

# 11 Reporting tips

Simple actions that management can take to make their company reporting more accessible and effective as they communicate their performance to the capital markets

	<b>Tips</b>	<b>What investors and analysts say</b>
<b>1</b>	<b>Have a backbone</b>	
	Use your objectives and strategy to underpin your reporting and provide the context for your activities and performance. Strategic statements set in isolation from the rest of your reporting can appear as hollow statements of intent.	<i>'Really good management usually have really good discussions because they know what is important to their company. The poorly managed companies do not have that level of confidence.'</i>
<b>2</b>	<b>The big picture</b>	
	Put your results in the context of market trends. Provide management's perspective on the competitive landscape and macro environment to allow the reader to evaluate your strategic choices and actions along with the quality and sustainability of performance.	<i>'I need an analysis of what markets they're in and what drives those markets, what their position is and what drives their business model. But you very rarely find anything like that.'</i>
<b>3</b>	<b>Who are you kidding?</b>	
	Provide an honest and open analysis of both the upsides and the challenges the company faces. Explain how any areas of underperformance are being addressed.	<i>'You always read it with a pinch of salt... Even a company that has lost a billion dollars highlights the positives.'</i>
<b>4</b>	<b>Flash in the pan?</b>	
	Consider using bridge charts to help investors understand what is driving revenue and profit growth. Is the growth sustainable, or not?	<i>'You can't tell whether a company's growth is coming from volume growth versus pricing; whether it is organic versus acquired.'</i>
<b>5</b>	<b>Cash is king</b>	
	Consider including a detailed disclosure about your operating cash flow strategy and performance, including cash conversion ratios, sensitivity to key factors, repatriation restrictions and so on.	<i>'Let's clear up the cash flow statement because, at the end of the day, it's our best indicator of what's real.'</i>
<b>6</b>	<b>Not the kitchen sink</b>	
	Highlight principal risks, not all risks. How might they derail your strategy? How are they managed? What is the sensitivity of underlying performance to changes in these risks?	<i>'They throw in the kitchen sink. The important things are no more prominent than the things that aren't important.'</i>
<b>7</b>	<b>Bottom up</b>	
	Challenge whether the segment analysis makes visible the different dynamics inherent within the business. Consider including a few additional line items such as working capital, operating cash flow and capital employed for each segment.	<i>'The area where there is greatest potential for increased disclosure that would add value is in the segment information.'</i>
<b>8</b>	<b>Bridging the GAAP</b>	
	Embrace non-GAAP measures but apply certain ground rules: reconcile non-GAAP back to GAAP; provide clear definitions of terms used and make sure that the reader can quickly identify which are the non-GAAP numbers.	<i>'I like non-GAAP measures: they help me increase my understanding of the underlying performance of the business.'</i>
<b>9</b>	<b>You owe it to them</b>	
	Debt information is traditionally scattered throughout the report. Bring it together in one place. Include items not typically recognised in the financial statements, such as operating leases. Provide more granularity in the maturity table and reconcile free cash flow to movements in net debt.	<i>'Companies are quick to provide the information you need when issuing a bond. They are not very good at keeping that relationship going...'</i>
<b>10</b>	<b>Metrics that pay</b>	
	Explain clearly how management are incentivised, highlighting the link between strategy, short and long-term performance, and the remuneration package.	<i>'Management action is inextricably linked to the structure of their compensation. Simple and clear communication about the KPIs that govern pay is critical.'</i>
<b>11</b>	<b>Wood for the trees</b>	
	Key information and messages can get lost in the volume of data and the use of jargon. Take a step back. Are you helping the reader to understand key strategic messages and navigate easily through your report by using clear and consistent headings along with tables and charts?	<i>'It's both a problem with lack of granularity; but also a problem with sometimes providing so much granularity that you can't see the wood for the trees.'</i>