

# FiREapps Q2 2017 Currency Impact Report: A Survey of North American & European Corporate Earnings



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Each quarter, FiREapps analyzes the earnings calls of 1,200 publicly traded North American and European companies as part of their continued effort to provide insight into how currency impacts organizations. The companies included in this data set are large multinational firms doing business in more than one currency with at least 15 percent of their revenue coming from overseas.

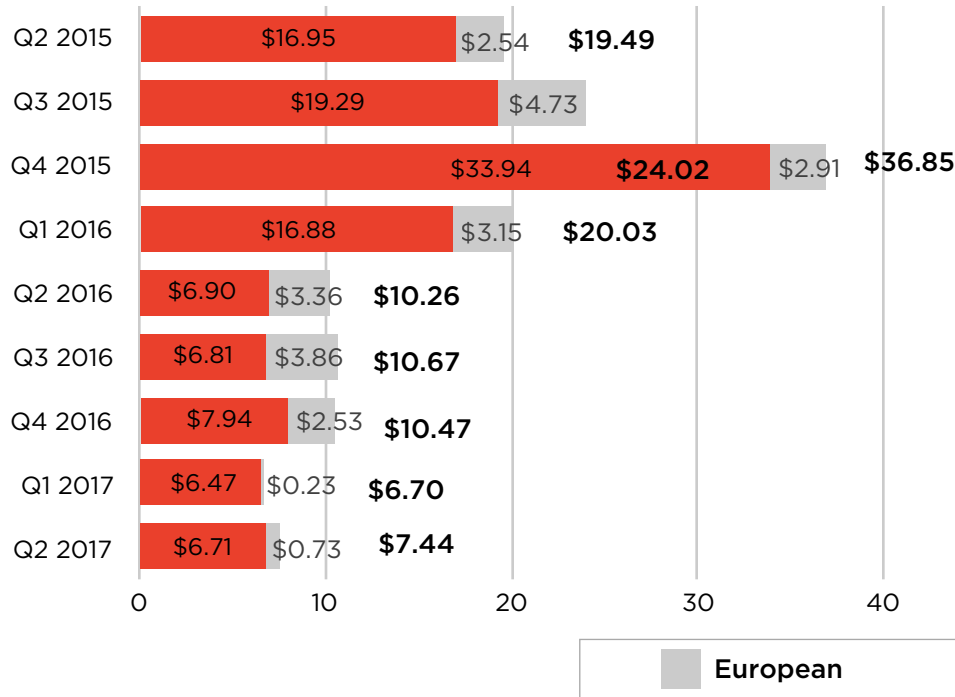


# Section 1

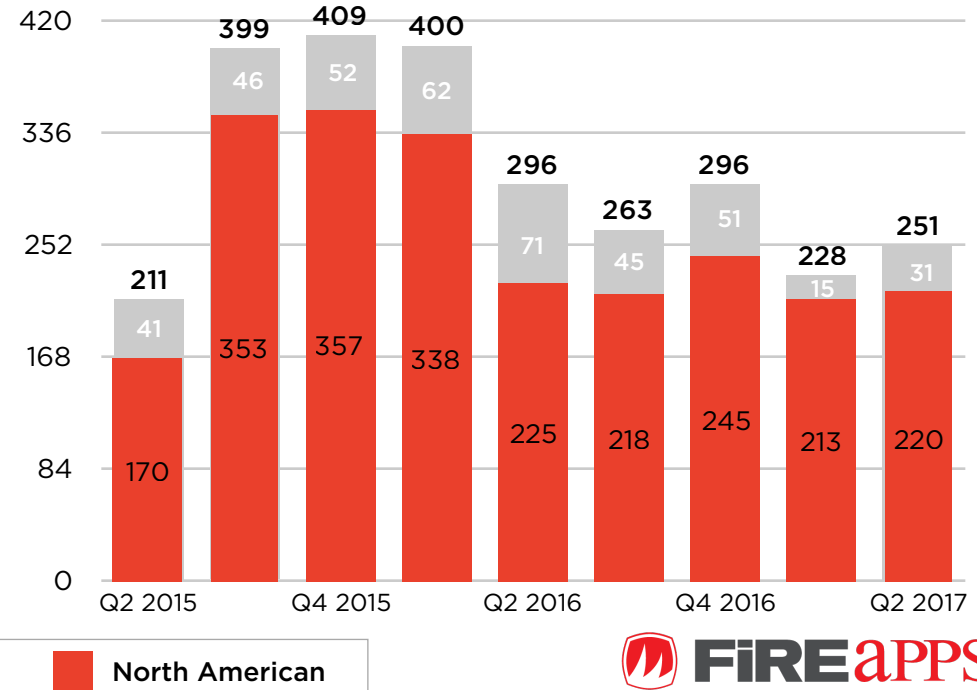
## Currency Impact on North American & European Corporate Earnings in Q2 2017 - Research Highlights



**Size of Negative Currency Impact Quantified by North American & European Companies (Billions)**



**Number of North American & European Companies Reporting Negative Currency Impact**



**Q2 2017 Shows Increase in Volatility and FX Impacts**

In an up-tick from the trend of decreasing volatility and negative FX impacts over the previous five quarters, Q2 2017 has shown an increase in negative impact by \$740 million, with North American and European corporates quantifying a total negative impact of \$7.44 billion.

A total of 251 companies – 220 in North America and 31 in Europe – reported negative currency impacts in Q2 2017, as compared to 228 in Q1 2017. Of the companies quantifying, North American corporations sustained \$6.71 billion in negative impacts and European corporations sustained nearly \$730 million in FX impacts.

More companies are reporting negative currency impacts this quarter than in Q1 2017 as corporates tend to pay closer attention to their FX impacts as they sustain larger losses.

