn, including hiring 5,000 staff primarily in Brazil and the US. According to Ignacio Galan "we feel that the best we can do for the recovery of the economy is accelerating investment and maintaining jobs" (FT 30 April).

Iberdrola is pushing forward with its Park City Wind, a 804 megawatts marine wind park, located in Connecticut, USA and has executed a 20 year power purchase agreement with Eversource Energy and United Illuminating (El Confidencial 24 May).

18.2. PORTUGAL

18.2.1. EDP *

Has 60 per cent of its funding needs for 2021 guaranteed (Jornal de Negócios 16 April).

Kept the proposal to distribute € 695 million in dividends (Público 16 April).

The Annual Shareholders Meeting approved by 99.13 per cent of the casted votes a dividend pay-out of € 694.7 million. EDP has € 7 billion in cash reserves (Jornal de Negócios 17 April).

EDP has agreed to sell to the French oil company Total a 843 MW thermal power plant in Castejón, Navarra, and part of its clients portfolio for and part of its clients portfolio for € 515 million, achieving 65 per cent of its assets rotation programme to be completed by 2022. The deal is subject to regulatory approval (Jornal de Negócios 19 May).

18.2.1.1. EDP Renewables

In late March approved a dividend pay-out of € 69.8 million (Público 16 April).

EDP Renewables is negotiating the sale of assets in Portugal and in Spain – 250 megawatts of mostly wind power - for around € 500 million. First State Investments and JP Morgan are named as potential bidders. This disposal is part of the strategic plan made public in March last year, which plans the disposal of € 6 billion of non-core assets (Jornal de Negócios 24 May).

18.3. SPAIN

Iberdrola, Naturgy and Repsol are negotiating with the banks additional liquidity (Expansión 16 April).

19. ENTERTAINMENT

19.1. INTERNATIONAL

19.1.1. Cineworld

After sourcing an additional US$ 180 million of liquidity from bank loans and government aid, the second largest cinema operator has announced it could survive even if shutdown lasted until the year end. The plot hole is Cineworld's planned acquisition of Canada's Cineplex for US$ 2.1 billion. Consolidation and the resulting cost savings are needed more than ever. (FT 29 May).

20. EXCHANGES

20.1. LONDON STOCK EXCHANGE GROUP

Has pledged to pay its final dividend. The decision to hand £ 174 million to shareholders is in sharp contrast to other parts of the financial services industry. Total income in the

three months to the end of March climbed to £ 615 million, up 13 per cent on the first quarter of 2019 (FT 22 April).

21. Fast Moving Consumer Goods

21.1. P&G

Like-for-like sales in P&G's grooming division eased 1 per cent in the quarter and ticked up only 1 per cent in beauty, in contrast to a 10 per cent rise in fabric and home care, 9 per cent in healthcare and 7 per cent in baby, feminine and family care (FT 18 April).

21.2. Unilever

Unilever is funnelling cash to its army of suppliers (The Economist 28 March).
Will pay a provisional dividend in June, after maintaining its sales during the first quarter (Expansión 23 April).
Unilever is to scrap its dual Anglo-Dutch structure in favour of a single company based in London, reversing attempts two years ago to combine its business in the Netherlands. The consumer goods group, the world's third largest, said the shift would make equity-based acquisitions or disposals easier and faster, including a potential spin-off of its tea division. Shareholders will need to approve the fresh plan, which will require consent from half the shareholders in the Dutch entity and 75 per cent of those who own UK-based shares. The proposal raises the possibility of a split of Unilever's food arm from its beauty and personal care divisions. The company said the Dutch government had sought an assurance that any future spin-off of the foods and refreshment division would result in a Dutch-based and listed company. Unilever said it was happy to make such an assurance but had no plans at present to demerge the division. The group said it expected to retain its listing in both the FTSE 100 and Dutch AEX and would stay listed on exchanges in London, Amsterdam and New York. Following the merger, shareholders in the current Dutch entity will own about 55 per cent of the new company, with those already owning UK shares accounting for about 45 per cent (FT 12 June).

22. Food

22.1. Nestlé

The Swiss food company is considering a sale of its North American mass-market bottled water business. It may struggle to find a buyer. Nestlé's US water brands compete at the bottom end of the market in a category dominated by discounted private labels, and has been too slow to move into flavoured water, where brands have enjoyed fast growth. Danone, the French group behind the Evian brand, has little Us presence, may be a contender. Buyout groups may be another option, as private equity has plenty of dry power, but the trouble is that bottled water business's low return on capital (FT 13 June).

23. Pharmaceuticals

23.1. AstraZeneca

Astra Zeneca, UK's biggest drug maker by market capitalization has approached Gilead about a potential merger (Bloomberg 7 June).

24. Gaming

24.1. International

Coronavirus pandemic has wrought havoc in the global gaming sector, prompting suspended dividends, shattered market valuations and low-price stake sales (FT 14 May).

Las Vegas reopened for business this week following a near three-month shutdown, but operators will have to content with the double threat of lower revenues and higher operating costs. Casinos can only operate at 50 per cent capacity for the time being. Las Vegas depends heavily on air-travel, with about half of its visitors arriving by plane in 2018. Latest data show air passenger numbers remain down some 90 per cent compared with a year ago. Also keeping the casino sanitized in the age of Covid-19 will be costly and casinos may expect workers to demand better pay and sick leave as well as extra safety measures. And competition from on line gambling sites were very popular during lockdown. All this means that investors may be better off betting on a recovery in Macau instead of Vegas (FT 6 June).

24.1.1. Las Vegas Sands

The US casino operator that boasted it would spend US$ 10 billion to secure a foothold in Japan's future gaming market, has dropped out of bidding for a license to operate in the world's third-biggest economy. Analysts projected that Japan could become the world's second-largest after Macau, given the once-bullish forecast for Chinese outbound tourism (FT 14 May).

25. Healthcare

25.1. US

Healthcare companies, which are directly involved in the response to the virus, may emerge as one of the most effective havens (FT 18 April).

25.2. Europe

25.2.1. Phillips

Sales in the first quarter shrank 2 per cent. Phillips is investing € 100 million to increase its production of medical equipment (FT 21 April).

26. Hotel Industry

26.1. Portugal *

The majority of the operators expect, between January and June 2020, an occupancy drop of 70 to 100 percent and an equivalent drop in revenue. Between March and June 2020 the loss of revenue is estimated to be € 1.440 million (Jornal de Negócios 9 April).

26.1.1. Pestana

According to its CEO to recover to the levels of February it will take between 18 and 24 months. In June the group will open 10 units in Portugal (Jornal de Negócios 15 May).

26.2. International

Branded hotels will be in a better position to recover than guesthouses because "people will trust their cleanliness protocol more" (FT 28 April).

In the last weeks, some hotel owners are considering selling their properties in order to raise cash (El Confidencial 22 May).

Accord

Europe's biggest hotel company has suspended its dividend, furloughed ¾ of its 310,000 employees, cut annual general and administrative costs by € 60 million and reduce

capital expenditure, such as hotel renovations, by a further € 60 million. Accor holds more than € 2.5 billion in cash on hand and an undrawn revolving credit facility of € 1.2 billion (FT 3 April).

26.2.1. Oyo

The SoftBank backed Company that with around 1 million hotel rooms in 80 countries, has already cut half of its employees in China, a third in the US and furloughed most of its staff in the UK (FT 9 April).

26.2.2. Hilton

Announced that it will cut all share buy backs and dividends, and draw down the full amount of its US$ 1,75 Billion revolving credit facility (FT 9 April).

26.2.3. Intercontinental

97 per cent of its 470 hotels in China [had] reopened since the country [had] begun to cease coronavirus lockdowns and bookings are steadily improving. It secured a £ 600 million loan, booting its total liquidity to about £ 2 billion (FT 28 April).

26.2.4. Marriott

The world's largest hotel group, has put tens of thousands of staff on unpaid leave (FT 9 April).

Occupancy levels [in China] rose to about 20 per cent in the first week of April and that fewer than 20 of its hotels in Greater China were closed (FT 28 April).

27. Infrastructure

27.1. Portugal

27.1.1. Ana *

In its 2019 Annual Report ANA refers that the current pandemic may lead to the rescheduling of some investments, but falling short of naming them and in particular it will affect the € 1.15 billion in the Lisbon airport and in the new airport just across the river (Jornal de Negócios 2 June).

