Collective Intelligence

10 Investor Relations Strategies for Turbulent Markets

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2022 was tough. Last year was difficult for stocks and for markets. The Dow fell 9%, the NASDAQ dropped 33%, and volatility levels were the highest since the global financial crisis nearly 15 years ago (excluding the March 2020 pandemic spike). In the US, the Federal Reserve hiked rates seven times, raising interest rates an unprecedented 425 basis points and inverting the yield curve.

Global markets fared little better as the Stoxx 600 Europe dipped 13%, the Hang Seng dropped over 15% for its worst performance in more than a decade, and the British Pound and the Euro plunged then only partially rebounded. Supply chains world-wide snarled amid China's COVID lockdowns and growth slowed across the European continent amid ongoing war in Ukraine.

Clearly, the cycle of "easy money" driven by low interest rates, pandemic-support spending by governments around the world, and higher appetite (or tolerance) for risk in the search of excess growth has ended.

And 2023 won't be easy. A 2023 recession is now a consensus call. However, while the environment has changed, many companies have not yet updated their investor relations strategies. **The start of a new calendar year is the perfect time to realign your approach to investor relations, take a fresh look at your process and messaging and start putting investor events on the 2023 calendar.**

A rising tide floats all boats. "Easy money" markets made attracting capital relatively easier while driving up stocks and corporate valuations to record levels; but, in a turbulent market or a recession, attracting capital is far more challenging. Companies need to differentiate themselves, not just on financial results but on their investor relations.

Management teams should make the case for why their company is fundamentally a better investment than others in their space. The hurdle rate has gone from near-zero (pure vision) to interest rate plus a healthy risk premium. To earn the attention of fundamental investors in this market, companies need to communicate in a way that builds trust in their products, their strategy, their opportunity and the quality of the management team.

Below are the top ten investor relations strategies companies need to deliver differentiated engagement and differentiated returns for investors.

1. Know your investment thesis

In today's noisy market, management teams need to make a compelling case to the market to attract investment. Clearly stating your long-term strategic priorities and explaining the drivers of economic performance are especially important in times of volatility and confusion. The investor thesis should include your mission, your addressable market, your strategy, your growth drivers, your offerings and your competitive moat and unique advantages to achieve your growth potential. Stocks are completely fungible, but companies are not. Know your points of differentiation and emphasize them.

2. Make the path to investment easy

Once you have your investment thesis, put it in the hands of the decision makers. Financial analysts are inundated with information and opportunities. They need to screen through many stocks to present a short list of investment ideas to their portfolio managers who make the final investment decision. Giving the analysts a thesis they can validate rather than requiring them to create a pitch from whole cloth eases the investment process. The investor thesis can be a presentation on your IR website, organizing the relevant information in a compelling manner, all in one place.

3. Communicate more, not less

In uncertain markets with murkier macroeconomic conditions, it's harder to make predictions. The temptation is to reduce investor meeting frequency because questions get harder. Don't hide just because there are no easy answers. Be as accessible as always – or even more so. Investor decisions are often based on portfolio managers' views of the quality of management – do they trust you to make tough decisions? It's easier to build trust if they have the opportunity to discuss challenges one on one.

4. Know what you know, and what you don't

No one has 20/20 vision in a volatile market, so don't pretend. Tell investors what you know – what's working, what you're focused on and what you're personally excited about. When it comes to what you don't know, give parameters and walk them through your thought process – for example, the criteria you apply when deciding whether to hire or where to save costs.

5. Be empathetic and confident

If your results miss expectations or you lower your outlook, investors will be upset. The stock has dropped and they will have failed their clients as well. Let people express their frustrations, then focus the conversation around what you're doing to improve. Channel the "why" behind the work – the company's mission, your commitment to it, your belief in the opportunity and what makes you show up every day.

6. Focus on the long term

In times of volatility, investors are focused on the short term, but management is managing for the long term. Stocks can be very volatile, but management teams need to convey that they're in control of the company. Pivot the conversation to focus on the strategic actions you taking now that will drive future growth instead of just reacting to questions on short-term outlook. Help investors understand the long term by focusing the conversation there.

7. Host an investor day

Too many companies are skipping investor days, but investors need those insights. You won't have all the answers, but you can show all you've done to prepare for a possible recession and for growth afterwards. Investor days help provide transparency, build trust, get investors focused on the long term, and provide an opportunity to introduce the depth of your management teams.

8. Don't forget employees

Employees are often significant stockholders and can be just as worried as investors about stock drop – not to mention their own jobs. Give them context and confidence that they are working toward a meaningful goal by communicating directly with them, especially after earnings calls and other performance updates.

9. Show your experience

Many managers and investors alike have not been through a major market downturn. They don't have experience with the hard choices that have to be made. If you have been through a recession, highlight that experience. Explain your thinking through the lens of having gone through it before to show your expertise but also to help educate investors.

10. Remember the context

It's a tough time for nearly every company and for nearly every investor – this environment is harder to navigate, more volatile and there's much that's out of your control. The key is to contextualize your comments and decisions. Be aware of what peers are doing, what's working and what's not. Know how you stack up and be ready to speak to where you are best in class, and where you need improvement to catch up. Demonstrating that you fully appreciate the environment you are running the company in helps build confidence and trust from investors.

The Strategic Investor Relations team at Brunswick Group helps leading companies globally execute effective investor engagement programs, including investor relations perception audits, investor thesis development, investor day planning, content generation and advice, management preparation and coaching, digital delivery, design and more.

To continue the conversation:

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