

# Investor Relations Best Practices

## Managing Sell-Side Relationships

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# Managing Sell-Side Relationships

- ▶ How the sell-side model works
  - ▶ Drivers
  - ▶ Y/Y, Q/Q
  - ▶ Focus on Operating Leverage
  - ▶ Valuation Analysis
- ▶ Managing the sell-side through earnings
  - ▶ Q&A Prep
  - ▶ Call Backs
- ▶ Leveraging the sell-side for NDR's

# Guidance To Give or Not to Give

- ▶ Warren Buffett and Jamie Dimon opined that public companies should eliminate the practice of estimating quarterly earnings
- ▶ They concluded quarterly earnings guidance often leads to an unhealthy focus on short-term profits at the expense of long-term strategy, growth and sustainability
- ▶ The CEOs of the Business Roundtable embraced the move away from quarterly earnings guidance
- ▶ Niri believes that an undue focus on short-term, single-point guidance is undesirable and that all relevant audiences - primarily investors, financial analysts, and the news media - are better served when companies focus their guidance on the business' long-term strategy and value drivers

# Guidance To Give or Not to Give

- ▶ The share of S&P 500 companies issuing quarterly guidance has declined from 36% in 2010 to 28%
- ▶ Analysis of S&P 500 constituents found no effect on valuation whatsoever
- ▶ Issuing annual range guidance reduces volatility around earnings reporting periods relative to issuing quarterly guidance
- ▶ Providing investors with a long-term roadmap of a company's strategy over at least three to five years, combined with relevant financial and operating metrics, can give investors the confidence and transparency they need while avoiding short-term focus

# Guidance To Give or Not to Give

- ▶ A recent Harvard study showed that companies get the investors they deserve
- ▶ Focusing on short-term metrics attracts transient, short-term shareholders, compared to peers who issue guidance with a long-term orientation
- ▶ The inverse holds true as well: long-term companies can attract the right investors
- ▶ Companies that offer shareholders a long-term vision and strategy can benefit not only from a reduced focus on short-term metrics but also by attracting and building a long-term investor base
- ▶ Companies offering annual range EPS guidance over the same period experienced lower volatility around earnings reporting periods when compared with those that issued quarterly guidance