28. Insurance

28.1. Europe

The UK Financial Conduct Authority said it would seek a UK court ruling on whether some business interruption policies (underwritten by Axa, Touchstone and Zurich) should pay out for coronavirus. These policies typically require premises to have been damaged for a claim to succeed; extensions covering infectious diseases tend to relate to outbreaks on site or nearby (FT 2 May).

Lloyd's of London chief executive John Neal has warned the pandemic is on track to be the most expensive event ever to hit the industry. Insurance groups have taken a conservative reading of what is covered by the "business interruption" clause that is included in most commercial policies, arguing they cover damage to buildings, not closure costs arising froma pandemic. It remains to be seen whether the interpretation is driven by sound law, or self-preservation. Britain's financial regulator has sought a "declaratory judgment" from courts on a sample of policy wording, so that there is clarity on exactly is covered by business interruption insurance (FT 6 May).

Coronavirus has already confronted insurers with significant challenges. The crisis is likely to lead to one of the biggest pay-outs ever, potentially topping US$ 100 billion, with event cancellation and trade credit policies set to be among the hardest hit. There

is also increasing controversy over whether insurers should be paying out on business interruption policies (FT 14 May).

French insurance mutual Covea will no longer proceed with its purchase of the Bermuda-based reinsurer Partner Re after attempts to renegotiate collapsed. The original price of US$ 9 billion agreed with the Agnelli family holding company, Exor, looked generous in March. Uncertainty over the size of the insurance liability from the pandemic means it is now out of the question (FT 14 March).

The coronavirus pandemic will cost the insurance industry more than US$ 200 billion, according to a new forecast from Lloyd's of London. "This is a loss of a magnitude that none of us have seen in our lifetime. I don't think anybody envisaged a scenario where each customer was sustaining the same loss at the same time everywhere in the world" said John Neal, Lloyd's chief executive (FT 15 May).

Next month the UK's financial regulator will take insurance companies to the High Court in an effort to answer an increasingly vexed question: how much of the bill for the coronavirus pandemic should the industry pick up. While insurers have paid out on everything from event cancellation to travel claims, the case brought by the Financial Conduct Authority ("FCA") centres on whether business interruption policies cover the losses inflicted on businesses by the lockdowns imposed to stop the spread of Covid – 19. Many insurers use standardized wording in policies for small businesses – so a decision to pay out on one case could have vast repercussions. One of the specific battle lines is over whether a policy's wording allows a small business owner to claim for losses if they were forced to shut by the government. It is why the UK High Court case will have a global audience. The FCA has asked the court to rule on 17 disputed policy wordings from eight different insurers, including Zurich, RSA and Hiscox, in a bid to establish whether the interruption of business caused by the pandemic is covered. Even if ruling were to favour policyholders, claimants will still face hurdles and lengthy discussions over how much they were owned. Should the industry lose, it could be staring at a total claims bill that is considerably more than the US$ 100 billion that Lloyd's of London has forecasted the industry faces from coronavirus (FT 22 June).

28.1.1. **Spain**

Repsol, Aena, El Corte Inglés and Cepsa, among others, are asking insurance companies not to exclude from their new policies pandemics and epidemics (Expansión 14 April).

28.1.2. **Allianz**

Maintains the decision to distribute dividends (FT 8 April).

Neither property-and-casualty nor life-insurance policies generally cover pandemics. Mainly because the risk is huge and unpredictable, but also because such policies were not until now much in demand. Although Allianz covers business disruption for two weeks. (The Economist 4 April).

Has agreed to buy 50.01 per cent of BBVA's life insurance business, and closed a 15 year long bank assurance arrangement (El Confidencial 27 April).

28.1.3. **Axa**

Has postponed its annual general meeting by two months until the end of June. The AXA board has not yet withdrawn its dividend proposal (FT 8 April).

AXA has said it plans to pay a dividend to shareholders, defying the recommendations of regulators worried that the coronavirus crisis will leave the industry facing huge claims. The company warned that the fallout from the pandemic was set to cost it € 1.2 billion in claim payments, mainly stemming from cancelled events and business

interruption policies. AXA has been caught up in the growing controversy over whether customers can claim cover on business interruption policies – something many insurers have disputed. Last week, the company lost a court case in France over payments to a restaurant. Mr Thomas Buberl, AXA chief executive, added that there were questions over the contracts of about 1,700 further customers, but an agreement had been recached with more than 200 of them (FT 4 June).

28.1.4. Euler Hermes

Euler Hermes, one of the biggest trade credit insurance providers, acknowledge that it was reassessing risk, cutting credit limits and increasing the cost of cover in many cases(FT 29 April).

28.1.5. Munich RE

Kept the decision to distribute dividends (FT 8 April).

28.2. International

Insurance and reinsurance companies could be hit with more than US$ 100 billion of claims from individuals and businesses affected by the pandemic. They are also facing investment losses because of the turmoil in financial markets. Prices for all type of cover have already started rising steeply, and are expected to continue to increase for the rest of the year at least. Insurers want to take advantage of the higher prices and sell more policies to have enough capital to back this new business. Prices for property reinsurance in Florida rose about 30 per cent on the key June 1 renewal date. And the cost of directors' and officers' liability insurance has doubled in some areas. The Lloyd's of London insurance market estimates that the crisis will cost insurers and reinsurers about US$ 200 billion in total, including claims and investment losses. That would make it one of the most expensive events in the industry's history (FT 3 June).

28.2.1. Renaissance RE

The Bermuda-based insurer is aiming to raise about US$ 900 million in the industry's biggest equity issue since the crisis began. The company said it would use the money for general corporate purposes, which may include expanding existing business lines, entering new businesses lines, forming new joint ventures, or acquiring books of business from other companies (FT 3 June).

28.3. US

Politicians in the US are urging insurance firms to indemnify holders of policies protecting against business interruptions. Companies say these do not cover pandemics and claim that they can be on the hook for losses nearing US$ 400 billion a month if forced to do so. States including Ohio and Massachusetts are mulling bills that would compel pay-outs (The Economist 4 April).

Congress should grant limited immunity from corona-virus related litigation. The risk of lawsuits for exposing employees to the virus was one of the most serious matters we face (FT 24 April).

29. Investment

29.1. International

Arab sovereign funds, such as Public Investment Fund of Saudi Arabia and Mubadala of Abu Dhabi are seeking to invest in sectors which is expected to have a quick recovery, such as health, technology and logistics (Expansión 17 April).

Funds have suffered their worst quarterly outflows in more than a decade, as investors pull US$ 33 from hedge fund (FT 23 April).

Qatar's sovereign health fund [Qatar Investment Authority] will remain "very active" through the coronavirus pandemic. It is "looking to invest in various sectors, specifically in the health and tech industries" (FT 27 April).

Nest, the UK state-backed £ 10.5 billion pension scheme with 9 million members, making it Britain's largest, said its allocation to cash in its main investment funds stands at about 5 per cent, compared to 1 to 2 per cent normally. According to a survey of fund managers from Bank of America this month, just 10 per cent expected a V-shaped recovery, while 75 per cent anticipated a U- or W-shaped recovery. Many companies have raised funds to deal with cash flow problems after the lockdown left businesses with little or no income. More than 50 companies have raised about £ 7 billion through equity placings in the last two months in the UK alone. The next stage will be issues to restore leverage ratios and take advantage of opportunities (FT 25 May).

France's state-backed investment bank BPI has identified a handful of listed companies in which it plans to buy stakes worth up to € 1 billion. The fund's first round, known as the *lac d' argent* has closed with € 4.2 in pledges, including € 1 billion from Mubadala Investment Company and another € 1 billion from French insurers such as Covéa and AXA (FT 27 May)

Fidelity International has warned that the asset management industry will struggle to provide enough capital to fix the solvency problems businesses face as economies emerge from lockdown. Many businesses would need an injection of capital to offset the high levels of debt they have accumulated during the crisis, which has left whole industries unable to operate. The scale of cash needed to repay the public funding businesses have received from governments or central banks is likely to be so large that it is either going to be written off or sit on balance sheets, where it will have a depressing effect (FT 8 June).

Hong Kong-based hedge funds are considering uprooting their operations as Beijing prepares to impose sweeping national security legislation on the Asian financial hub. "Hong Kong as we know it is dead. It will become just another city in China. The hedge fund community will move on to Singapore and elsewhere." At stake is Hong Kong's status as the premier destination in Asia for hedge funds. More than 420 of such funds are based in the city, about 80 more than Singapore, the regional runner-up (FT 9 June).

