



INSIGHTS

IR for Growing Companies

April 2020

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As the world navigates through this unprecedented time, the obligations of being a public company march on: investors must communicate with management teams, material developments must be announced and the quarterly reporting cycle continues to come right on time.

There is an old adage in the investor relations field that “there is nothing investors hate more than uncertainty.” For most management and investor relations teams, our best instinct during this pandemic is to minimize or even eliminate uncertainty. While we can’t fully dispel the uncertainties associated with the ongoing situation, there are ways to provide the fullest possible picture to your investors, maintain or even enhance credibility, and ensure the best shareholder base.

On the following pages, we provide real-time advice and strategies on how to execute the best investor relations strategy during COVID-19.

Navigating Earnings Call Season in the Time of COVID-19

by Jen Belodeau
Vice President

As we enter earnings season, it's an understatement to note that we are in uncharted territory when it comes to the environment in which public companies will begin to report their quarterly results. With that in mind, here are specific considerations to help you deliver an effective update to investors and analysts:



- **Address the COVID-19 pandemic and any effect to your business at the top of the call**

so that investors understand how the business has been impacted and how you are responding. Topics include: essential operations up and running vs. locations temporarily closed; precautions taken to protect employees, partners and customers; any activities undertaken to help mitigate the COVID-19 impact to your community or the nation; eligibility for federal stimulus money.

- **“Pre-COVID” results aren’t as relevant as providing a clear update on what you are currently seeing and experiencing in the marketplace.**

Results for the quarter ended March 31 likely include certain trends related to the pandemic, which can be useful indicators as investors evaluate the business moving forward. Importantly, you should also provide real-time color on market and end-customer behaviors. While this information will be more qualitative, it will provide investors as much information as possible so that they may make an informed judgement on what the coming months may look like.

- **Focus on the controllable aspects of your business.** In a macro environment where so much is the “new normal”, reiterating elements of your business that are consistent, within your control, and business as usual, will go a long way to enhance shareholder confidence.
- **Thoroughly discuss the strength (or potential vulnerabilities) of your balance sheet.** Investors will naturally be reassured by liquidity and attractive leverage scenarios. If those are not traits you can highlight, provide details around your strategy for navigating this temporary situation should your balance sheet be less than optimal.
- **Don’t “over” guide.** While Wall Street typically places a premium on guidance information, the level of uncertainty that has been generated by the current worldwide situation has made even the keenest financial professionals a lot more understanding when it comes to the visibility of public companies. It’s important to convey what you’re currently seeing and, within reason, to communicate how you expect your business to respond. But for the time being, companies are **not being penalized for taking a step back from detailed, long-term guidance.**

- **Build in more time when arranging your earnings call.** From a logistics standpoint, work with your conference call and webcast vendor to ensure that they can accommodate potentially higher participant levels than a “normal” quarterly call and make sure you provide enough lead time for call and webcast set-up. Most teleconference providers have staff working from home, and they are fielding requests from a higher volume of companies looking to host conference calls.

Earnings calls are always a great touchpoint with investors, and with conferences and NDRs on hold for the foreseeable future, these calls now serve even greater importance in your communications with shareholders, analysts and potential shareholders. *

...FROM DOZENS OF VIRTUAL INVESTOR MEETINGS

- Sometimes good communications is not about having all the answers.
 - Investors are universally asking about three things: balance sheet/liquidity, supply chain and business continuity. These boxes need to be checked and a company and its IR team should help them as best they can.
- Once comfortable that management is controlling what they can control, investors are staying surprisingly focused on the long term investment thesis.
- Investors want to hear from their portfolio companies. They are being respectful of management's time – short calls are absolutely sufficient.
- Most calls ended with a similar spirit of "We are in this together. Thanks for touching base."

LESSONS LEARNED



COVID-19 ERA HAS INVESTORS REVISTING THEIR WATCH LIST

In uncertain times, public companies typically focus on communicating with their existing shareholders to provide reassurance and transparency while moving through a crisis.

With the ongoing COVID-19 pandemic, some companies have chosen to pull back from proactively reaching out to new investors under the assumption that Wall Street is not interested in new investments given the current environment.

Not True...

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With the recent market volatility related to this worldwide crisis, certain investors are actively looking for new investments, and revisiting ideas on “watch lists” to determine if now is the right time to invest given adjusted valuations.

At IMS, we have continued our investor outreach efforts on behalf of clients and we are finding that many investors are welcoming contact from issuers and the sell side, especially around companies who are either isolated from, or who are seeing new opportunities related to the impact of COVID-19.

A foundational tenet of effective investor relations is to maintain a broad base of investor contacts who are 1) educated about your business and 2) able to acquire shares expeditiously. Of course uncertain times can cause concern, but they can also open up opportunities to establish new relationships. IMS has seen considerable new investor interest during the COVID-19 epidemic for certain clients. By keeping the lines of communication open, those clients have the opportunity to move off of the watch list and add new, long-term investors to their shareholder base.





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DESIGN - IR'S SURPRISE SECRET WEAPON (NOW MORE THAN EVER)

Design -- not a word which gets thrown around much at investor meetings. In business and Wall Street circles, design is frequently perceived as an important element for a Company's products and services, yet one with only a tangential relationship to share price performance.

However, strong branding matters throughout your organization and a company's investor communications should reflect this overall design prioritization.

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This isn't just my opinion..

In 2018, McKinsey produced a study that demonstrated a strong correlation between companies who prioritized design with superior business performance. The study found that companies who prioritized design across the organization increased their revenues and total returns to shareholders substantially faster than their industry counterparts. Over a five-year period, the design-focused companies realized 32% higher growth and 56% higher growth in total return to shareholders. Wow.

At IMS, we urge clients to seriously consider the design importance of investor website pages, presentations, and materials submitted for virtual or in-person conferences, because securing new investors and analysts is a competitive endeavor and, as a wise man once said "you don't get a second chance to make a first impression."

Given the proliferation of impactful and intuitive branding in digitally driven consumer businesses especially, investors – particularly younger ones – are simply less tolerant of poor design. A fuzzy logo or crowded, text-heavy slides don't represent a business well. No matter how well your company is run or how good your company's story is, if your presentation doesn't reflect the same sharp attention to design reflected in your products and services, investors will walk away nonplussed and move on to the next investment candidate.

Bottom line: Effective design of your investor relations materials can attract investors, help keep investors and can contribute to a higher valuation.



Our clients trust us for high impact solutions for all of their IR and financial communications needs, and value our expertise when navigating the complex issues associated with being public.

Let us know if we can help you.

WE DON'T JUST ADVISE.
WE DO.



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