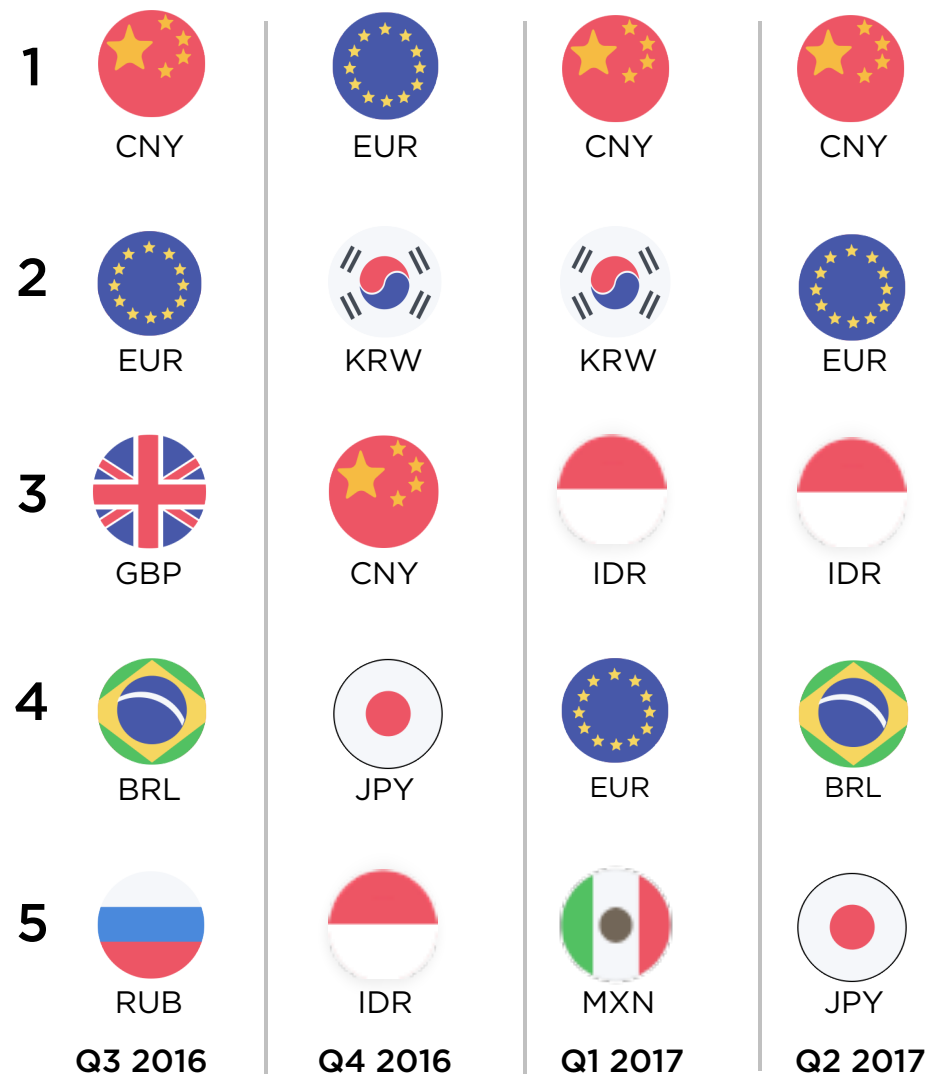
Additionally, the average earnings per share (EPS) impact reported by North American companies increased to \$0.04 - four times the industry standard of managing EPS at risk to less than \$0.01.

Both North American and European corporates reporting impact saw an increase in analyst questions. In Q2 2017 earnings calls, 40 percent of European corporates fielded analyst questions, as compared to only 14 percent in the previous quarter. This quarter, 25 percent of North American companies fielded analyst questions, up from 16 percent in Q1 2017. This increase demonstrates the continued importance for corporates to understand their FX risk and exposures so that they are not only prepared for analyst questions, but so they can work to better manage their risk and avoid negative FX impacts as well.

### Top 5 Most Volatile G20 Currencies



### Top 5 Most Volatile Currencies as Weighted by GDP %



### Recent Currency Crises

*Currency Cycles are Measured in Quarters, Not Years*

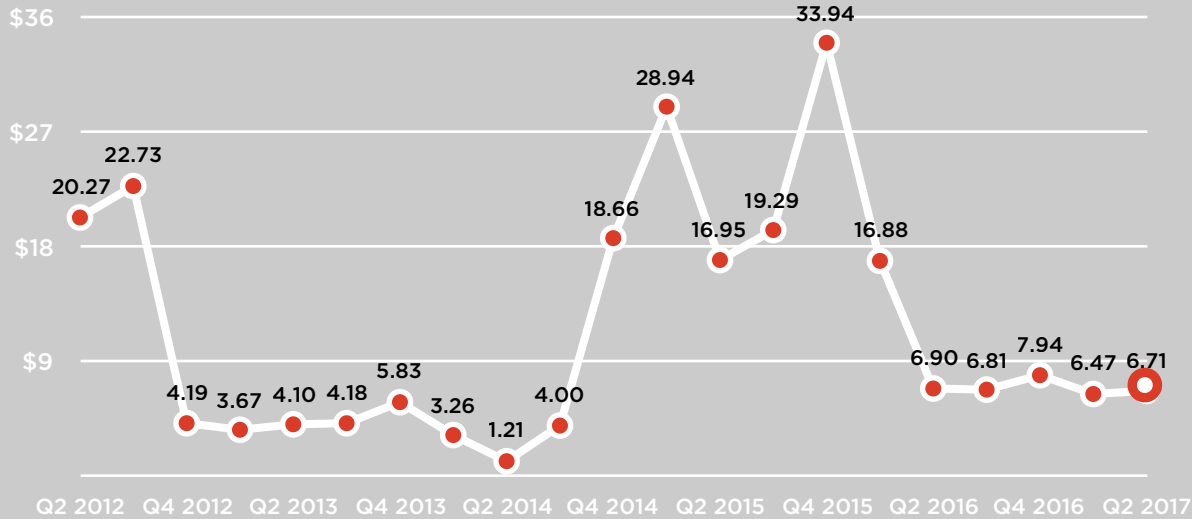
Crisis Quarter	Currency	Crisis Quarter	Currency	Crisis Quarter	Currency	Crisis Quarter	Currency
Q3 2012	EUR	Q2 2014	EUR	Q3 2015	CNY	Q2 2016	GBP
Q4 2012	JPY	Q4 2014	RUB	Q3 2015	BRL	Q4 2016	MXN
Q1 2013	VEF	Q1 2015	CHF	Q4 2015	ARS	Q2 2017	BRL
Q1 2014	Emerging Markets	Q1 2015	EUR	Q1 2016	JPY		