29.1.1. Blackrock

The world's biggest asset manager and despite the coronavirus crisis, still booked US$ 35 billion of net inflows over the three months to the end of March (FT 28 April).

29.1.2. Brookfield

The Canadian manager has raised US$ 20 billion for a new infrastructure fund – Brookfield Infrastructure Fund IV, exceeding expectations (Expansión 20 April).

Brookfield is chasing small retailers to pay thousands of dollars in rent on outlets that were forced to close during the coronavirus pandemic, even if the Canadian investment group skips payments on its mortgages and asks lenders for forbearance (FT 22 June).

29.1.3. Covalis Capital

The London based investment firm, with US$ 1,5 billion under management, plans to raise US$ 500 million for a new portfolio to take advantage of sharp stock market moves (FT 9 April).

29.1.4. DE Shaw

Is raising US$ 2 billion for its first fundraising in its flagship fund in seven years (FT 9 April).

29.1.5. Mubadala

Abu Dhabi's Mudadala will invest US$ 1.2 billion in Mukesh Ambani's Jio Plataforms, acquiring almost 1.9 per cent stake in Jio, becoming the six group in as many weeks to invest in the digital ambitions of Asia's richest man (FT 6 June).

29.1.6. Pershing Square

Bill Ackman has sold his stake in Berkshire Hathaway, saying that his hedge fund could seize on opportunities in the market faster than Warren Buffett's sprawling conglomerate. (FT 28 May).

29.1.7. Public Investment Fund

PIF has made a number of opportunistic bets in recent weeks, such as taking a 8.2 per cent stake in Carnival, and snapping up shares in European oil companies including Royal Dutch Shell, Total, Equinor (formerly Statoil) and ENI. This week it has agreed to acquire English football club Newcastle United in a £ 300 million deal (FT 17 April).

Has built a US$ 500 million 5.7 per cent stake in the listed Los Angeles based concert promoter Live Nation, marking the Gulf kingdom's latest big bet on a troubled company in recent weeks as it scours markets for bargains (FT 28 April).

Saudi Arabia's net foreign reserves fell by about US$ 2 billion after Riyadh transferred billions of dollars to its sovereign wealth fund to finance its overseas spending spree. PIF has spent at least US$ 8 billion buying stakes in global companies in the first three months of the year, including BP, Royal Dutch Shell, Total, Boeing, Citigroup, Disney, Facebook and Carnival (FT 2 June).

Saudi Arabia's state-backed Public Investment Fund has invested US$ 1.5 billion in Mukesh Ambani's Jio Platforms, the tenth international investor to plough cash in the fast-growing Indian digital services business during the coronavirus pandemic (FT 19 June).

29.2. Portugal

29.2.1. Semapa *

Will distribute € 10 million in dividends (Público 16 April).

30. Legal

30.1. International

30.1.1. Allen & Overy

Altered profit distribution to partners, increased capital levels and freezing some investments and recruiting, and cancelling events (Legal Business 1 April).

Has asked partners to inject cash into the business and abandoned an annual pay review for the staff (FT 22 April).

The pandemic has caused a sharp decline in lucrative work on corporate deals and accelerated already growing need for cash on the group's balance sheet. Although it has no long-term debt, A&O, like most law firms, runs with low cash reserves, creating a rapidly worsening financial situation if clients pay late and work dries up. According to Andrew Ballheimer, Global Managing Partner, our business needs a certain amount of cash flow and clients were having issues and saying they couldn't pay their bill son time. We had to make sure we weren't pushing them too hard but obviously we had to look after the business. Facing a slowdown in revenue, Mr Ballheimer was forced to accelerate a plan and hold back partners' quarterly pay-outs as well as freezing pay reviews for less senior staff (FT 1 June).

30.1.2. Ashurts

Partners will have their monthly drawings reduced by 20 per cent (The Lawyer 16 April). Ashurst becomes the first City firm to delay partner promotions, deferring them until later in the year (The Lawyer 28 April).

30.1.3. Baker McKenzie

Lawyers and other members of staff earning more than US$ 100,000 are taking a cut of 15 per cent from May on their base compensation (FT 22 April).

30.1.4. Cadwalader

Has cut lawyer and senior administrative staff pay by 25 per cent "for the length of the crisis" (FT 22 April).

30.1.5. Clifford Chance

Clifford Chance has announced internally that it is freezing pay for its employees, while also deferring partner profit distribution due to the Covid-19 pandemic (The Lawyer 21 April).

30.1.6. CMS

CMS has delayed partner profit distributions and salary reviews for the year 2019/2020 to the autumn, but holds furloughing (The Lawyer 24 April).

30.1.7. Dentons

Dentons is reducing the cash distributions to its partnership in Continental Europe and Central Asia, as part of a package of measures to reduce the potential damage of Covid – 19 on its business (The Lawyer 15 April).

Dentons asks employees to work four-day week for six months. Partner drawings [have been] per cent during the same period (FT 23 April).

30.1.8. DLA Piper

Has avoided cuts in base compensation (FT 22 April).

30.1.9. Gide Loyrette Nouel

The French law firm has decided to cut partner pay by up to 25 per cent to keep the business afloat (the Lawyer 30 April).

30.1.10. Hogan Lovells

Is furloughing up to 30 UK employees, suspending salary reviews and bonus payments (The Lawyer 16 April).

30.1.11. Linklaters

Linklaters suspends partners' profits distribution for Q4, which was scheduled to be paid in June (The Lawyer 8 April).

30.1.11.1. Reed Smith

Reed Smith splits equity partner bonuses in latest Covid-19 move (The Lawyer 24 April).

30.2. Spain

30.2.1. Cuatrecasas

The partners of Cuatrecasas have advanced (*"préstamo participativo")* € 20 million to the firm, aimed at improving its cash position (Expansión 9 April).

30.3. United Kingdom

The present trend among UK firms has been limited to salary freezes and bonus deferrals. Most groups in the UK pay out to partners after the financial end of the year in April (FT 22 April).

30.4. United States

Pay cuts for lawyers in the US are pretty standard across the board- going up to as much as 25 per cent US firms with a December year-end paid out profits to partners at the

start of the year and have less cash to weather the storm. US firms have also garnered a reputation for being more aggressive because of their "eat what you kill" remuneration structures (FT 22 April).

31. Logistics

31.1. International

Jeff Bezos has invested in Beacon, a British start-up that is planning to use digital technology to disrupt the global logistics industry. Beacon combines supply chain finance with technology to find the most cost-effective shipping routes for cargo. The industry is heavy fragmented and any companies are behind in using live data to determine the best of most cost-effective routes, Beacon also offers supply chain finance, a service claims it is unique among freight forwarding business (FT 1 June).

31.1.1. Deutsche Post DHL

One of the biggest logistics companies, Deutsche Post DHL has warned that the cost of freight will rise over the rest of the year as fewer passenger flights leads to "massive shortage" in cargo capacity. Passenger planes usually accounts for more than 50 per cent of the market supply (FT 19 June).

31.2. Portugal

31.2.1. CTT *

Froze the dividend of € 16.5 million (Público 16 April).

32. Luxury Goods

Sales are forecasted to fall by a third in 2020, and recover only by 2022 at the earliest. That will crimp margins, since luxury firms' costs are largely fixed. Rents must still be paid and brands advertised – the poshest ones spend the best part of US$ 1 billion a year on marketing – even as sales drop. In many industries, squished margins and falling sales might lead to a slew of takeovers. Few expect that to happen in luxury. Most of the big players have healthy balance sheets and are expected to find ways to return to profitability(The Economist 20 June).

32.1. Channel

Channel has warned that the coronavirus pandemic will weight on the luxury sector for two years, but signalled it would avoid discounting and online selling. "We remain convinced that in-person relationship between fashion adviser and client will remain central to the luxury experience". About 85 per cent of Channel's 417 boutiques have reopened (FT 19 June).

32.2. LVMH

The board met last Tuesday and discussed the development of the pandemic and its potential impact on the results and perspectives of Tiffany & Co. with respect of the agreement that links the two groups. People familiar with the deal said it would be hard for LVMH to renegotiate the price or the terms given the contract underpinning the acquisition. The merger agreement contains a termination clause that requires Tiffany to pay a break-up fee of US$ 575 million if it abandoned the deal. If LVMH wanted to back out of the contract, however, it would have to go to court to do so, and no break-up fee for the buyer is included in the document (FT 5 June).

