Covid-19: The changing face of shareholder communications and the emergence of virtual IR

APR 20, 2020

The IR function and IRO role have never been more important

As a veteran investor relations professional, I returned to work on January 2, 2020 with great excitement. The Dow was hovering at or near record highs (just below 29,000), unemployment was at near record lows and the capital markets seemed poised for another strong year. Fast forward to today, the Dow is down roughly 15 percent for the year (at one point it was down almost 36 percent), more than 22 mn Americans have lost their jobs and the flow of new capital has slowed dramatically.

At the same time, and most heartbreaking of all, confirmed Covid-19 cases have surpassed 2 mn globally, including roughly 740,000 in the US. To date, Covid-19 has claimed the lives of almost 160,000 worldwide, more than 39,000 in the US, with more than half of those deaths occurring in New York State.

With most of the world under self-quarantine, many aspects of millions of people’s lives – from family visits and birthday celebrations to conducting business – have changed and in many instances have become virtual.

Investor relations is no different. In fact, I would argue that certain aspects have become more efficient and more cost-effective. I would also argue that effective shareholder communications and, by default, the role of the investor relations professional have never been more relevant or necessary.

With the capital markets (not dissimilar to the US government), most companies were ill-prepared to address the challenges of a global pandemic. With so many unknowns, even today, and no immediate end in sight, public companies are scrambling to address the near and long-term effect Covid-19 will have on their business. They are having an equally difficult time determining the most appropriate and most efficient way to communicate with shareholders.

While communications tactics will vary, one thing is clear: this is not the time to stonewall, hedge or obfuscate; it's a time for timely and highly disclosed communications with shareholders. Investors are making tough decisions on which companies to buy, sell and hold. It is the job of investor relations professionals to provide a pathway for management teams to calm the fear and instill confidence in shareholders.

After fighting for years to gain a seat at the table, it is imperative for IROs to take the lead, establish sound strategy and execute flawlessly. In a market that is desperate for guidance/answers and with investors eager to gain an edge, effective shareholder communications can make all the difference.

New rules of communication

As a rule of thumb, I have advised clients (and begged more than a few micro-cap companies) to issue press releases only when they have material or near-material news to report. It is the job of IROs to enforce this policy and dissuade management teams from flooding the market with immaterial press releases, in order to ensure that when 'real' news is issued, the investment community is paying attention.

With investors in distress, at least temporarily, those rules have been suspended. More frequent dissemination of press releases and shareholder letters/updates serves as a means to keep investors informed. It's also an opportunity to get ahead of current/future issues, to control the narrative and, ultimately, allow investors to make informed decisions.

With offices closed, business travel at zero and work from home becoming the new norm, it's not surprising that the investor relations industry has quickly transitioned to a virtual investor relations (VIR) model. While certain aspects of VIR – including teleconferences, videoconferencing and webinars – have been around for years, traditional investor relations has historically been grounded in face-to-face interactions.

What we have learned so far is that VIR, especially videoconference calls, is working better than many could ever have imagined. The quality is great, even from home, and the cost – often free – is hard to beat, not to mention the ability to schedule these meetings on the fly.

During a time where management can't jump on a plane for a week of roadshows, videoconferencing has ensured these important interactions take place, allowing investors to virtually meet face to face, learn about the company and, when necessary, ask the tough questions and see how management reacts. We have been encouraging our clients to schedule videoconference calls with their bankers, covering analysts and larger shareholders.

The good news is that the investment community (buy side, sell side and investment bankers) has been extremely receptive to taking virtual meetings with companies. At the same time, our capital markets team has experienced tremendous success scheduling meetings with investors, analysts and bankers. We have had particular success scheduling virtual meetings with investors that pre-Covid-19 would not have taken the meeting, which I hope is a trend that will continue after the crisis.

Conferences go virtual

Another big trend is that many, if not most, of the investment banks are transitioning to virtual conferences. While negative to airlines, hotels and local economies, this is a godsend for the investment banks, presenting companies and the buy side, which will save a tremendous amount of money and something they can't get back: time.

Virtual conferences also present an opportunity for the host-banks to expand the reach of the conference – attracting more attendees and allowing a broader swathe of companies to present – at no additional cost. For IROs, especially those working with micro-cap companies, the transition to virtual conferences is an opportunity to secure invitations to present at conferences that had previously been out of reach.

And herein lies the question: will IR return to the status quo post-Covid-19 or has the function forever changed?

Over the near term, I contend that virtual-everything will dominate the IR landscape. Over the long term, I believe we will end up with a hybrid model. Either way, it’s a win/win for companies, investors and the IR profession.

Jeffrey Goldberger is managing partner at KCSA Strategic Communications