## Section 2

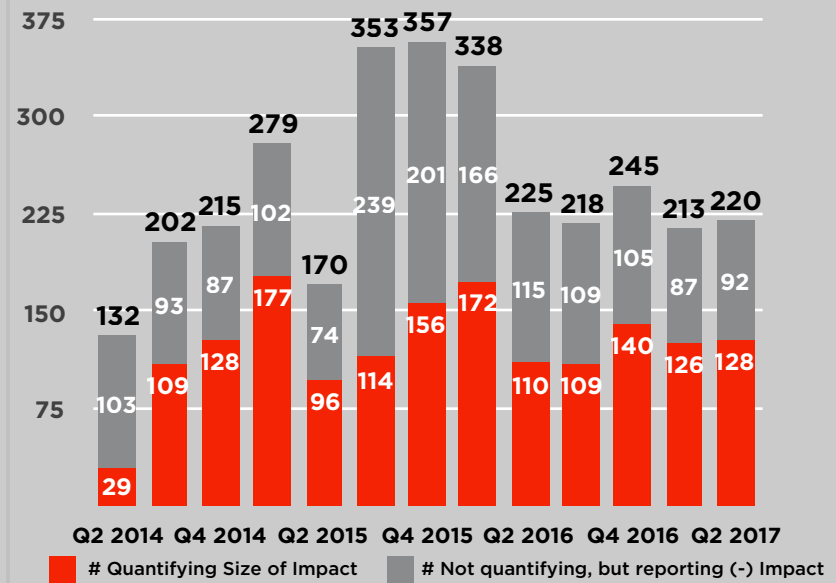
# Details of Currency Impact on North American Corporate Earnings



North American Negative Currency Impacts by Quarter (Billions)



# of North American Companies Quantifying & Reporting Negative Currency Impacts by Quarter



### Currency Impact on North American Corporate Earnings

Of the 850 North American-based multinational corporates that FiREapps analyzed in the second quarter of 2017, 220 reported negative currency impacts — 3.3 percent more than the number of companies that reported in Q1 2017.

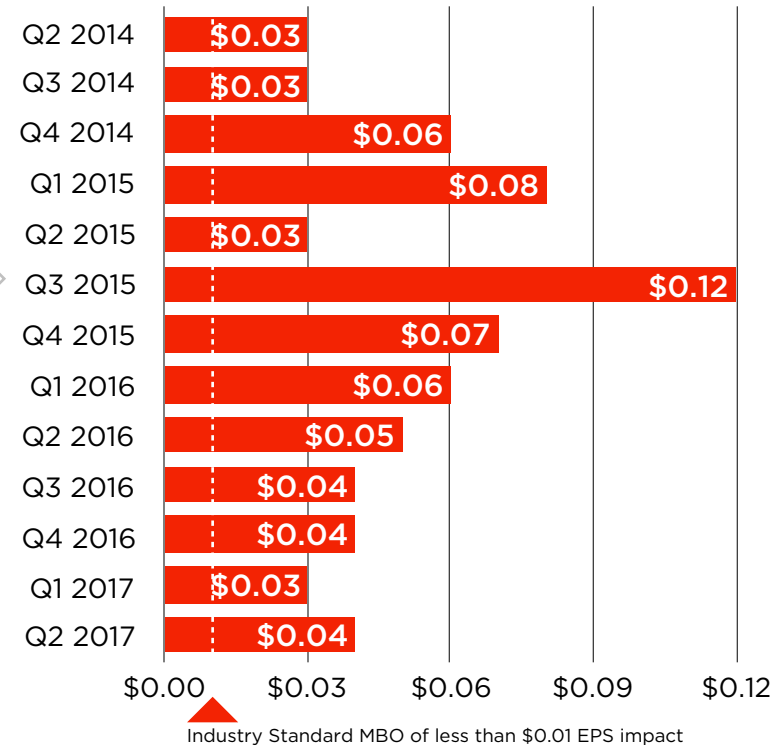
26 percent of the 220 companies that reported headwinds in Q2 2017 reported a negative impact from currency.

A collective \$6.71 billion loss was reported by North American corporates that quantified their negative FX impacts.

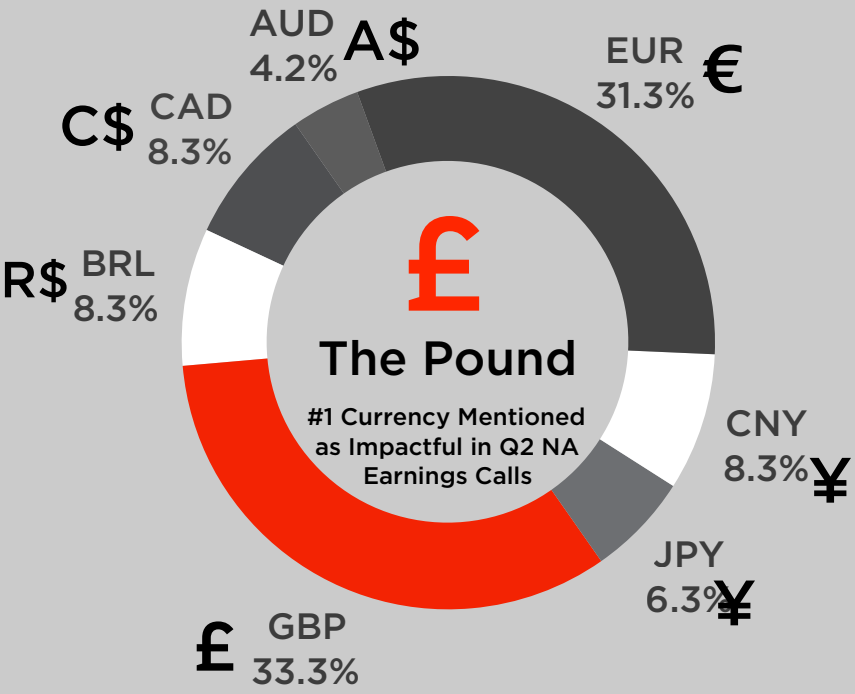
North American corporations reported an average \$0.04 earnings per share (EPS) impact due to currency fluctuations, four times the industry standard of managing EPS at risk to less than \$0.01.

