

3 March 2020

Main Findings in relation to 2019 Alternative Performance Measures

Background

On 20 December 2019, the European Securities and Markets Authority (ESMA) had published a [report](#) on European Union issuers' use of Alternative Performance Measures (APMs) and their compliance with [ESMA's APM Guidelines \(hereinafter referred to as the "Guidelines"\)](#). The report provides an overview of the use of APMs by European issuers, which overview builds on the 2018 Annual Financial Reports and ad-hoc disclosures regarding annual earnings result of a sample of 123 issuers.

The Listing Authority has conducted a similar approach locally, where the issuers' compliance with the Guidelines were assessed against the following eight main principles of the Guidelines namely: (1) Definitions, (2) Biased/Unbiased APMs, (3) Labels, (4) Reconciliations, (5) Explanations, (6) Prominence, (7) Comparatives and (8) Consistency. It is important to note that certain ratios and subtotals disclosed may also fall within the definition of an APM and should thus be in compliance with the Guidelines. Following this internal evaluation, the Listing Authority calls on issuers to improve their disclosures regarding APMs in ad-hoc disclosures or otherwise, including the Financial Analysis Summary. In this regard, the Listing Authority highlights specific areas of improvement for Issuers, in relation to APMs disclosures, as follows:

Area of improvement	Internal evaluation suggestions
Presentation – Comprehensive definitions of APMs, with meaningful labels reflecting content and basis of calculation.	It is suggested that definitions explain the use and purpose of the APMs and are not merely a qualitative iteration of the basis of calculation.
Reconciliations – A reconciliation of the APM to the most directly reconcilable line item, subtotal or total.	If an APM is not already directly identifiable in the financial statements, material reconciling items used in calculating an APM should be identified and presented.
Explanation on the use of APMs – More transparency on the relevance and reliability of APMs.	The importance of an APM should be explained. In this regard, it is also suggested that the applicability of an APM is included with the Issuer's quantitative and qualitative disclosures.
Consistency – Consistent definitions and calculations of APMs over time.	It is expected that the meaning of APMs is the same from one year to another. Should this not be the case, for example due to a change in calculation methodology, the redefinition of the APM should be explained along with the reasons and restated comparative figures.

Way forward

The MFSA expects issuers to consider the findings to this circular when reporting APMs. The MFSA will continue to monitor the application of the APM Guidelines, where going forward, appropriate action will be taken in case of differences in application compared to the requirements of ESMA Guidelines on Alternative Performance Measures (30 June 2015 | ESMA/2015/1057).

Should you have any queries do not hesitate to contact the Continuing Obligations Team within the Securities and Markets Supervision Function on transparency@mfsa.com.mt.