Tiffany has reached an agreement with lenders to amend its debt covenants, further complicating the ability of luxury conglomerate LVMH to renegotiate a deal it struck before the pandemic to buy the US jeweller for US$ 16.5 billion. LVHM has been looking

for ways since the coronavirus outbreak to renegotiate the takeover, the largest in the luxury sector. One tactic available to LVMH would be if Tiffany breached the terms of its borrowing facilities, which is not permitted under the merger agreement (FT 10 June).

32.3. Mulberry

Mulberry plans to cut a quarter of its workforce, with the British luxury handbag maker expecting lower demand in the wake of the coronavirus crisis. Non-essential stores in England will be allowed to reopen from June 15, but many are likely to remain closed as companies weigh the cost of pandemic-proofing outlets against anticipated lower demand (FT 9 June).

33. Media

33.1. International

33.1.1.1. Netflix

Netflix added more than twice as many subscribers [(+ 15.8 million)] as it had forecasted in the first three months of the year. [This year] Netflix stock has climbed more than 30 per cent. It added almost 7 million subscribers in Europe. It now expects to burn though US$ 1 billion or less this year, down from its previous forecast for a negative US$ 2.5 billion in free cash flow (FT 23 April).

33.2. Portugal *

The Government is anticipating the purchase of institutional publicity in the amount of 15 million (Jornal de Negócios 20 April).

34. Mining

34.1. Europe

To meet climate goals, industries will need 60 times more lithium by 2050, and 15 times more cobalt, while demand for rare earths used in electric vehicles, robots and wind generators could increase tenfold, according to internal market commissioner, Mr Thierry Breton. Due to a lack of investment in domestic exploration and mining, [and] argued for a strategic trade agenda to build partnerships with countries including Australia and Canada (FT 6 May).

34.2. International

Mergers and acquisitions have taken a hit because of coronavirus but one bright spot is mining, where there has been a flurry of deals, many of them involving smaller gold producers. Most big mines have continued to operate without interruption, and China, the world's biggest consumer of raw materials, has continued to suck in their products. According to Refinitiv data there have been 292 deals worth a total of US$ 11.8 billion in metals and mining since March 23. The fundamental drivers of M&A have not gone away, but here is flight to safety. In a very uncertain economic environment, investors in this industry tend to prefer large companies with more resilience, more operational and financial wherewithal, more operational flexibility and a reasonable controlled but greater number of assets. (FT 2 June).

Australia's listed iron producers are emerging as big winners in the corona virus pandemic with rivals around the world unable to capitalise in China's insatiable appetite for the steelmaking ingredient. BHP, Rio Tinto and Fortescue Metals Group (which control almost two-thirds of the seaborne iron ore market) credit innovative technology, adaptive human resources and government action for enabling them to avoid Covid-19 disruptions that have hampered competitors and helped push iron ore prices up to near

US$ 100 a tonne. Brazil's Vale and Anglo American, whose subsidiary Kumba is South Africa's biggest iron ore producer, have both faced virus-related disruption (FT 3 June).

34.2.1. Antofagasta

The Chile-focused copper producer, listed in London, has cut its final dividend by US$ 160 million just days before investors were set to receive payment. New restrictions imposed in response to a surge in Covid-19 infections in Chile meant it would be "prudent to conserve cash". Last month the company suspended a key expansion project, helping to knock US$ 200 million off its planned capex for this year, and said it had US$ 2.5 billion in cash. It is expected net debt will peak at a conservative 0.4 times EBITDA (FT 20 May).

34.2.2. Vendata

Indian metals tycoon Anil Agarwal has launched a US$ 2 billion-plus bid to buy out minority shareholders in Vendata Ltd, the oil-to-aluminium conglomerate he founded more than 40 years ago. The offer is at 9.9 per cent premium to the Mumbai-listed company's closing price on Monday (FT 13 May).

35. Oil & Gas

35.1. Portugal

35.1.1. GALP *

€ 500 million cut in opex and capex for 2020 and 2021, in a total of 1,000 million as announced to CMVM (capital markets regulator).

Intends to keep the proposal to distribute € 318 million in dividends (Público 16 April).

After suspending production at the Matosinhos site, from 4 May GALP will halt production at its Sines refinery for a period of one month (Público 21 April).

GALP shareholders approve the distribution of dividends related to the 2019 financial year. The highest in the last 12 years, in the amount of € 318.2 million (Jornal Económico 23 April).

35.2. International

Coronavirus has now forced [Big Oil] to make trade-offs unthinkable just two months ago as they slash capital spending and operational costs, suspend share buyback programmes, delay project approvals, issue debt and secure new credit lines. Companies are in extreme cash-conservation mode given the sheer uncertainty around the recovery. Executives say the biggest companies may face the dilemma of which to cut first – jobs or dividends even if consumption recovers, mounting stockpiles will take time to shrink, keeping prices depressed. (FT 24 April).

The top nine oil majors have cut US$ 38 billion off their US$ 175 billion spending this year. In China, the big three have lopped US$ 19 billion of their 2020 spending plans (FT 21 May).

35.2.1. BP

Plans to spend US$ 12 billion this year, down from initial expectations of US$ 15 billion, and aims to cut costs by US$ 2,5 billion by the end of next year compared with 2019 levels (FT 2 April).

Capex to be reduced by 1/4 as it seeks to safeguard its pay-out (FT 3 April).

BP maintained its dividend of 10.50 cents a share for the quarter as the company, like many of its peers, pulls on an array of financial levers to protect shareholder pay outs. Cash flow slide to US$ 1 billion in the quarter versus § 5.3 last year. Gearing rose to more than 36 per cent in the first quarter (FT 29 April).

BP plans to cut 10,000 jobs (about 14 per cent of its workforce) as the slump in oil prices accelerates its move to slim down the transition to cleaner energy. The top 400 positions are expected to be cut by one-third (Bloomberg 8 June).
BP is cutting out huge layers of management and the majority of the people affected by the jobs slash will be in office-based jobs (FT 9 June).
BP will slash up to US$ 17.5 billion off the value of its oil and gas assets after shifting to a more downbeat view of longer-term oil prices in the wake of the coronavirus pandemic (FT 16 June).
The UK oil major raised for the first time US$ 12 billion of debt with equity-like features taking advantage of the hot credit markets to fortify its balance sheet. The deal marked the largest ever sale of the so-called hybrid bonds, which place less strain on a company's balance sheet because the principal never has to be repaid. Credit rating agencies do not treat the securities like traditional bonds and typically only count about half the value of the hybrid notes as debt (FT 19 June).

35.2.2. Exxon

Is slashing this year's capital spending by US$ billion and cash opex by 15 per cent as it seeks to preserve its dividend, anticipating a 20-30 per cent short-term drop in global oil demand (FT 8 April).

35.2.3. Repsol

In spite of the 28 per cent drop in the profits of the first quarter of the year, Repsol maintains its willingness to pay dividends in respect of 2019 (Jornal de Negócios 6 May).

35.2.4. Royal Dutch Shell

Cut its dividend for the first time since the Second World War (FT 2 May).
The Anglo-Dutch group has been pressed by investors to outline how it plans to create value for the shareholders in coming years after it announced a dramatic two-thirds cut to its dividend (FT 8 June).

36. Pharmaceuticals

36.1. International

36.1.1. India

Indian chemical and pharmaceutical groups are positioning themselves as an alternative to China, as the corona virus crisis prompts companies to diversify their supply chains. India still has a much cheaper workforce than China. India is one of the largest exporters of generic drugs, but depends on China for 70 per cent of the active pharmaceutical ingredients (APIs) it requires (FT 18 May).

37. Private Equity

37.1. International

Once again, politicians are facing a tough decision. Should they use government money to support companies whose deep-pocketed private equity owners have often thinned out their balance sheets and left the slimmest financial cushion? [They] feared government restrictions on dividends and limits on future debts incurred by companies that chose to tap the public purse (FT 25 April).
Private equity-owned companies are missing out on the wave of state-backed coronavirus loans because of the way the industry has relied on a model that can cut their tax bills but saddles them with debt. EU state rules say companies deemed to be in financial distress whose accumulated losses exceed 50 per cent of their share capital

should not have access to the support. Many private equity-backed companies fall into this category because buy-out groups' use of debt tends to minimise their share capital; interest payments on that debt can result in statutory losses even if their operation are generating cash (FT 20 May).

