



IHS Markit Perspectives IX (October 2nd, 2020)

Roadmap for IR beyond COVID-19

IHS Markit's Perception Analytics team engages in in-depth discussions with investors and analysts daily. In light of market volatility and economic uncertainty, IHS Markit is speaking to investors and analysts on a regular basis to assess how the current situation with COVID-19 is impacting their evaluations of and engagement with corporate issuers.

As many Investor Relations teams plan for 2021 with the hopes of a recovery and return to stability, we ask investors and analysts for their advice on how IR should navigate the 'new normal.'

Companies should adopt a hybrid approach to online/offline engagement by continuing virtual meetings that maximize time and cost efficiency, while also weighing in-person options for events where face-to-face interaction is invaluable

- **“One of my biggest takeaways from this whole pandemic is the ease of virtual calls and meetings.** Companies can maximize the times of both executives and investors by offering virtual formats for engagement. To the extent that we can continue to leverage that would be great. More virtual engagement should be focused on going forward because it has been effective enough. Travel is not necessary anymore.” *Portfolio manager, US investment manager (>\$4B EAUM)*
- “I think that we have all proved to ourselves that this nature of digital communication and online interaction works very effectively. Therefore, I would not be encouraging IR teams to be in a rush to get back to these mega-attended conferences with small rooms and management teams doing 50 meetings with 20 participants in each meeting. I have found that a Zoom conference or participating in a large-group event online has been much easier logistically and it has been much more free flowing. Thus, I would not be in a rush to get back to the offline experience. You obviously cannot substitute a face-to-face meeting, so I would not want to do it online all of the time. **But if IR teams replace one third of their pre-COVID-19 offline events with online meetings, that would be a win.**” *Portfolio manager, UK investment manager (>\$3B EAUM)*
- **“Investor Days will be more difficult to do virtually because there is a ‘touch and feel’ aspect to some of them which is hard to replicate.** If your Investor Day is just five people speaking on a stage, it could be done virtually especially if there are no product demos. But aside from that, if we were previously able to spend an hour or two with a management team in their offices, it could now just be on the phone or via video calls. This is easy because you do not have

to get on a plane and video conferences can be used for one-on-one interactions or small group meetings. The technology exists to do this.” *Analyst, US hedge fund (>\$20B EAUM)*

- “If IR teams continue to engage in digitized forms of communication, that would be great. I do not think that anything can replace face-to-face meetings because there is body language that you are able to read. But currently, the only way to engage people is through video calls which should be continued until it is safe to revert back to traditional forms of communication. **I do not think that it is mutually exclusive, it can be done simultaneously.**” *Analyst, US investment manager*
- “All of our communication with companies has been virtual at the moment, which works slightly better than expected and certainly better than nothing. This is the best we can do at the time, but I hope we go back to a world where there are face-to-face interactions because people do miss out on important information by not interacting in person. My hope is that we get back to face-to-face interactions, but we have to do what is safe if there is another spike in cases in the fall or winter. **In a normal environment, companies can do a mix of both virtual and in-person interaction. With conferences and Analyst Days, there would be a webcasted presentation and then we would engage in person.** You could not just skip the presentation and engage virtually. At the moment, everyone is in the same boat and getting the same treatment, but there will be ways of going beyond just webcasting the presentation towards virtual Q&A events as well. Pepsi and a couple other companies recorded their management discussion and released it on YouTube at 6:30 AM on the day of their results, and then did a Q&A session with analysts at 8:30 AM. That allowed analysts to have more time to question management and watch the discussion at the same time.” *Analyst, UK investment manager (>\$101B EAUM)*
- “If I was a company, **I would not be arranging any big Investor Days. These large events do not seem to work as well over video because you just do not get the interaction that you normally get.** It just becomes a one-way presentation and the Q&A is quite difficult to do.” *Portfolio manager, UK investment manager (>\$19B EAUM)*
- “I think what the current pandemic has shown is that the technology exists that allows a lot of interaction via the internet. That creates an opportunity in itself. I think that it gives the IR teams the ability to increase interaction with investors. They perhaps could move away from traditional conference and seasonal roadshows with the possibility to allow for more interaction with investors and senior management without having to go through the hassle of taking senior management out on the road which is always a big consideration when it comes to organizing roadshows. Particularly when taking C-Suite people out of office, to put them on the road for two weeks globally is quite a big ask. Therefore, if companies can arrange a one- or two-day virtual event it will be an efficient way of providing contact, without the hassle of travel. I think **in a world with MiFID II, the traditional broker organized roadshows or conference can create complications**, because if we do not have a relationship with the broker, we cannot set up meetings. Again, **technology provides more scope to keep in touch with investors without having to go through that hassle.** Conferences can be a very efficient way of seeing lots of companies in one place. However, there is scope for more of a mix, perhaps companies doing one or two road shows a year and combining that with virtual events.” *Portfolio manager, Asian investment manager (\$22B EAUM)*

To a greater extent than ever, IR is considered a strategic tool in the COVID-19 environment, wherein the effectiveness of managing investor relationships can be a competitive advantage or disadvantage.

