2017 investor survey on US corporate reporting

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

- **71%** I typically review the annual report/10-K/20-F of the companies I follow.
- **84%** Understanding management’s view of potential risks and their mitigation strategies is important for my analysis and decision making.
- **90%** My perception of the quality of a company’s reporting impacts my perception of the quality of its management.
- **67%** 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.

“Companies that can describe the business in a good, reliable way quarter by quarter and show how the annual report fits in, that’s valuable. It creates trust.”

“Corporate reporting says something about management’s character. It will tell if they’re trying to window dress, if they’re on top of a problem or ignoring it.”

“Companies will need to be better at transparency and using ‘readable’ and ‘understandable’ language. Getting the critical messages out there so that people can really understand what you are trying to say is important.”

“The key is, does reporting line up to the way the company is actually managed?”

“You can’t deny that a basic set of statutory accounts combined with a set of director’s reports are critical in the investment process.”

…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

- **41%** I believe that companies do a good job of explaining their business models and how they make money.
- **34%** I believe that companies do a good job in linking strategic goals, risks, key performance indicators and financial statements.
- **38%** 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.
- **28%** 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

“We generally you would get a different picture after talking to management than you do reading their reports.”

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:

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 Investor Survey on US Corporate Reporting, we obtained feedback from 354 investment professionals that invest in or follow US-based 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.

Contacts

Beth Paul
Partner, National Professional Services Group, PwC US
T: +1 (973) 236 7270
E: elizabeth.paul@pwc.com

Gregory Johnson
Director, National Professional Services Group, PwC US
T: +1 (973) 236 7365
E: gregory.johnson@pwc.com