ESMA_QA_993

Submission Date
09/11/2020

Status: Published Answer Updated

Additional Information

Level 1 Regulation
Prospectus Regulation 2017/1129

Topic
Financial reporting

Subject Matter
Identification of profit forecasts in prospectuses (Deleted 09/09/2026)

Question
Issuers sometimes make statements that can be considered profit forecasts. How can it be determined whether a profit forecast has been made? (Deleted 09/09/2026)

ESMA Answer

09-11-2020

Original language

ESMA_QA_993 is deleted - 09 September 2026

~~[ESMA31-62-1258 Prospectus Q&A 7.3]~~

~~Article 1(d) of Delegated Regulation 2019/980 states that a profit forecast means:~~

~~“a statement that expressly or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for current or future financial periods, or contains data from which a calculation of such a figure for future profits or losses can be made, even if no particular figure is mentioned and the word “profit” is not used.”~~

~~ESMA has analysed terms used in the Article to determine what can be considered a profit forecast. In this respect, where applicable, ESMA notes that this Q&A should be read in conjunction with Guidelines 10 to 13 of the Guidelines on disclosure requirements under the Prospectus Regulation (ESMA31-62-1426) which deal with the same topic.~~

~~**Wording that qualifies as a ‘profit forecast’**~~

~~An important part of the definition of ‘profit forecast’ are the terms, ‘minimum or maximum figure’. Profit forecasts refer to the issuer’s projections for future periods, where the wording, ‘either directly or indirectly’, indicates the likely minimum or maximum level of the issuer’s future profit or loss. Instead of a precise figure, a profit forecast can also refer to a range of figures particularly when a minimum or maximum figure is mentioned or implied.~~

~~Examples of profit forecasts include:~~

- ~~“We expect this year’s profits before taxes to be between €30 million and €50 million.” • “The profit / loss is expected to be in line with the previous year.”~~
- ~~“The profit / loss is expected to be higher / lower than the previous year.”~~

- “This year’s annual results will be positive / negative.”

The phrase ‘**the likely level of profits or losses’** does not only refer to the profit or loss for the year (bottom line of the profit and loss account) / (bottom line of statement of profit or loss and other comprehensive income) / net profit or loss, but also to other measures of profitability when these measures convey an expectation of a future performance. For example:

Profit forecast derived from profit and loss accounts:

- EBITDA = Earnings before Interest, Taxes, Depreciation and Amortization.
- EBIT = Earnings before Interest and Taxes (and similar measures such as Operating Profit/Earnings/Income).
- EBT = Earnings before Taxes.
- Similar and adjusted versions of the examples above (such as “Adjusted EBIT” or “Recurring net income”).

Example of a profit forecast:

“Before the estimated impact of disposals, […] current expectations for the 20XX Financial Year are Adjusted Operating Profit of around €100 million and EBITDA […] of around €160 million.”

Accounting data or financial indicators that may, on certain conditions, be considered as constituting a profit forecast

ESMA adopts a ‘substance over form’ approach concerning what financial measures may be viewed as profit forecasts for the purpose of the Prospectus Regulation. This approach is consistent with the definition of ‘profit forecast’, which includes statements that by implication indicate a minimum or maximum figure or a likely level of profits or losses, even if no particular figure is mentioned.

Examples of measures that may, on certain conditions, be considered as a profit forecast:

1. If an issuer normally communicates financial performance on Gross Profit level, or if the issuer has rigid cost structures ESMA may deem forecasted Gross Profit to be a profit forecast.

2. Projections of cash flow metrics could be deemed profit forecasts in specific instances if indications making it possible to deduce the likely profit level from it are given in the prospectus.
3. Alternative Performance Measures or Key Performance Indicators pointing into the future that are calculated (in full or in part) based on profit/loss measures. The statement '**contains data from which a calculation of such a figure for future profits and losses can be made**' clarifies that the scope of the profit forecast definition encompasses forms of words from which profits or losses can be derived, even if no particular figure is mentioned and the word 'profit' is not used. With this in mind, it follows that information may be considered a profit forecast if it is possible to calculate a figure or a minimum or a maximum for the likely levels of future profit or loss in combination with other information in the prospectus.

Examples of profit forecasts:

- "Turnover for Q4 as well as costs are expected to remain the same as last year."
- "We are expecting this year's turnover to remain the same and this year's EBITDA margin to rise by 5%."

Information does not need to relate to the entirety of the issuer's results to be a profit forecast. Where one or more segments of the issuer's business generates the majority of the issuer's profit / loss, and predictions are made about the level of the segment's profit / loss, this can also constitute a profit forecast for the issuer as a whole. Likewise, where a proposed acquisition is expected to generate the vast majority of the issuer's profit / loss, and predictions are made about the level of the target's profit / loss, that can also constitute a profit forecast for the issuer if this information is included in a prospectus

'**…expressly or by implication indicates**'- if the purpose of the wording is to provide information about expected future profit / loss for a specific financial period, it is considered a profit forecast, regardless of the verb used. Particularly if a specific figure is stated.

Examples of profit forecasts:

- "We hope to reach a profit of €10 million this year."
- "We aim to reach a profit of €10-12 million earnings before taxes next year."
- "Our target is to become profitable by the end of Q3 this year."

Long term financial objectives or forecasts

Long term financial objectives, for several future periods (aggregated or not) or for a distant future period may be considered profit forecasts depending on facts and circumstances, such as the context and the way they are presented.

Wording that is not considered to be a profit forecast

To constitute a profit forecast, a statement must be specific with respect to (i) level of profit / loss or other measure of profitability (a number / range / floor / ceiling) and (ii) a specific financial period. Profit forecasts differ from trend information required by item 10 of Annex 1 to Commission Delegated Regulation 2019/980. In practice, there is often a fine line between what constitutes a profit forecast and what constitutes trend information. A general discussion about future prospects of the issuer under trend information will not normally constitute a profit forecast.

Depending on the context and whether a profit forecast can be derived when combined with other information in the prospectus, the following are examples of disclosures that are not, by themselves, profit forecasts:

- "We expect our sales/revenue to decline to €560 million."
- "Turnover is expected to rise by 5 % compared to last year."
- "Our target is to maintain an operating margin of 7% in the medium to long term."
- "Announcement of an amount of dividend per share."
- "Description of the issuer's dividend policy."

Disclaimers

It is not possible to remove information from the scope of the definition of profit forecast by merely stating that it is not a profit forecast.

Examples:

- "No profit forecast or estimate is included in this prospectus."
- "Nothing in this document is intended to be, nor should be construed as a profit forecast."
- "The foregoing statement should not be interpreted to mean X's future earnings per share will necessarily be the same or greater than its historic earnings per share."

~~Identification of profit/loss forecasts in the prospectus~~

~~Profit forecasts and related assumptions should be clearly identified in the prospectus as such. It is important for the investor to be able to easily differentiate between a “profit/loss forecast” and other information, such as “objectives” or “trend information”.~~