Navigating COVID-19 from the Investor Relations Perspective

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Coronavirus, or COVID-19, is having an unprecedented impact on global trade, supply chains and financial markets in comparison to previous pandemics. Since January, when the coronavirus was first reported, there has been a significant shift in executive outlooks – from one of uncertainty around the potential financial impact in the early part of the earnings cycle, to companies providing a revenue impact to the first quarter or first half of 2020 to factor in known and unknown affects. Now some companies, such as Apple, are pre-announcing they will be unable to meet guidance previously disclosed just weeks prior.

By the end of February, more than 600 companies globally were mentioning the coronavirus on earnings calls. As investors listened to executives outlining the potential impact, which grew increasingly more serious, and media reports continued to stoke fears – reporting on the alarming and accelerating rate of cases and fatalities globally – the Dow and S&P 500 experienced their largest weekly percentage losses since the Financial Crisis. On March 9, following an oil price war between Saudi Arabia and Russia, the ensuing sell-off was so significant that it triggered a circuit breaker and resulted in the Dow seeing its worst day since 2008.

The outbreak of COVID-19 and ensuing events are directly impacting supply chains and global demand for products and services across a wide spectrum of companies. However, it is unclear at this point what the additional indirect effects may be on the global and domestic economy as the year unfolds.

In situations like these, where near-term unpredictability and uncertainly are prevalent, organizations must remain fluid in their communication with stakeholders – employees, customers, partners and shareholders – and strive to be appropriately transparent.

Preparedness is critical and selected strategies include:

- **Conduct internal assessment and scenario analyses:** For IR professionals, being present in ongoing internal business discussions and keeping a pulse on the external environment – to assess not only direct but secondary and tertiary risks related to supply chain, inventory, labor and logistics – is critical to developing an accurate and specific narrative for your company. Conducting scenario analyses measuring stress on earnings, cash flow, liquidity and capital structure is best practice.i
- **Communicate just the facts "at this point in time":** Balancing the near-term impulse to over communicate with investors with providing an appropriate level of insight is critical to building credibility. Given uncertainty around the financial impact, it's important to avoid communicating outside of what the company has publicly stated from a guidance perspective. That said, communicating your organization's business continuity plan and actions to mitigate financial and operational headwinds, as well as a relevant historical perspective demonstrating when your company faced a previous global headwind and emerged on the other side, is best practice. The earnings period, including pre-announcements as appropriate, remains the best channel to communicate updates to financial performance and most effectively control the narrative.

- **Strategize on earnings cycle communication:** Whether your company is directly affected by COVID-19 and ensuing events or not, all companies should educate the Street on the impact or lack thereof. For those companies who seemingly are not directly affected, do not assume that all investors understand this. Also, recognize that the indirect macro effects of the crisis cannot be known at this time and can only be viewed in the context of scenarios. Continuing, in times like these, guidance policies must be fluid. For companies that provide only annual or no guidance, consideration must be given to communicating quarterly guidance in order to frame out the impact and help investors navigate the short-term. Underscoring that this is not a new policy but an effort to remain transparent during these unprecedented times is best practice. Companies that are thoughtful and proactive in this regard can build management credibility with their investor and analyst ecosystem, which is a factor in a company's valuation over the long-term. Further, companies should consider monitoring industry and peer calls to frame questions that executives could be asked during the Q&A portion of the earnings call.

Underpinning each of these elements is a focus on providing insight-driven and credible information that supports investor understanding of a company's decision-making process during these uncertain times.

It is unclear when the situation will truly be over, but the only thing we can be certain of now is that it's not over yet. Today, with ~110,000 COVID-19 cases reported worldwide, and over 90 countries affected and climbing, it is more critical than ever for companies to effectively and responsibly communicate with shareholders.

By demonstrating a grasp of the situation, in terms of controlling the controllable during times of fear and turbulence, companies can emphasize their enduring long-term value to investors now more than ever.

About the Author: *Rebecca Corbin is the founder and CEO of Corbin Advisors. Rebecca is a capital markets expert and with nearly 20 years of experience, is a trusted advisor to boards, C-suite executives and investor relations professionals. Her areas of expertise encompass a deep understanding of the institutional investor landscape, value creation strategies, and capital markets activities, including M&A, separations, restructurings/transformations, crisis situations and IPOs. Rebecca founded Corbin Advisors in 2007 and serves as Editor-in-chief of Inside The Buy-side®, the firm's leading-edge research publication, which identifies and tracks changes in global investor sentiment.*