In the first quarter of 2020 the four largest listed private-equity firms, Apollo, Blackstone, Carlyle and KKR, reported paper losses on their portfolios of US$ 90 billion, or 7 per cent of their assets under management. Most private equity managers hope to use their newly expanded credit arms to scoop up bombed-out loans and bonds with collapsed prices. Leon Black the founder of Apollo said the opportunity is massive. The handful of deals taking place are mostly concentrated in tech and health, but buy-out activity is pretty much dead, and not much is expected to happen until August, but in a world on negligible interest rates, demand for alternative assets will continue to hold up.

The European Union bans firms with accumulated losses exceeding 50 per cent of the share capital from receiving state aid, but the private equity industry is lobbying the European Commission to relax the rule (The Economist 30 May).

The top 10 ranking private equity groups by deal count have announced deals totalling more than US$ 40 billion since the beginning of March, amounting to about a third of the US$ 103 billion that private equity groups worldwide spent on acquisitions in the final three months of 2019 (FT 19 March).

37.1.1. Bridgepoint

The UK-based private equity firm Bridgepoint Associates has agreed to buy rival buyout group EQT Partners' € 3.9 billion credit arm, expanding its firepower in lending just as the coronavirus crisis leaves hard-hit companies seeking fresh financing. Bridgepoint will merge the unit, which finances leverage buyouts and makes loans to struggling companies, with its own credit business. The deal will create a lender with about € 7 billion in assets under management. Bridgepoint is ? the private equity firm to spin off its credit business after TPG last month separated from its Sixth Street Partners credit platform (FT 18 June).

37.1.2. Brookfield

Brookfield Asset Management, a self-styled contrarian investor, with a history in investing in out-of-favour sectors and one of the largest owners of US shopping malls, is launching a US $ 5 billion rescue fund for retailers that need extra capital to weather the coronavirus pandemic (FT 9 May).

37.1.3. Cinven and Advent

The two private equity firms behind the planned € 17.2 billion acquisition of Thyssenkrupp's lift business are searching for investors to help them pay for Europe's biggest buyout deal in a decade. The groups would still be able to complete the acquisition; the risk is only that they would end up holding more of the business than planned (FT 4 May).

Cinven has told investors in its latest private equity fund that it may be stuck with an outsized stake in Thyssen-krupp's lift business for longer that it is allowed under its agreement with them. Cinven usually holds a maximum of 15 per cent of its fund in one company but the Thyssenkrupp deal would drive it above that. Any investment above that threshold usually has to be sold within a year (FT 1 June).

37.1.4. General Atlantic

The US private equity firm sealed a deal yesterday for a 1.3 per cent stake in four-year old Reliance Jio, part of sprawling Reliance Industries conglomerate, valuing the entity

at US$ 65 billion. It is Reliance Jio's fourth American investor in as many weeks, after Vist Equity Partners, Silver Lake and Facebook (FT 18 May).

37.1.5. KKR

KKR, the US group with US$ 207 billion assets under management, has asked its financial and legal advisers to "share in the economic pain" by providing discounts of at least 15 per cent on work done this year, even if it has emerged as the most aggressive private equity investor during the downturn. KKR roaster of advisers included EY and Simpson Thacher & Bartlett (FT 13 June).

KKR has agreed to buy from Paris-based private equity firm PAI Partners Dutch holiday parks company Roopot, in a € 1 billion deal that marks the latest in spree acquisitions by the US private equity group during the pandemic. KKR's head of the Benelux region said that "holiday parks have an incredible degree of resilience through recessionary times because people trade down in terms of their discretionary spending" (FT 19 June).

37.1.6. Silver Lake

Has agreed to invest US$ 750 million in Reliance Jio, less than two weeks after Facebook took a US$ 5.7 billion stake in Mukesh Ambani's fast-growing Indian digital services company (FT 5 May).

37.1.7. Sycamore

A US$ 1.1 billion acquisition of Victoria's Secret owner L Brands is on the point of collapse after US private equity group Sycamore Partners said the retailer breached the terms of the deal when it cut the pay of senior staff and furloughed store staff in response to the coronavirus pandemic (FT 23 April).

Sycamore has agreed with the owner of Victoria's Secret to terminate a deal that would have given a controlling stake in the retailer (FT 11 June).

37.1.8. Vista Equity Partners

A US$ 1.5 billion 2.3 per cent stake in Reliance Jio has been sold to the Texas software-focused buyout firm. It is the third stake disposal, after the sales to Facebook and to Silver Lake (FT 9 May).

38. Railroad Transport

38.1. CP *

In view of the loss of revenue, the company is looking for ways to finance the payment of the salaries due in May (Público 21 April).

38.2. Medway

During March the number of trains in circulation fell 8 per cent. The company normally makes on average 100 *sorties* per day (Público 17 April).

38.3. Takargo

Admits that the number of cargo tons transported in March fell by 8 per cent (a reduction of 36 *sorties* and 12 thousand tons), but expects that percentage to be higher in April (expects less 136 *sorties* and less 42 thousand tons) (Público 17 April).

39. Real Estate

The global stock on investible commercial property – hotels, shops, offices and warehouses – has quadrupled since 2000, to US$ 32 trillion. More than a third is owned by institutional investors, which piled in, lured by lucrative, solid returns. Most immediately, Covid – 19, has severely impaired tenant's ability to pay rent. It also raised questions about where shopping, work or leisure will stand once the crisis abates. Both

are likely to prompt investors to become more discriminating. Since 2000, businesses ranging from burger chains to banks have spun out trillions of dollars of property they used to own to free up cash, often leasing it back immediately after divesting. It is estimated that property values will fall by less than 20 per cent overall this year, and rents by 5–10 per cent. That compares with falls of 25 per cent and 10-20 per cent, respectively, in 2008 -2009. The big winners will probably be giant firms like Brookfield and Blackstone, which raised a record US$ 20.5 billion vehicle. They have war-chests allowing them to command price discounts by buying bundles of assets at once. And they are among the few firms with the development skills needed to turn buildings round (The Economist 27 June).

39.1. International

39.1.1. Airbnb

In March Lisbon had a drop in revenues of less 28.6 per cent when compared with February, i.e. a loss of € 4.6 million, and in Oporto, during the same period, the drop was 30.7 per cent and € 2.1 million (Público 8 April).

Airbnb forecast a 50 per cent slump in its annual revenue and said it would cut its workforce by a quarter. The firm thinks coronavirus will forever change its market because people will want to travel to places that are closer to home and relatively safe (The Economist 9 May).

39.1.2. Merlin Properties

The owner of the Almada Forum, south of Lisbon, is proposing discounts in the rents but against the acceptance of certain conditions, such as the automatic extension of the lease agreements (Jornal de Negócios 24 June).

39.1.3. Hong Kong

IWG (formerly Regus) has made its first move to capitalise on the retrenchment of We Work, taking over a Hong Kong office vacated by its flexible-workspace rival. We Work reduced its footprint in Hong Kong by about 20 per cent. IWG has raised a £ 320 million war chest via a share placing, which it said last week that it intended to use to fund an expansion drive (FT 3 June).

39.1.4. US

Simmon Property Group, the biggest shopping centre owner in the US, is seeking to walk away from a US$ 3.6 billion agreement to buy smaller rival Taubman Centers. Simmon yesterday filed a lawsuit against Taubman to pull out of the all-cash-deal, arguing that its former target had breached the terms of the agreement since it failed to rein in expenditure and take other steps to respond adequately to the pandemic. It also claims that Taubman has been "disproportionately" hurt by the outbreak, which constituted a material adverse event that gives it a second legal route to abandon the acquisition (FT 11 June).

39.2. Portugal

39.2.1. Oitante *

The sale of around € 400 million of real estate assets (formerly held by Banif) has been suspended for a date to be announced (Jornal de Negócios 29 April).

40. Retail

40.1. International

In Spain the *Confederación de la Industria Textil (Texfor)* estimates a revenue decline of 37 per cent for 2020 (Expansión 20 April).

US grocery stores sales surged more than 25 per cent between February and March, according with the US commerce department, while food retailers such as Kroger and Ahold Delhaize each reported a 30 percent or higher year-on-year rise last month (FT 20 April).