*<sup>1</sup>Impacts are likely to be underestimates: most companies with currency headwinds generally do not report them and only 58 percent of the corporates that reported negative impacts actually quantified their losses.*

Average EPS Impact Reported by North American Corporates



# Top 5 Currencies Most Referenced By North American Corporates as Impactful in Q2 2017



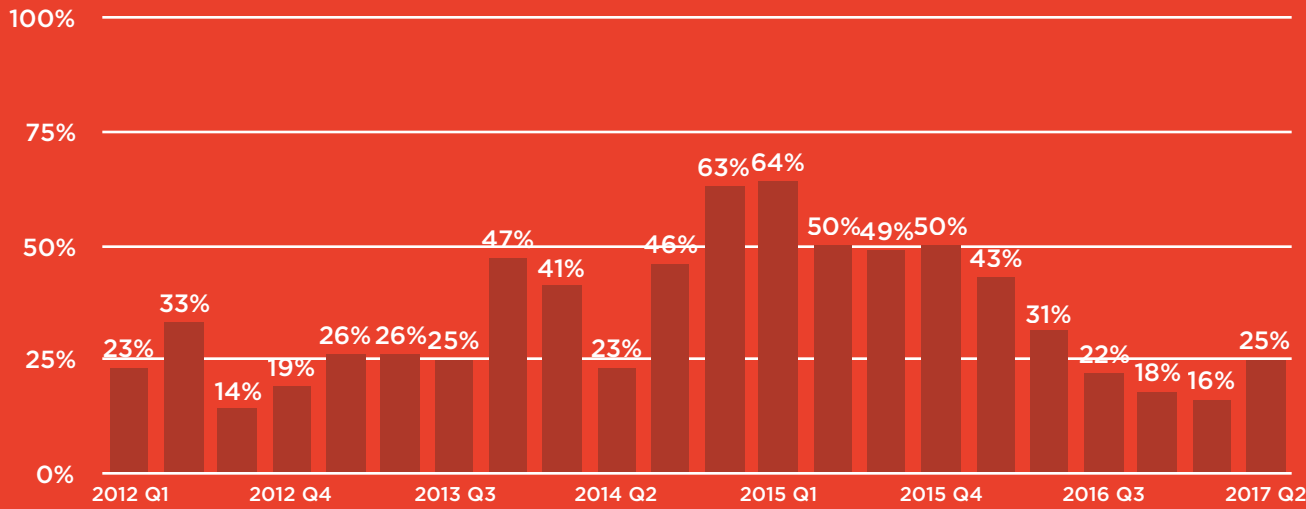
The British pound and the euro were the most referenced currencies in earnings calls as being impactful to North American corporates. Although the British pound was referenced more often, it was not one of the most volatile G20 currencies or one of the most volatile currencies as weighted by GDP percentage.

The Chinese renminbi, Brazilian real and Canadian dollar tied as the third most impactful currencies, followed by the Japanese yen and lastly the Aussie dollar. The Canadian dollar and the Aussie dollar were also not included in the top five most volatile currencies, highlighting how important it is for corporations to manage their entire portfolio of currencies, as the currencies that are the most volatile might not always be the most impactful.

# Top 5 Currencies Referenced By North American Corporates as Impactful by Quarter (# of North American Companies Mentioning Each)

Rank	Q3 2016	Q4 2016	Q1 2017	Q2 2017
1	GBP (28)	GBP (13)	EUR (20)	GBP (16)
2	JPY (8)	EUR (12)	GBP (15)	EUR (15)
3	EUR (6)	JPY (7)	JPY (7)	BRL (4) CNY (4) CAD (4)
4	CNY (3) BRL (3) AUD (3)	CNY (5)	CNY (5)	JPY (3)
5	CAD (2)	BRL (3) CAD (3)	BRL (4) CAD (4)	AUD (2)

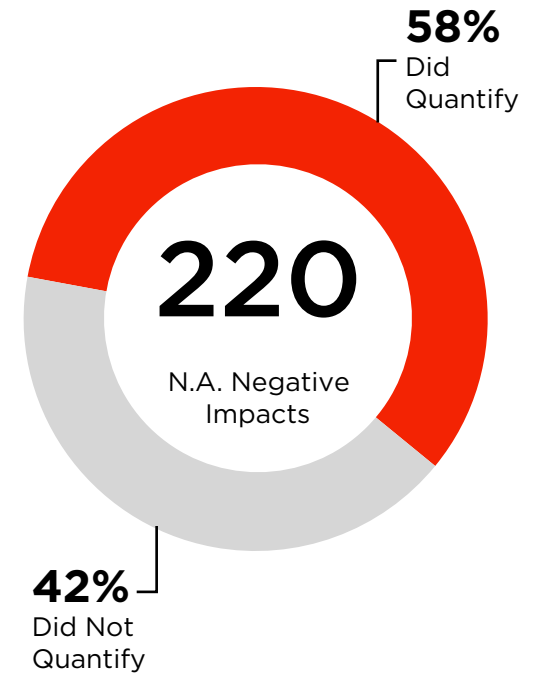
## % North American Corporates Reporting Impact (+ or -) Who Fielded Analyst Questions



