2017 investor survey on corporate reporting: Technology sector

Investors say the quality of reporting is key to their investment analysis...

Q: To what extent do you agree or disagree with the following statement about corporate reporting?

% of respondents answering agree or strongly agree

69%  I typically review the annual report/10-K/20-F of the companies I follow.

75%  Understanding management’s view of potential risks and their mitigation strategies is important for my analysis and decision making.

94%  My perception of the quality of a company's reporting impacts my perception of the quality of its management.

55%  Disclosure in an annual report about strategy, risks and opportunities and other value drivers can have a direct impact on the discount rate I use in my analysis.

...and they think companies could improve their reporting.

Q: To what extent do you agree or disagree with the following statement about corporate reporting?

% of respondents answering agree or strongly agree

33%  I believe that companies do a good job of explaining their business models and how they make money.

22%  I believe that companies do a good job in linking strategic goals, risks, key performance indicators and financial statements.

31%  I have enough trust in the information companies report on strategic goals, risks and key performance indicators for me to be confident in my analysis and decision making.

27%  I believe management is sufficiently transparent about the metrics they use internally to plan and manage their business.
Investors rank non-GAAP as a key area needing improvement

Q: What is the area of reporting that you think companies most urgently need to improve?

Results are based on the frequency of which the area was mentioned in the interviews

1. Non-GAAP (Generally Accepted Accounting Principles) reporting
   “We are most interested in seeing a little more interrogation and questioning on non-GAAP measures. Specific concerns are mainly around the definition of non-recurring items.”

2. Environmental, social and governance disclosures
   “Companies should be much clearer in assessing materiality – what’s important and what’s not – including in communicating negative trends.”

3. Quality and clarity of disclosures
   “While companies have started to disclose more non-financial information, there are some issues with comparability and what’s relevant to the company. I expect there will be some improvement in this area.”

Investors like to hear from companies, but their preferred frequency of reporting varies

Q: Please indicate below the ideal frequency in which you would like companies to do the following:

<table>
<thead>
<tr>
<th>Frequency of Reporting</th>
<th>Quantitative information</th>
<th>Qualitative information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than once a year or never</td>
<td>0%</td>
<td>18%</td>
</tr>
<tr>
<td>Annually</td>
<td>63%</td>
<td>2%</td>
</tr>
<tr>
<td>Twice per year</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>Monthly</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Real-time</td>
<td>0%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Investors like companies to report full financial statements and other quantitative information regularly. But they’d like companies to report qualitative information less often, unless something changes in the business.

Methodology

For the 2017 global investor survey on corporate reporting, we obtained feedback from 51 investment professionals that invest in or follow technology companies and responded to an online survey running from 17 November 2016 to 16 December 2016. We also conducted in-depth interviews with 38 individuals from a range of regions between November 2016 and January 2017.

Specialism

- Equity
  - Both equity and fixed income: 48
  - Fixed income: 9
  - Other: 3

- Fixed income

- Other

<table>
<thead>
<tr>
<th>Role</th>
<th>Buy-side</th>
<th>Sell-side</th>
<th>Private equity</th>
<th>Private investor</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>9</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

% of respondents by region

- North America: 53%
- Western Europe: 33%
- Latin America: 2%
- Middle East: 10%
- Asia Pacific: 2%
- Middle East: 5%
- Other: 5%

Note: Quantitative information includes summary financial information, earnings calls, management commentary on financial performance, earnings forecast or guidance, and KPIs.

Qualitative information includes description of business model, risks and mitigation strategies, and updates on strategic plans and progress.

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