

NAVIGATING COVID-19: CONTROLLING YOUR FINANCIAL STORY THIS EARNINGS SEASON

COVID-19 has fundamentally shifted the ways in which we live and do business, and it will continue to do so for the foreseeable future. Despite the U.S. government's efforts to support the economy through its largest stimulus package in history, persistent market volatility and economic uncertainties remain and continue to send the U.S. financial market into bear market territory. Last week, in just one day, the Dow Jones Industrial saw a 13 percent drop – its single biggest drop ever.

It is apparent the investment community has priced in a meaningful impact as a result of COVID-19. While many companies have preempted the market by forgoing full year guidance and taking decisive actions to shore up capital and forgo dividends, investors are still bracing for several unknowns and additional updates from management teams in the coming weeks and months as corporates announce first quarter results.

As we enter the first quarter earnings cycle, there is no doubt we are entering a different type of reporting season that will require new considerations. This quarter, it is not just a quarterly balance sheet update. Across sectors, there will continue to be a significant focus on three core areas, including: (1) the current liquidity position, (2) operations under current conditions and future yield trends, and (3) the pathway to recovery that is consistent with broader sentiment of putting health and safety first.

Management teams must go beyond the numbers and lean into their humanitarian response efforts in protecting the health and well-being of their employees and customers, as well as their societal contribution during this time of crisis. It is imperative for corporates to clearly articulate how they are protecting their brand equity and valuation for the post-pandemic world, while also conveying empathy for those impacted from layoffs and furloughs. Importantly, companies must provide updates on any material changes as it relates to the way companies are doing business, such as fundamental changes in operations and safety protocols.

As the unprecedented disruption of the COVID-19 pandemic continues, companies must quickly pivot their financial communications approach to keep their content relevant, visible, and authentic. There are clear strategic imperatives companies must consider to ensure their story is clear, effective and accessible.

1. CONTROL THE NARRATIVE.

You must come forward and provide color on the situation, and clearly articulate your response efforts (both humanitarian and financial) and define your pathway to recovery that is consistent with broader sentiment of putting health and safety first. Any core information withheld will drive further speculation and discounts and it will be left to media pundits and analysts to provide color and speculation for you.

2. TRANSPARENCY IS CRITICAL TO PRESERVE MARKET INTEGRITY.

Continue to lead with transparency and limit speculation on where your company stands. Complete information is essential to functioning markets and per the SEC's latest guidelines, companies must carefully assess the impact of COVID-19 and related material disclosure obligations.¹ It is best to level set with the investment community now on the business performance versus down the road, especially since it's apparent the market has already priced in meaningful impact.

¹<https://www.sec.gov/corpfin/coronavirus-covid-19>

3. **BALANCE YOUR MESSAGING.**

While it is important for the management team's tone and tenor to accurately reflect the company's performance and crisis response, it's important for management to give a sense of hope during these dire times. Lead with addressing the company's response strategy and contribution to supporting the COVID-19 crisis, not the results. This is your team's opportunity to give a status update and provide assurances that show that your company is taking the necessary steps to come out stronger on the other side of this.

4. **ADDRESS ALL AUDIENCES.**

In a crisis, all stakeholders matter when it comes to any major corporate news, including earnings. Be genuine and authentic, and make sure whatever you say externally aligns with your internal actions. Make sure you're addressing all stakeholders and leverage the appropriate messaging and channels (e.g., employee virtual town hall, employee letter from the CEO, video).

5. **CONSIDER ADDITIONAL EXECUTIVE PARTICIPATION.**

Consider having your chief medical officer or other senior medical figure available for the Q&A section of the investor call and media engagements to handle potential questions regarding the company's response to COVID-19.

6. **LEVERAGE MEDIA & OWNED CONTENT TO CONVEY YOUR FINANCIAL STORY.**

Continue to engage media (print, online and broadcast), leveraging your CEO and CFO as spokespersons to provide color on performance and the company's contribution to fighting COVID-19. Consider taking advantage of other avenues to breakthrough to the investment community, including podcasts and newsletters like Market Snacks, Prognosis and Money Stuff. For midmarket corporates, consider engaging with Real Vision and Asset TV to convey your investment thesis.

Content is key for effective financial storytelling, especially during a time of uncertainty. Leverage infographics and videos, amplified via paid syndication, to ensure your message is reaching the right audiences at the right time.

7. **DON'T SKIP GUIDANCE COMMENTARY.**

Instead of providing hard numbers (i.e., revenue, margin, ranges), try your best to give your investors and other stakeholders insight into how you manage your financials through this crisis. Finance is inherently obsessed with the future. The SEC is providing relief where it can right now and even activist shareholders seem less demanding currently. Guidance shows you have made the effort and helps market participants invest with more confidence.

8. **ADAPT TO REMOTE INVESTOR CALLS, Q&As & INTERVIEWS.**

Prepare for the digital first, remote world. Consider pre-taping your investor call. For the live portion of the investor Q&A, set up a separate video communications line so the CEO, CFO and IRO can communicate offline and manage the delivery. Provide management with rules of the road and media kits for Skype and other forms of online investor and media interviews.

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