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ESMA publishes report on issuers' use of Alternative Performance Measures

Background

On 20 December 2019, ESMA published a [report](#) on EU issuers' use of Alternative Performance Measures ("APMs") and their compliance with the ESMA APM Guidelines (ESMA/2015/1415), in the publication of annual earnings results, management reports and/or prospectuses.

The assessment of issuers' compliance with the APM Guidelines as carried out by ESMA reveals that there is significant room for improvement, given that currently only a minority of issuers comply with the entire set of principles as laid out in the Guidelines.

ESMA has consequently called on issuers to improve their disclosures regarding APMs. In particular, issuers are expected to enhance their reconciliations, definitions and explanations in relation to all disclosed APMs. ESMA highlights that ratios and subtotals included in financial statements may also fall within the definition of an APM and should therefore also comply with the Guidelines.

The most frequently used APMs include:

- Earnings Before Interest & Tax (EBIT);
- Operating results;
- Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA); *and*
- Net-debt.

Way Forward

Going forward, issuers are expected to consider the findings of this report in the preparation of future communications to the market containing APMs, particularly ad-hoc disclosures, financial reports including Financial Analysis Summaries, Prospectuses and Company Announcements.

Contacts

Should you have any queries regarding the above, please do not hesitate to contact us on CapitalMarkets@mfsa.com.mt