The chief executive of a big European food retailer explains how his firm managed to increase online fulfilment by more than 50 per cent with no new capital investments, thanks to all-night picking and packing at stores. Sysco, a big American food-distribution firm, built an entirely new supply chain and billing system to serve grocery stores in less than a week (The Economist 25 April).

Retail sales in Britain plunged by 18.1 per cent in April from March, the largest drop on record since the date begun in 1988. Sales of alcohol continue to rise (The Economist 30 May).

In Germany, retailers are sitting on up to 300 million items of unsold spring clothing after an 80 per cent drop in sales during lockdown. Even so, the sector has so far avoided a major price war: according the German association of textile retailers, discounts have ranged between 10 and 15 per cent (FT 6 June).

40.1.1. Adidas

After a public outcry in Germany, Adidas backtracked from a controversial decision to defer rent payments for shops that were closed during the lockdown (FT 5 June).

40.1.2. Amazon

The possibility of autonomous deliveries could power Amazon's bid for logistical self-sufficiency. Cutting the cost of deliveries is crucial to Amazon's plans, and its interest in autonomous vehicle start-up Zoox seems an unusually capital intensive move. Shipping and fulfilment costs grew 49 per cent in the last quarter, compared with the previous year. These are growing at a quicker pace than ecommerce sales (FT 28 May).

40.1.3. Carrefour

CGT (Communist-aligned French trade union) filed a criminal complaint against Carrefour and its chief executive alleging the supermarket chain was not adequately protecting its workers (FT 16 April).

The company has increased its stock of essential items from 30 days or less to 90 days (The Economist 9 May).

40.1.4. Dollar General

Dollar General, the US discount retailer reported that the same-store sales in the quarter ending in April were up an astonishing 22 per cent. Comparable sales were just 5 per cent higher in February but spiked to 34 per cent in March as households began to stock up food and essentials as lockdowns swept America; while sales moderated in April, they remain elevated and show a double-digit growth. The revenue explosion led operating profit to jump nearly 70 per cent in the quarter to more than US$ 800 million (FT 29 May).

40.1.5. Ikea

The world's largest furniture retailer is in talks about returning money to nine governments, from Europe (Belgium, Croatia, Czech Republic, Ireland, Portugal, Romania, Serbia and Spain) to the US, that gave it support via Covid-19 furlough schemes (FT 15 June).

40.1.6. Inditex

Inditex reported its first quarterly loss since listing in 2001 and unveiled a three-year € 2.7 billion plan to upgrade online and physical stores. The company reported a 44 per

cent decline in first-quarter sales to € 3.3 billion. Online sales accounted for 50 per cent of the total, rising 95 per cent in April. The company has pledged € 1 billion to invest in its IT system that will make the retailer more flexible, efficient and with lower distribution costs (FT 11 June).

40.1.7. Macy's

The US department store chain will cut about 3,900 jobs as part of a restructuring plan to help it cope with the effect of the pandemic closures. The cutbacks to administrative and management roles are expected to save the company US$ 365 million in the current financial year and US$ 630 the year after. Macy's had 123,000 employees at the start of February (FT 26 June).

40.1.8. Marks & Spencer

The UK retailer is more than halving its planned 2020 capex of £ 350 million – £ 400 million to £ 140 million. M&S will continue to shrink overall, but it will not disappear; its niche in affordable luxury food is highly defensible. And the clearer this proposition, the more attractive the company will become as a takeover target for the likes of Amazon (FT 21 May).

40.1.9. Mercadona

Mercadona is investing € 12 million in a new "on line" warehouse with 15,000 square meters, in Getafe (Expansión 20 April).

Mercadona spends € 100 million in security for its stores and benefits drop about 95 per cent (Expansión 21 April).

Mercadona is distributing to its 90,000 staff three times the profits it is distributing to its shareholders, i.e. € 384 million versus € 130 million, plus (to be booked in 2020) a € 44 million as a special bonus for the additional effort during the coronavirus crisis (El Confidencial 10 May).

Mercadona plans to accelerate to 20 a year the pace of stores opening in Portugal until it reaches 150 stores. The first store will open in Lisbon in 2022 or 2023 (Expansión 24 June).

40.1.10. Primark

On March 23rd, Primark, a fashion retailer, said it was shutting all 376 of its stores in 12 countries, forgoing over US$ 770 million of sales per month and expecting to save only half of its costs (The Economist 28 March).

Primark considers total loss stocks worth € 325 million (Expansión 21 April).

Primark (which does not sell on line and has had zero revenue since mid-March) resumed trading at its 5 Austrian stores at the start of last week, followed by its 20 shops in The Netherlands. (FT 11 May).

40.1.11. Superdry

Has reopened more than 60 of its stores in Germany, Austria, Denmark and Sweden. Trading is better than expected internally, as it moved from being about 70 per cent down to around minus 30 per cent. (FT 11 May).

40.1.12. Tesco

The supermarket, announced that it would pay a full/year dividend of 6.6 p. a share, as the needs of savers and pension funds also had to be considered in the debate around pay-outs (FT 9 de April).

40.1.13. VF Corp.

The company behind Timberland, Vans and The North Face is on the look-out for further acquisitions despite coronavirus uncertainty, saying it could be a good time to expand

its collection of clothing, footwear and accessories brands. Canada Goose, Gap's Athleta and Columbia Sportwear could be among the types of targets for VF, which has a market capitalization of US$ 24 billion (FT 15 June).

40.1.14. Walmart

The world's biggest retailer said it had been selling in two or three hours what it would normally sell over two or three days for some products, and had hired 235,000 workers in the US to cope with the surge. Customers made fewer trips, reducing the number of transactions by 6 per cent in the quarter, but spent 16 per cent more on average on each visit. The effect was to boost like-for-like revenues 10 per cent in the three months to the end of April from a year ago. The results show how the crisis is widening the gulf between winners and losers in retail. While the crisis provided a business opportunity for Walmart, the retailer had "stretched" its supply chain (FT 20 May).

At the end of April, total revenue at Walmart shot up by 9 per cent year on year, the highest rate in nearly two decades, to US$ 135 billion. The firm's "omnichannel" sales, which combine online shopping with in-store pick-up, surged by 74 per cent. Quarterly net income rise relative to the same period last year, by 4 per cent to US$ 4 billion, despite a nearly US$ 900 million in corona-spending (The Economist 23 May).

40.2. Portugal

40.2.1. Jerónimo Martins *

The Pingo Doce registered a drop of 16.3 per cent in sales. The company is reviewing its € 700 million investment plan. The company will review its dividend proposal from 34.5 cents a share to 20.7 cents a share, or € 216.8 million to € 130.1 million corresponding to a decrease in the pay-out ratio drops from 50 per cent to 30 per cent (Jornal de Negócios 15 May).

40.2.2. Sonae *

The proposal to distribute € 92.6 million in dividends stands (Público 16 April).

40.2.3. Sport Zone *

98 stores closed and 1,500 employees sent home. Between 1 e 30 de April the majority will be in *lay-off* (Jornal de Negócios 8 April).

40.3. US

Retail sales in America fell 8.7 per cent in March compared with February, the biggest decline since the official run of data began three decades ago (The Economist 18 April).

Malls and clothing stores are hoping to lure back Americans with some of the heaviest discount in years. Macy's, Ralph Lauren and TK Maxx have within the past week disclosed write-downs on the value of their merchandise running into hundreds of millions of dollars. Gap is offering reductions of 50 per cent, Levi Strauss up to 50 per cent, and American Eagle up to 60 per cent. A lot of the apparel is out of date as it has been sitting in the stores at least since the outbreak. Most retailers are taking inventory valuation charges (FT 28 May).

41. Road Transport

41.1. International

41.1.1. Autostrade per l' Italia

Atlantia, the Italian infrastructure company controlled by the Benetton family, is in talks to sell a stake in Autostrade per l' Italia, the toll road arm that has become under fore after the collapse of the Genoa bridge two years ago. Atlantia is interested in a long-term minority partner. Autostrade and Atlantia have been downgraded below investment

level, making access to credit increasingly complicated. Autostrade said its revenue would be down at least € 1 billion in 2020 because of an 80 per cent drop in road traffic due to the corona virus lockdown, while its debt has risen to € 9 billion (FT 1 June).

41.1.2. Uber

Uber has announced it will cut 3,000 more jobs (in addition to the 3,700 losses announced earlier this month), close or consolidate 45 global offices, and reduce its investments in "non-core" projects as it deals with the "damn virus". These planned cuts, which include more than a quarter of its global workforce, are expected to mean an annual saving of US$ 1 billion. The impact of Covid-19 on its ride-share business reduced the global journeys down 80 per cent (FT 19 May).