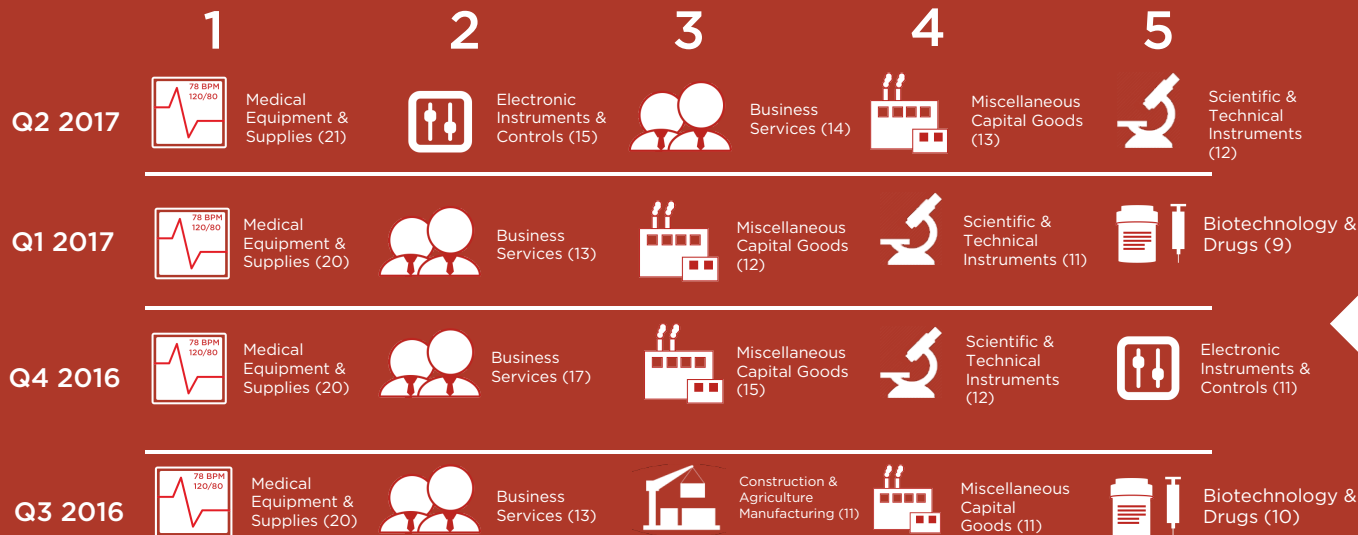
### Analyst Questions to North American Corporates

An increase from the previous three quarters, 25 percent of corporates reporting negative FX impacts fielded analyst questions during earnings calls in the second quarter of 2017.

## % Quantified of All Reported (-) North American Impacts



### The Most Impacted North American Industries



- › The Medical Equipment & Supplies industry continued to be the leading North American industry facing FX impacts.
- › Electronic Instruments & Controls, which did not top the list last year, was the second most impacted North American industry.
- › The Business Services, Miscellaneous Capital Goods and Scientific & Technical Instruments industries collectively made the list as some of the most impacted industries for the third quarter in a row.



## Recap: Currency Impact on Q2 2017 North American Corporate Earnings

- 220 companies reported negative currency impacts — 3.3 percent more than in Q1 2017.
- Companies that quantified their FX impacts reported a collective \$6.7 billion in losses - 3.7 percent higher than the negative impact reported for Q1 2017.
- Only 25.9 percent of North American corporates reported a currency headwind (negative impact to earnings) in Q2 2017. This is the fourth consecutive quarter that less than 30 percent of North American corporates reported headwinds.
- The average negative EPS impact was \$0.04— four times more than the industry standard to manage EPS at risk to less than \$0.01.

### Top 5 Currencies Mentioned as Impactful in Q2 North American Earnings Calls



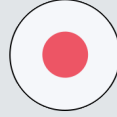
GBP (16)



EUR (15)



BRL (4) CNY (4)  
CAD (4)

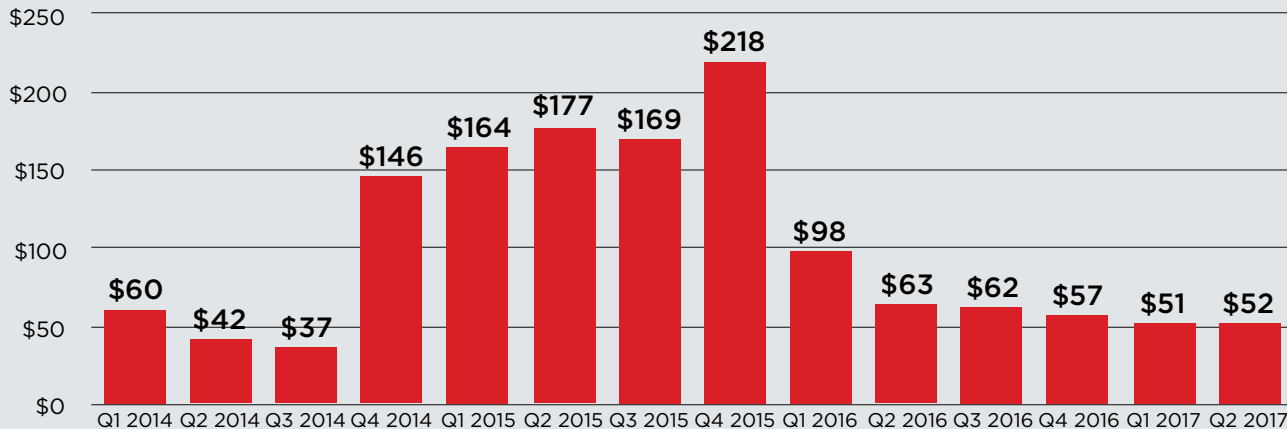


JPY (3)



AUD (2)

### Average Per Company (-) Quantified Impact Reported by North American Corporates (Millions)



Total Reported (-) Quantified Impact Among North American Corporates in Q2

**\$6.71 billion**

Total North American Corporates Reporting Negative Impact from Currency in Q2 2017

