



## MODULE 3

### CONTENT ELEMENTS OF IR FOR SMEs

#### Part 3

# AGENDA

## Outlook

1. How to discuss outlooks in an integrated report?
2. What should an SME think about when preparing the "Outlook" section?
3. Outlook example
4. Test questions





# Outlook

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# 1. How to discuss outlooks in an integrated report?

An integrated report should highlight anticipated changes over time and provide information, built on sound and transparent analysis. This analysis must consider response to the following questions:



## 2. What should an SME think about when preparing the "Outlook" section?



SME can think in terms of these four focus areas



The **external environment**, with an analysis of how these could affect the achievement of strategic objectives.

The **risks and opportunities**, with an analysis of how these could affect the achievement of strategic objectives.

The availability, quality and affordability of **capitals** the organization uses or affects.

**Management of key relationships** and why they are important to the organization's ability to create value over time.

### 3. Outlook example

# Future outlook

*Global trade lost momentum during the year and is projected to expand slowly over the medium term.*

The current weakness in international trade, especially when it comes to manufacturing, and the mounting uncertainty over recurring trade and political tensions continue weighing on global economic growth, holding back investments (source: ECB). The situation is made even tougher by the risks Coronavirus poses at a global level to both healthcare systems and the economy as well as the escalating conflict between the US and Iran: the relevant impacts on oil prices and global trade are yet to be fully appreciated. Some respite comes from more clarity over Brexit and the easing of trade disputes between the United States and China (source: Istat).

The latest data point to slow global growth, which will continue being supported by favourable financial conditions, rising employment, and the slightly expansive fiscal policy of the euro area (source: Bank of Italy), whose goal is to mitigate the downcycle and firmly address structural issues such as the lack of public investments, climate change, and social tensions. In Italy, policy actions are aligned with European ones and aim to boost domestic demand through public investments while striving to reduce the debt/GDP ratio: GDP growth is estimated at +0.4% in 2020 (source: 2019 Economic and Financial Document).

Against this backdrop, the retail industry is showing

positive growth (+0.8% compared to 2018) thanks to the strong performance in the South (+0.9% compared to -0.6% in 2018) and the growth of the discount channel as well as structured groups. This comes at the expense of small merchants, who are struggling in the face of price competition.

Declining margins and the problems experienced by certain players represent opportunities for others. In 2020, large scale distribution is expected to grow by +1.4% compared to 2019 (source: Nielsen based on Iri data), without considering the boost from the e-commerce channel: in 2019 online food purchases were up +26% relative to 2018, accounting for approximately 2.5% of total grocery shopping, and are likely to continue rising in 2020 with an additional +30%.

With respect to current trends, prices could potentially rise (+1%), following the approximately 0.5% increase seen in 2019, and more shopping could happen at modern retailers rather than conventional small ones. In 2020, the sales network will expand in terms of square footage mostly in the discount and supermarket segments, whereas hypermarkets will continue shrinking (-0.9% at the end of 2019).

Below is a breakdown of the outlook for Aspiag Service by strategic objective.