Uber is cutting 25 per cent of its workforce in India as the US tide-hailing group grapples with severe strain from the coronavirus crisis in its biggest Asian market (FT 27 May).

Uber paid US$ 85 million for a 16 per cent stake in the struggling scooter rental service Lime, in a deal that gives the car-booking group the option to buy the company in two years (FT 29 May).

41.2. Portugal *

Road transport companies estimate a drop in demand between 80 and 90 per cent (Jornal de Negócios 8 April).

Average drop in traffic on the Portuguese highways estimated to be between 80 and 82 per cent (Jornal de Negócios 13 April).

Government wants concessionaires to share the cost of the PPPs (Economia on Line 17 April).

The Government will not pay compensation to the concessionaires. Instead, they may be compensated with an extension of the concession period (Economia on Line 17 April).

The Government has suspended the contractual provisions and the road concessionaires will not be compensated for the loss of revenue during the Emergency Situation (Jornal de Negócios 20 April).

41.2.1. Brisa *

Brisa has already notified the Instituto de Mobilidade e dos Transportes e Infraestruturas de Portugal of the occurrence of a *force majeur* event (Jornal de Negócios 13 April).

At the Annual Shareholders' Meeting, taking in consideration the current economic conditions caused by the coronavirus, the shareholders have decided to reduce from € 120 million to € 64.6 million the dividend payment, keeping the balance of the amount proposed by the Board of Directors as free reserves (Jornal de Negócios 8 May).

41.3. Spain

Spain has recognized that the highway road concessionaires are entitled to the financial balance of the concession, through the extension of the concession period by 15 per cent (Jornal de Negócios 13 April).

42. Security

42.1. Spain

42.1.1. Prosegur

Prosegur launched a program of reinvestment of share dividends in order to avoid the exit of cash during the coronavirus crisis (FT 23 April).

43. Shipbuilding

43.1. South Korea

Qatar's state-owned oil producer signalled a US$ 20 billion order for liquefied natural gas carrier. Qatar Petroleum said it had reserved production capacity with the companies – i.e. South Korea Big Three shipyards – Hyundai Heavy Industries, Samsung Heavy Industries and Daewoo Shipbuilding & Marine Engineering – through to 2027 to build more than 100 new carriers. It will be the largest LNG shipbuilding programme in history. Doha has struck a similar arrangement with Chinese shipbuilders (FT 3 June).

44. Shipping

44.1. International

Sea Intelligence Consultancy calculates that if container freight rates fall by the same quantum as in 2009, the industry could rack up losses of US$ 23 billion this year. Combined profits at the top 15 container lines were US$ 5.9 billion, according to the consultancy. However, its rates remain stable, the steep decline in trade volumes that is considered a near certainty this year would only lead to a loss of roughly US$ 800 million. Fourteen container lines, whose combined debt has climbed a quarter over the past decade to US$ 95 billion, are at risk of insolvency (FT 9 June).

44.1.1. Maersk

The world's largest container-shipping line warned global trade would drop by a record amount this year and that the coronavirus pandemic could lead to a rise in protectionism. Companies are reviewing their global supply chains as a result of coronavirus, and it is expected that most of them will look for additional suppliers to ease their reliance on single companies (FT 14 May).

45. Sports

45.1. Formula 1

For F1 executives, protecting its broadcasting deals, worth US$ 760 million in 2019 according to Morgan Stanley, has become critical. At least 15 races are required to satisfy those contracts (FT 28 April).

45.2. Soccer

45.2.1. International

According to Deloitte, revenues at the big five leagues in England, France, Germany, Italy and Spain are predicted to fall to € 15.1 billion in the 2019-2020 season, depressing profitability further (FT 11 June).

45.2.1.1. France

The pressure on profitability is more acute in France where Ligue 1 has abandoned the season and awarded the tittle to Qatari-owned Paris Saint-Germain (FT 11 June).

45.2.1.2. Germany

The Bundesliga has accepted € 200 million less for TV rights to its football matches than its previous € 4.6 billion deal, in the first sign that the market for live sport has weakened because of the coronavirus crisis. The Bundesliga's latest auction is the first big sports broadcasting contract since the pandemic forced the suspension of fixtures around the world. The league remains in a dispute with Discovery-owned Eurosport about its existing broadcasting contract stemming from the impact of the pandemic (FT 23 June).

45.2.1.3. Italy

The owners of Italy's AS Roma are searching for new buyers for the Serie A football club after a planned € 750 million sale collapsed due to the pandemic. AS Roma's existing ownership group are working with bankers at Goldman Sachs as they seek fresh bids, after a deal cliched late last year with Texas-based billionaire Daniel Friedkin fell apart in recent months (FT 15 June).

45.2.1.4. Spain

La Liga has said it will lose € 300 million from playing the rest of the season behind closed doors (FT 11 June).

45.2.1.5. United Kingdom

The Premier League is expecting losses of about £ 340 million because of the lack of ticketing income. The Premier League is also facing demands to make a rebate on £ 330 million to broadcasters, including Sky and BT, because of lost advertising income and viewers (FT 11 June).
The Premier League has agreed to return £ 170 million to Sky, after the broadcaster allowed UK customers to pause subscriptions to sports channels during the hiatus in action (FT 17 June).

45.2.2. Portugal

The League estimates that the immediate provisional losses in revenue should top € 310 million, i.e., a drop of 60 per cent (Jornal de Negócios 9 April).

45.2.2.1. Belenenses SAD *

All players in lay-off (Público 8 April).

46. Steel Industry

46.1. Arcelor Mittal

One of the world's biggest steelmakers, is considering selling a 420 km-long railway and other infrastructure assets in Canada that service Arcelor Mittal 24 million-tonne-a-year Mont Wright iron mine in north-eastern Quebec, to reduce debts and strengthen its balance sheet. Bankers said the assets would appeal to infrastructure investors or Canadian pension funds seeking long-term investments delivering steady returns (FT 22 June).

46.2. Tata Steel

Is examining a sale of its Canadian iron business. The Indian group has requested state financial assistance for its main European units, based in the UK and in the Netherlands (FT 22 June).

47. Technology

47.1. International

Few tech giants have flagged any slowdown in spending; Alphabet, which reported US$ 6 billion capex in the first quarter, is simply "revaluating the pace" of investment (FT 21 May).
Big technology companies are hunting for deals at their fastest pace in years, racking up acquisitions and strategic investments despite increase regulatory scrutiny during the coronavirus market turmoil. Alphabet, Amazon, Apple, Facebook and Microsoft have announced 19 deals this year, the fastest pace of acquisitions since 2015. The deals

mark a departure from the 2001 recession and the 2008 financial crisis, when tech companies largely retreated from big purchases following dips in the stock market. The five Big Tech companies together hold more than US$ 560 billion in cash and marketable securities at the end of the first quarter (FT 29 May).

Singapore has become a battle ground between Chinese tech and US tech who both see it a springboard for the region Alibaba in May bought half of a US$ 1.2 billion skyscraper in Singapore's central business district. It marked the tech's group first international property purchase and the building will become its headquarters outside of mainland China. But they are still playing catch-up with the likes of Facebook, Google, Microsoft and Amazon, which have been in the region for much longer and are still growing. South-east Asia is one of the few places where US and Chinese companies openly compete for influence in areas such as cloud computing. The region of 650 million people is rapidly moving online and provides a potentially huge customer base with markets such as Indonesia (FT 1 June).

47.1.1. Apple

Apple's gross cash pile of US$ 207 billion exceeds most countries fiscal stimulus (The Economist 28 March).

47.1.2. Google

Google is exploring an investment of about 5 per cent in Vodafone's struggling Indian business in a move that could pit the US internet group in a battle against Facebook for the world's fastest-growing mobile market (FT 29 May).

47.1.3. Facebook

Facebook has acquired a US$ 5,7 billion stake in Reliance Jio. The purchase of almost 10 percent of the heavily indebted Jio, which offers a cut-price mobile internet service that has attracted 388 million users (FT 23 April).

Facebook paid US$ 400 million to acquire Giphy, which hosts a search engine for animated images known as GIFs, representing a 20 times the amount of revenues generated by target before the acquisition (FT 29 May).