IR should be involved with the C-suite's long-term strategy discussions, understand the bear/bull scenarios for the business environment, and manage the market's expectations accordingly. Transparency, timeliness, and foresight are important attributes for IR when emerging from crises.

- **“It becomes much more important to have a good IR department and IR strategy in times like this because there is a lot more handholding needed for investors.** There has been a huge shock to financial markets as well as everything else in the world. Investors are unsure of what the path forward looks like, and management teams are getting a lot more data than we are. Even though Coca-Cola pulled its guidance, it is very good with IR outreach, constantly being available to answer questions, and regularly updating the market through communication. Its IR team tells us what they are seeing at the moment, what they expect to see, and that they will update us every step of the way because they do not know how things will play out. As a result of this, I feel confident that I know what the state of the business is right then and there and have the most up-to-date information about what management is thinking about. **Companies must move from crisis management mode to really looking at what the next few years look like.** We are not there yet, so I would be skeptical if companies came out now and gave a 5-year strategy. Our internal research team do best when we have a good level of dialogue with companies and are able to understand what is going on based on current market information. **Good IR, especially through COVID-19, can definitely impact the multiples that companies trade on.”** *Analyst, UK investment manager (>\$101B EAUM)*
- **“A lot of emphasis early in the pandemic was about balance sheets, liquidity, and access to government funding. Companies still need to keep the market updated on any changes that may be happening there. The thing that I anticipate being quite important over the next quarter or two is whether companies need to make structural changes to the cost base.** Do companies need to reexamine the portfolio businesses that they own in light of this changed world to consider whether or not it is appropriate to get rid of some other businesses? What is important for management teams in an environment like this is that they try take advantage of it as best as they can and come out the other side stronger than before strategically.” *Portfolio manager, UK investment manager (\$25B EAUM)*
- **“There needs to be some impact mapping to help investors understand what happened during lockdowns. IR teams need to be transparent on what the company may have missed in terms of KPIs, and how the company plans to catch up on those misses. Investors will give a premium and appreciate companies that can be transparent and honest about those things.** In terms of the communication of this, doing an Investor Day after lockdown may have limited participation so that could be something planned for 12 months from now because despite easing of lockdowns, people are still quite cautious about being outside. The communication of the COVID-19 impact mapping could be included in regular quarterly company disclosures as part of the regular analyst presentations.” *Analyst, Asian investment manager*

- “Events should be interesting and informative. **IR teams should tell me something that I do not know** or something where you say ‘Oh wow, that is really interesting. I did not know that is how that worked or that is what the future is going to do.’ **There could be a role, even if it is virtual, where a company gives a quick update on world.** It should not be 3 or 4 hours where every EVP of the business speaks for 20 minutes. It should be 10 slides where one person speaks for 30 minutes and then there is 30 minutes of Q&A. Companies should try to keep biases out of it and separate facts from opinions.” *Portfolio manager, US investment manager (>\$52B EAUM)*
- “**The smart thing to do would be able to talk about where things are as a percentage of normal by geography and why. If I were an IR person, I would be keeping a sharp eye on that for my business, but I would also want to manage expectations around that.** This is especially the case depending on the sector as the stock market is pricing some businesses to fully bounce back or even be better than pre- COVID-19, whereas other businesses are being written off as never bouncing back which is probably too negative of a view. So, the big question is, where are we? Is it a W, U, or other kind of recovery? Helping people understand that is important and question number one for everybody.” *Portfolio manager, US investment manager (>\$8B EAUM)*

Capitalizing on the benefits of virtual engagement, IR should sustain the increased level of visibility, accessibility, and proactiveness that investors and analysts have come to value in 2020

- “Companies need to be as visible as possible. **Investors have accepted uncertainty but they are not very forgiving when companies have no comments or no guidance.** Investors would like management’s best estimates and this can be stated in ranges. What is very frustrating is when management teams say, ‘It is too uncertain’ or ‘There are too many variables’ and then not put out guidance because what hope do we have? Management and IR need to be as clear and as open as possible. They should not hide away with their messaging to the market and try to answer as many questions as you can. Companies must focus on the long-term and ensure that the business will be around for the long-term.” *Analyst, UK investment manager (>\$52B EAUM)*
- “In terms of the frequency of virtual engagement, **I want as much corporate access as I can get.** Whether or not the company uses IR instead of management, that depends on who the IR and management teams are. Some companies rely heavily on an IR team and then senior management will do a handful of events every year, either conferences or what used to be headquarter visits.” *Analyst, US sell-side firm*
- “**IR teams should keep their communication lines open as much as possible.** For the companies who are doing a good job with it so far, have not been changing the way they are carrying out IR. This means being open, accessible and, consistent.” *Analyst, Asian sell-side firm*