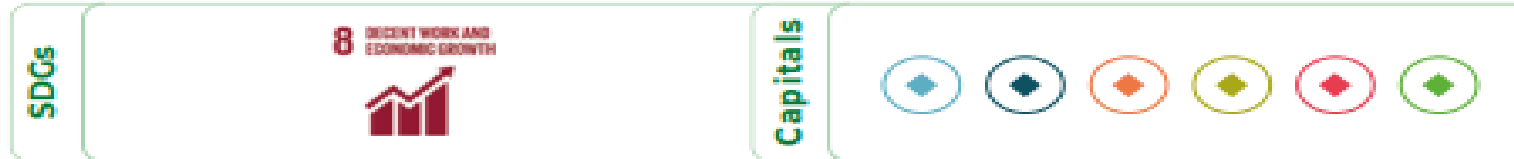
For the quality of their IR Aspiag Service is the award winner of a multitude of several different award given by the IIRC, Italian Stock Exchange Institute of Capitalism Responsible and other institutes (<https://www.integratedreporting.org/news/aspiag-service-recognized-for-2016-integrated-report/>) (<https://www.saracirone.com/en/stafer-hits-the-second-place-at-the-oscar-of-balance-statements-special-award-best-integrated-report/>). Aspiag Service operates in the large-scale retail trade sector. It is concessionaire of the Despar brand in Triveneto, Emilia-Romagna and Lombardy, is part of the international SPAR Austria Group and adheres to the Despar Italia Consortium which brings together all the dealerships of the brand throughout the country. Aspiag Service's area of competence includes the regions of Veneto, Friuli Venezia Giulia, Trentino Alto Adige and the provinces of Bologna, Ferrara, Parma, Reggio Emilia, Modena, Ravenna and Mantua.

The organization expose in this section which are the predictions which are used to set-up the further development of the company. In addition presents also possible future avenues for margin improvement as the expectation of the market is set to grow.



# 3. Outlook example

## Market share increase and generation of financial resources



Our strategy is supported by the constant increase in turnover and retail sales area as well as the improved efficiency of our cost structure. The solidity of the European network we are part of is a further guarantee for our future and will help us face our commitments in the coming years. We will continue investing

to bolster our market presence, focusing especially on the medium and long term, and renovating existing stores in the regions we already serve. In this regard, thanks to our consolidated sustainability strategy, starting from 2020 we will be able to enter into a green loan agreement at a discounted rate.

Growth forecasts for the next 3 years	2020	2021	2022
Sales net of VAT	4.62%	4.74%	8.77%
Sales net of VAT LFL	1.85%	1.43%	1.58%
EBTDA	2.45%	10.97%	10.77%
Investments (in millions of euro)	129.90	140.20	141.10

**Note:** sales forecasts are considered to be reliable based on the time span necessary for one-year investments to generate net sales, due to the long administrative time required for new stores to start operating. The EBTDA and investment results outlined here are linked to the achievement of company revenue targets.

The outlook presentation of Aspiag Services is related to the Sustainable Development Goals, reflecting the company involvement in a responsible sustainable development company. In particular the present example outline a great level of integration of all the IR elements and capitals.

# 3. Outlook example

## New openings and renovations



Aspiag Service will continue seizing opportunities to expand, even though its presence is already widespread in the Triveneto area and growing in Emilia Romagna, through new openings as well as improvements, renovations, and acquisitions.

One of the main growth projects consists in extending the new Interspar format introduced with the store in Carpi: the rollout is set to continue with the one

in Casier (province of Treviso). In 2020, the Company plans to open 7 stores in the Triveneto regions as well as in Emilia Romagna, focusing especially on smaller towns and the rehabilitation of degraded sites—including the area of the former Maddalena in Trieste, where the abandoned psychiatric hospital will be replaced by a Eurospar.

In this case, information about future plans on new shops for the future. In addition, and most important, the organizations relates its objective to the SDGs and to the capitals which shows an high degree of integration.

## 4. Test questions



Q1. What is the main purpose of the Outlook section in an integrated report?

- A. Explaining how the resources are allocated and used in the enterprise
- B. Informing stakeholders about possible future scenarios
- C. Clarifying how an SME intends to avoid future risks
- D. Defining what are the interrelations between Six Capitals



The main purpose is to provide to stakeholder an overview of the future of the organization. In this perspective, the Outlook section is quite relevant. It is noteworthy to mention that the information included in this section represent supposition by the organization on what the future will be based on their knowledge of the sector and on the environment in which it operates.

# Glossary

**Outlook** – A set of conditions that will probably exist in the future. The challenges and uncertainties an SME is likely to encounter in pursuing its strategy. The potential implications of these conditions for SME's business model and future performance.



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