Facebook has gained a foothold in south-east Asia's largest economy with an investment in ride-hailing group Gojek, Indonesia's biggest company with a US$ 1 billion-plus valuation, and the country's equivalent to Uber. The size of the investment was not disclosed but is focused on GoPay, the start-up's digital payments arm. PayPal also invested an undisclosed amount alongside Facebook (FT 4 June).

47.2. Portugal

47.2.1. Nova Base

The distribution of 26.7 million as a result of a share capital reduction was put on stand-by (Público 16 April).

48. Telecommunications

48.1. International

Bankers and lawyers acting for some of Europe's largest telecoms companies are anticipating a bonanza of deals on the back of a court ruling last month that dealt a blow to the EU's strict competition policy. At the end of May, the General Court, the EU's second-highest court, over-turned the European's Commission's decision to block the £ 10.25 billion takeover of O2 in the UK by its smaller rival Three, owned by Hong Kong conglomerate CK Hutchison. Markets where there are still four mobile telecom operators,

such as Denmark and Sweden, have been tipped as candidates for consolidation. Spain, which has five telecoms participants, is also seen a candidate for consolidation, particularly after MásMovil, the country's fast-growing challenger brand, agreed to be taken private by three large funds. The commission has two months to challenge the decision (FT 15 June).

48.1.1. Cellnex

Notified CNMV (Spanish capital markets regulator) that it acquired NOS' towering business for € 375 million, with an agreement to invest € 175 million (Expansión 14 April).

Cellnex was advised by Vieira de Almeida (Jornal de Negócios 16 April).

Cellnex is interested in the towering business of Eir, the Irish operator, controlled by the French multimillionaire Xavier Niel (Expansión 6 May).

48.1.2. Más Móvil

The Spanish telecoms operator is to be acquired by a trio of private equity firms – Providence, Cinven and KKR – in a € 5 billion takeover that is one of the biggest since the pandemic began. The deal valued the group at € 3 billion and gives it an enterprise value, including debt, of almost € 5 billion. The offer is a 20 per cent premium to where Más Móvil share were trading (FT 2 June).

48.1.3. Orange

The decision to reduce the annual dividend by one-third was made with a "heavy heart". The company's strong financial position meant that eliminating the dividend would be unfair to the shareholders. It will review its dividend strategy at a later date but that it intended to return the full-year pay-out to the 70 cents-a-share level over time (FT 18 April).

48.1.4. Telefónica

Has agreed with Liberty to combine their O2 and Virgin Media operations in a £ 31.4 billion deal that will reshape UK telecoms (FT 8 May).

José María Álvarez-Pallete, chairman and chief executive of Telefónica, predicted that restrictions on telecoms mergers would be loosened after a ruling by the EU's second-highest court. "it doesn't make sense that there are hundreds of telecoms operators in Europe", pointing to the large US and Chinese markets, which now have only three large players. He argued that both the Virgin – O2 merger and the MasMovil buyout were the "first moves of a trend" towards unlocking higher valuations in European telecoms. That is also the view of lawyers and bankers who are anticipating a bonanza of telecoms deals in markets including Spain and Scandinavia (FT 25 June).

48.2. Portugal

Anacom, the Portuguese regulator, has initiated the process leading to the auction for the 5G licenses (Jornal de Negócios 2 June).

49. Tourism

49.1. International

According to a United Nations World Tourism Organization report, international tourism is poised for its worst performance since 1950. Touristic trips globally could drop this year to 58 per cent to 78 per cent compared with 2019 and destinations could lose up to US$ 1 trillion in tourism income. Figures for the first quarter of the year show that tourism is on track for the organization's ominous scenarios, with trips down 57 per cent

in the month of March alone and a total of US$ 80 billion in income already lost. Globally the travel and tourism sectors generated 330 million direct and indirect jobs. Recent research suggests the industry is on track to lose more than 100 million jobs because of the pandemic, with 75 per cent of them likely to come from G20 economies. As of late April, 25 million jobs were lost in one month (Bloomberg 23 May).

Global tourism this year is expected to put in its worst performance since 1950, in terms of the number of travellers and revenues. Forecasts for tourism-dependent countries have been revised sharply downwards this year, and now they face losses of up to 10 percentage points of gross domestic product compares to pre-pandemic estimates (FT 15 June).

49.2. EUROPE

As the continent's US$ 2 trillion tourism industry attempts to restart, executives are warning that business will struggle to generate much in the way of revenues, let alone profits. At the moment the tourism industry is in a coma. It has no demand and no product, nothing is open. You haven't really got a business. Many Spanish and Greek operators are reliant on tourism from the UK, which has been one of the worst hit by the disease. The UK secretary has warned that international holidays this year are "unlikely". If flights take off, the imposition of 14-day quarantines in countries such as Spain, Italy and the UK cold force holidaymakers to either abandon holiday plans or take at least three weeks off to make a vacation possible (FT 18 May).

In April last year 6.8 million passengers passed through Heathrow. This April just 200,000 did. Flight movements across Europe are down by nearly 85 per cent. In America, the Transportation Security Administration screened 3.2 million passengers in its airports last month, down from 70 million during the same period last year. Tourism is a giant of the global economy. People went on 1.4 billion foreign trips in 2018, twice the number of 2000.330 million jobs depend on travellers. Many of those are local. In normal times international tourists spend US$ 1.6 trillion. More than Spain's GDP. As a source of global export revenues, tourism is bigger than the food or car industries. The UN Tourism Organization predicts a fall of US$ 910 billion – 1.2 trillion this year. Europe will be hit especially hard, as it receives over half of the world's tourists every year. (The Economist 30 May).

49.2.1. Accor

The French hotel company said last week that it has partnered with the health insurance company Axa to offer online medical consultations to guests across its 5,000 hotels (FT 18 May).

49.2.2. Trivago

The hotel booking platform said that the number of browsers on its website had risen 24 per cent in April compared with March (FT 18 May).

49.2.3. TUI

The biggest tour operator has said measures will hit 8,000 jobs, through cuts or shelving hiring plans, as it seeks to survive the crisis (FT 14 May).

According to the company's chief executive Fritz Joussen we run the company for cash now, not for profitability. TUI said 35 per cent of its summer programme was booked, compared with 59 per cent at the same point last year (FT 18 May).

Europe's largest tour operator has agreed a € 300 million compensation deal from Boeing for the grounding of the jet maker's 737 Max fleet, giving a much-needed cash boost to the struggling holiday company (FT 4 June).

50. Wind Power

Global wind power boom is facing a sharp slowdown as coronavirus restrictions hit supply chains. Vestas and Siemens are suffering component shortages (in particular turbine blades, gearbox bearings and logistic equipment such as cranes), putting as much as 30 gigawatts of new capacity at risk in the US, China and Europe, this year alone. Project developers expressed growing concerns that extra capital costs to complete existing projects and limited access to financing could restrict future investment in wind farms (FT 30 April).

50.1. International

50.1.1. Siemens Gamesa

During its first 6 months of its fiscal year (starts in September) Siemens Gamesa has booked losses in the amount of € 339 million, a record. The company has secured financing in the aggregate amount of € 4 billion, of which € 1.1 billion has been disbursed (Expansión 6 May).

51. Wine and Spirits

51.1. US

Industrial data have shown that Americans spent US$ 2 billion more on alcohol in stores in March this year than last. Producers are struggling to keep up but the surge has not made up for lost bar business. Sales of spirits leapt 39 per cent to US$ 1.3. billion and wine jumped 28 per cent to US$ 2 billion (FT 7 May).

51.2. Europe

51.2.1. Pernod Ricard

Warned of a 30 per cent hit to profits from recurring operations for the full year. (FT 11 April).

52. Wood Pulp

52.1. Altri

The Board will propose to the Annual Shareholders Meeting a gross dividend of € 0.30 per share, in an aggregate amount of € 61,530,000, corresponding to a dividend yield of 6.91 per cent (last year was 10.05 per cent) (Jornal de Negócios 14 April).

Altri announced a reduction of more than 81 per cent in its first quarter profits, as a result of the reduction in the wood pulp price, and is currently reviewing its investment plan for 2020 (Jornal de Negócios 29 May).

52.2. Navigator

Will distribute to the shareholders € 99 million (Público 16 April).

Navigator suffered a drop of almost 38 per cent in the first quarter profits, and management will propose to the shareholders to withhold the amount that normally would be paid out as dividends (Economia online 20 May).

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