**220 Corporates**

Negative EPS Impact (Avg.) Quantified Among North American Corporates in Q2

**\$0.04**

\*\*\*Industry Standard MBO Is less than \$0.01 EPS impact

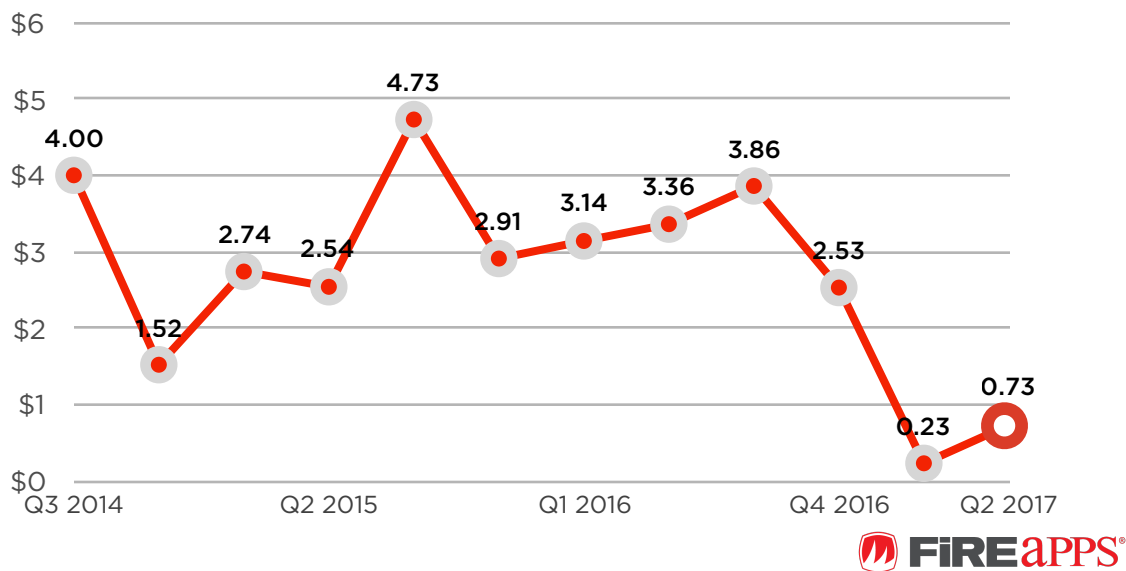


# Section 3

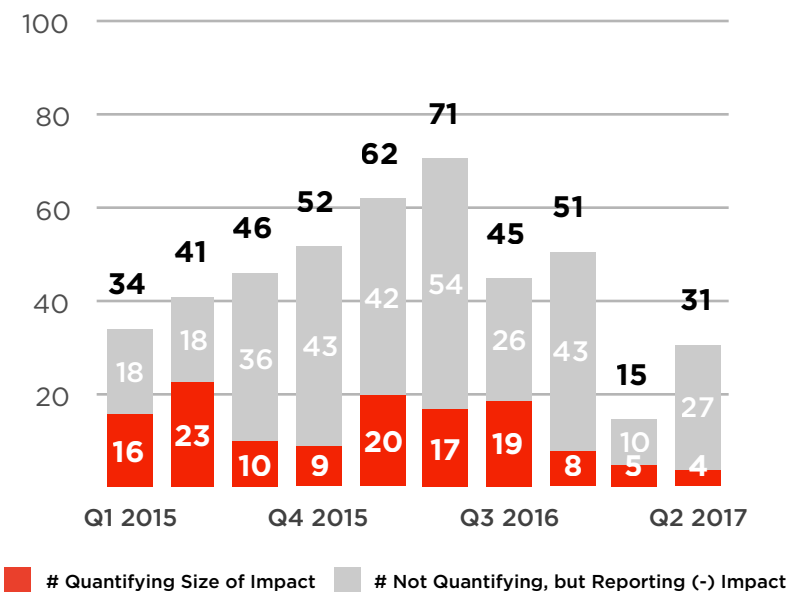
## Details of Currency Impact on European Corporate Earnings



## Negative Currency Impacts to European Corporates by Quarter (Billions)



## # of European Companies Quantifying & Reporting Negative Currency Impacts by Quarter



## Currency Impacts on European Corporate Earnings

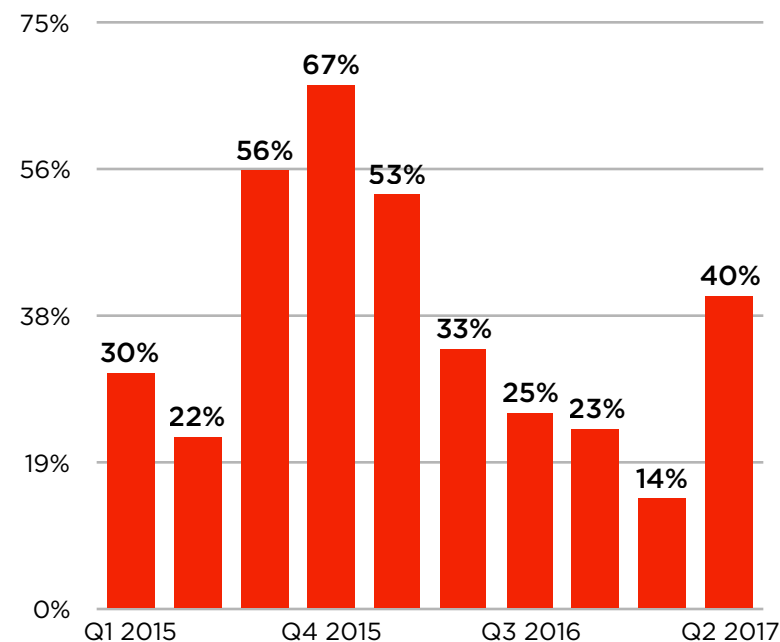
In the second quarter of 2017, 31 of the 350 Europe-based multinationals analyzed by FIREapps reported negative currency impacts to their earnings (headwinds) and 29 reported positive currency impacts (tailwinds).

