

ESMA: EU issuers need to improve their disclosure of alternative performance measures

ESMA's assessment of issuers' compliance with the APM Guidelines shows that there is significant room for improvement as only a minority of issuers comply with all principles of the Guidelines in their:

- annual earnings results;
- management reports; and/or
- prospectuses.

ESMA calls on issuers to improve their disclosures regarding APMs. In particular, issuers should enhance their reconciliations, definitions and explanations in relation to all APMs used. ESMA highlights that ratios and subtotals included inside financial statements may also fall within the definition of an APM and thus should comply with the Guidelines.

The Report highlights that the use of APMs is widespread in all sectors and within all regulated documents. Significant diversity exists in the number and type of APMs used, as well as in their labels and definitions. The most commonly used APMs include:

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

The report builds on a desktop review ESMA performed on 2018 annual financial reports, ad-hoc disclosures of annual earnings results; and evidence arising from National Competent Authorities' (NCAs) experience regarding the application of the APM Guidelines in prospectuses.

Next steps

ESMA expects issuers to consider the findings of this report when preparing their future communications to the market containing APMs, notably ad-hoc disclosures, financial reports and prospectuses. ESMA and NCAs will continue to monitor the application of the APM Guidelines and take appropriate actions in case of infringements.

ESMA will also address this report to the International Accounting Standards Board (IASB) as part of its contribution to the IASB's exposure draft

consultation on General Presentation and Disclosures.