

Talking points for podcast 101

What do investors want to know about 2020?



Financial statements and annual reports are the basis for the information used to analyse and understand a business and its performance and prospects.



Investors see it as part of their role to come up with their own assessment of value, and compare it to what others in the market are saying about the company's value through its share price. Financial statements are a key part of this process.



Financial information is used to hold management and boards accountable for their capital allocation decisions, so for assessing stewardship. Accountability and trust are key issues.



Three points that investors and analysts find topical:

1. Going concern – how the company and its auditors are comfortable that a going concern basis of accounting should be used, what scenarios are used, and the disclosures around it.
2. Transparency about what's a persisting or permanent change vs what's temporary as we see any changes in economic outlook.
3. Non-GAAP or Alternative Performance Measures. Investors are often wary of these metrics that companies use, but now they are most concerned about the risk of 'Covid washing' (putting any bad news under a COVID-19 heading to explain it away).



Environmental, Social and Corporate Governance (ESG) reporting is getting a lot of attention, but some analysts are concerned that ESG is taking such a priority over the financials, so they would urge companies to balance this appropriately.



Areas that some investors would like to see improved include M&A reporting, cash flow disclosures, segment reporting and key performance indicators.



Investors and analysts are understanding particularly when there is a crisis. But they will start to worry if they think that companies might be using COVID-19 as an excuse.