Of the corporations reporting headwinds, four quantified their impacts, accounting for a collective loss of €624.9 million (\$728.7 million) due to FX.<sup>2</sup>

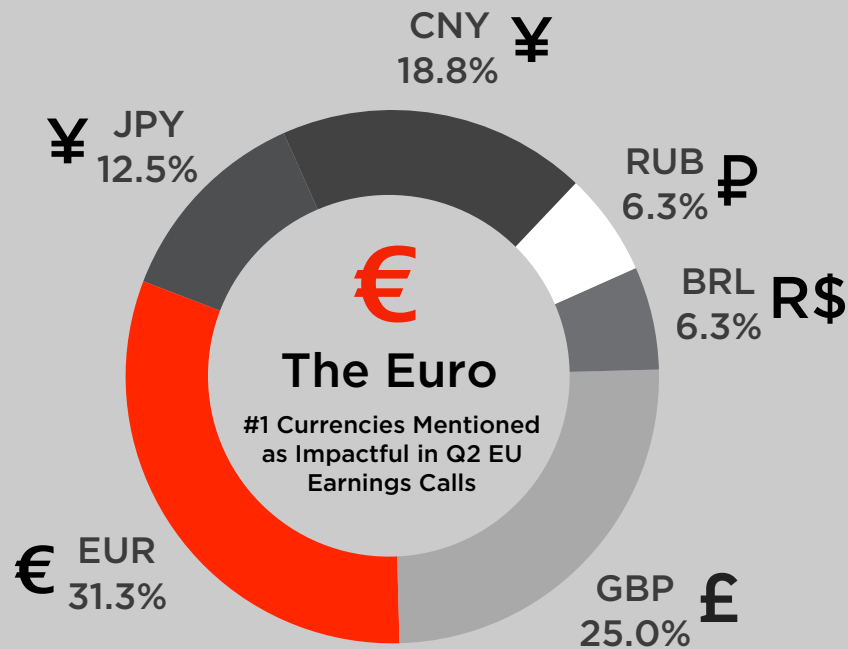
In the second quarter of 2017, 40 percent of European corporates fielded questions about currency impacts from analysts during their earnings calls after a five quarter decline from Q1 2016 to Q1 2017.

<sup>2</sup> Impacts are likely to be underestimates: most companies with currency headwinds generally do not report them.

## % European Corporates Reporting Impact (+ or -) That Fielded Analyst Questions



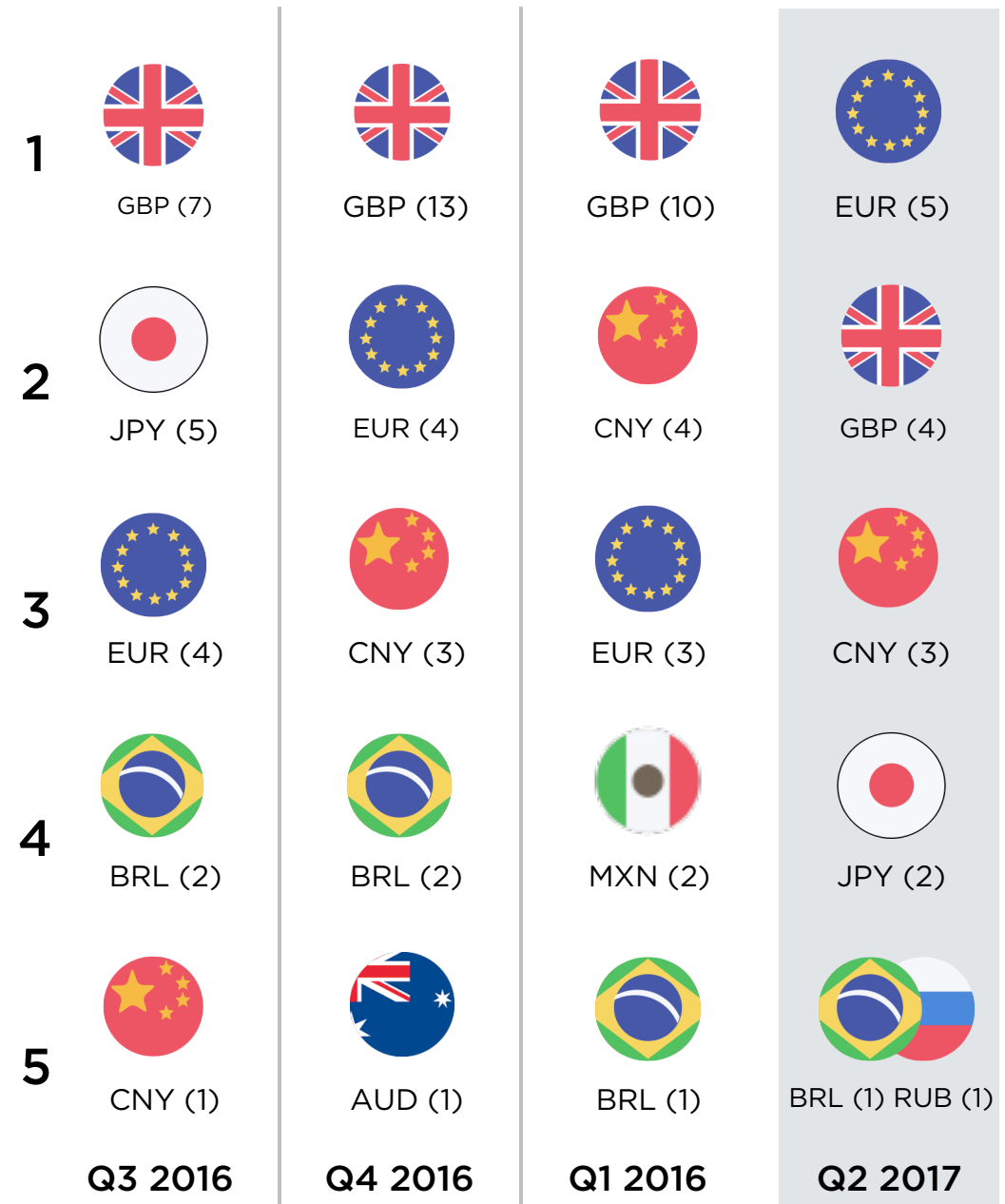
## Top 5 Currencies Most Referenced by European Corporates as Impactful in Q2 2017



For the first time since Q1 2016, the euro was most mentioned as being impactful to European corporations.

The British pound, the Japanese yen and Chinese yuan topped the list again as impactful currencies. The Russian ruble and Brazilian real also made appearances as currencies that impacted European corporates.

## Top Currencies Referenced by European Corporates as Impactful by Quarter - Last 4 (# of European Companies Mentioning Each)



## Recap: Currency Impact on Q2 2017 European Corporate Earnings

- 31 of the 350 Europe-based multinationals analyzed by FiREapps reported negative currency impacts (“headwinds”).
- Companies that quantified their FX impacts reported a collective €624.9 million (\$728.7 million) in losses, 220 percent higher than the negative impact reported for Q1 2017.
- For the first time since Q1 2016, the euro topped the list as the most talked about currency in European earnings calls.
- The Electronic Instruments & Controls industry rose to the top spot as the most impacted European industry.

### Top 5 Currencies Mentioned as Impactful in Q2 European Earnings Calls



EUR (5)



GBP (4)



CNY (3)



JPY (2)



BRL (1) RUB (1)

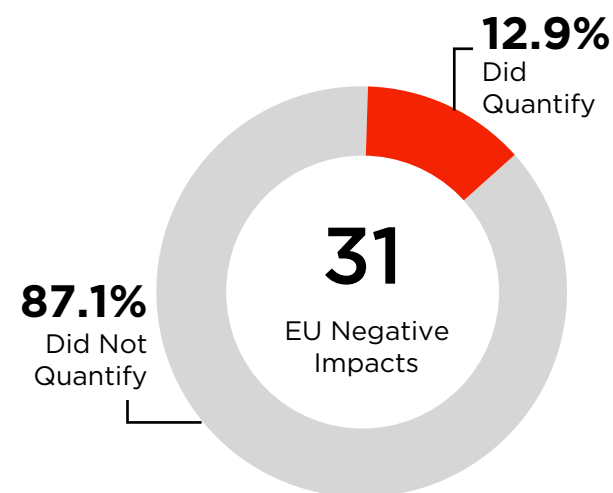
Total Reported Negative Impact Among European Corporates in Q2

**\$728.7 million**

Average Per Company Negative Impact Quantified

**\$182.2 million**

% Quantified of All Reported (-) European Impacts



### The Most Impacted European Industries

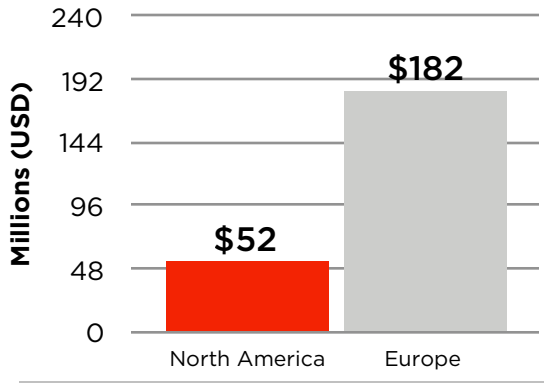


# Section 4

## Summary of Q2 2017 Currency Impact to North American and European Corporates



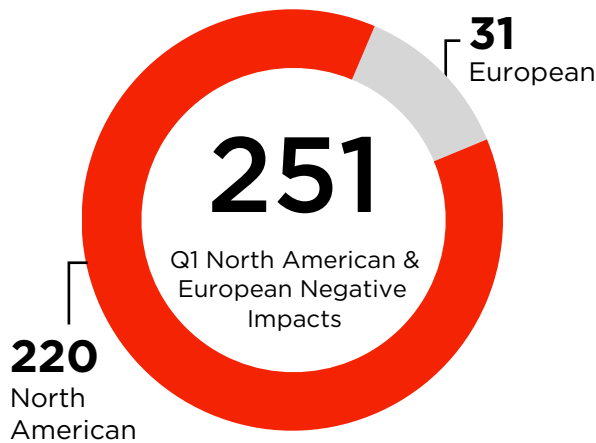
Average Per Company Quantified Negative Currency Impact in Q2 2017



## Summary: FiREapps Q2 2017 Currency Impact Report

- › The total quantified negative impact in Q2 2017 was a 11 percent greater than Q1 2017, totaling \$7.44 billion, with \$6.71 billion coming from North American corporates alone.
- › 251 North American and European corporates reported global headwinds in Q2 2017. Of those, 132 (52.6 percent) quantified their impact.
- › The pound took first place as the top currency mentioned as impactful by North American corporates, which it has done three out of the four previous quarters, and the euro topped the list for the first time since Q1 2016.
- › In Europe, the GBP was listed as one of the most impactful currencies by corporations for the eighth quarter in a row.
- › The percentage of corporates reporting a currency impact that received questions from analysts increased this quarter to 25 percent in North America and 40 percent in Europe.

Number of Companies Reporting Negative Currency Impact in Q2 2017



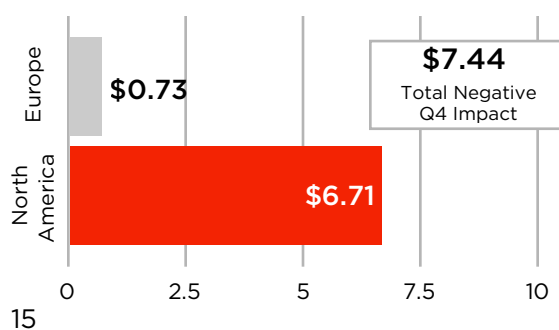
Top 5 Currencies Mentioned as Impactful in Q2 North American Earnings Calls



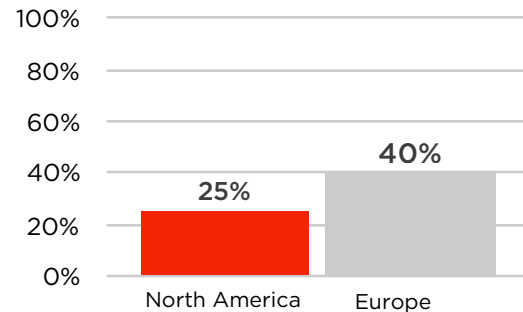
Top 5 Currencies Mentioned as Impactful in Q2 European Earnings Calls



Size of Negative Currency Impact Quantified by North American & European Companies in Q2 2017 (Billions)



% Corporates Reporting Impact (+ or -) Who Fielded Analyst Questions in Q2 2017



Top 5 Currencies Referenced as Impactful in Q2 2017 Earnings Calls

