NIRI ANALYTICS

NIRI COVID-19 Impact Survey

Spring 2020

COVID-19 Impact Survey – Purpose and Methodology

The survey inquired about the impact of the global COVID-19 pandemic on NIRI members and the investor relations profession. The 14-question survey, which was delivered by e-mail, was conducted between April 15 and May 1, 2020. One hundred and ninety-five (195) members responded. Corporate IR practitioners were asked to answer all the questions, while counselors answered 13, and other members were asked seven questions.

The survey included questions on the impact of the pandemic on the IR profession, NIRI service offerings, and equity ownership transparency issues.

This survey respondents were roughly representative of NIRI's overall membership. They included:

- **Corporate IR practitioners:** 74.3% (148 responses)
- **IR, communications, and corporate governance counselors:** 14.4% (28)
- **Service providers:** 7.2% (14)
- **Other:** 2.1% (4)

Key Takeaways

1. The majority of all respondents (71.1 percent) said their average daily workload had increased significantly or moderately since the start of the pandemic.

2. More than a third of corporate IR practitioner respondents (36.4 percent) said the pandemic had elevated their professional stature (or the importance of the IR team) within their companies.

3. When asked to rank the significance of various challenges, corporate IR and counselor respondents ranked these challenges as the most significant:
    - Uncertainty about how the pandemic will impact your company/clients
    - Intraday volatility and the impact of high frequency trading/algorithmic trading
    - Lack of transparency around investors' long and short positions

4. More than half (53.1 percent) of corporate IR and counselor respondents reported an increase in investor/analyst requests for calls/meetings with C-suite executives, as compared with the same period in 2019.

5. Ten percent of respondents said they had noticed an increase in share purchases by hedge funds or other activists during the pandemic, while another 20 percent said they were unsure but believed that was happening.

6. Eighty-two percent of respondents said modernized 13D disclosure rules would help their companies or clients be better prepared if an activist were to take a significant position.

7. Nearly 45 percent of respondents said they had noticed an increase in short-sale activity in their company's stock (or believed that was happening) since the start of the crisis.

8. Virtually all (94.2 percent) of corporate IR and counselors agreed that modernized 13F disclosure rules would help them be better prepared for activism and respond more effectively to investor requests for time with C-suite executives.

Impact on IR Workload and Professional Stature

Has the COVID-19 crisis increased the average daily workload at your job?

- Significant increase 30.3% (59 responses)
- **Moderate increase 41.0% (80)**
- No difference 19.5% (38)
- Moderate decrease 5.6% (11)
- Significant decrease 3.6% (7)

(195 responses: This question was posed to all survey respondents.)

Has the COVID-19 crisis elevated your professional stature (or the importance of the investor relations team) within your company?

- Significant increase 2.3% (3 responses)
- Moderate increase 34.1% (45)
- **No difference 62.1% (82)**
- Moderate decrease 1.5% (2)

(132 responses: this question was posed only to corporate IR practitioners.)

Have you noticed an increase in the volume of investor/analyst requests for calls/meetings with your company's (or clients') C-suite executives since the start of the crisis (as compared with the same period last year)?

- Significant increase 19.6% (31 responses)
- **Moderate increase 33.5% (53)**
- No difference 28.5% (45)
- Moderate decrease 11.4% (18)
- Significant decrease 2.5% (4)
- Unsure 4.4% (7)

(158 responses. This question was posed to corporate IR practitioners and counselors.)

When asked to rank the significance of various challenges, corporate IR and counselor respondents said the following concerns were "extremely significant" or "significant" (ranked 4 or 5 on a scale from 1 (not significant) to 5 (extremely significant)):

- **Uncertainty about how the pandemic will impact your company/clients (68.8%)**
- Intraday volatility and the impact of high frequency trading/algorithmic trading (61.8%)
- Lack of transparency around investors' long and short positions (43.6%)
- Increase in calls from institutional investors (35.2%)
- Complexity of working remotely/constraints on collaboration (32.7%)
- Increase in calls from analysts (29.5%)
- Inability to gather corporate financial information on a timely basis (16.2%)
- Increase in calls from retail shareholders (12.9%)
- Maintaining compliance with Regulation Fair Disclosure (12.8%)
- Delays in the internal/external audit process (8.9%)

(157 responses. For more color on these concerns, please see the Narrative Responses section, which starts on page 9.)

Equity Ownership Transparency Issues

Have you noticed (or been informed about) an increase in share purchases by hedge funds (or other activists) at your company (or clients) since the start of the COVID-19 crisis?

- Yes, and we have been contacted by (or engaged with) the activist(s) 3.2% (5 responses)
- Yes, but the activist(s) has/have not yet initiated engagement 7.0% (11)
- No 70.3% (111)
- Unsure, but believe that is happening 19.6% (31)

(158 responses. This question was posed to corporate IR practitioners and counselors.)

Overall, almost 30 percent of NIRI members either said they were aware of activist activity or suspected that it was happening. This percentage most likely would have been higher if there was greater transparency around equity ownership. Under current 13F rules, hedge funds and other investors were not required to disclose whether they increased their positions (provided they remained below 5 percent) in specific companies during the first quarter of 2020 until at least May 15, which was after the close of this survey. In addition, the Securities and Exchange Commission has allowed 13F filers to request up to a 45-day extension if the pandemic would preclude them from reporting their holdings on time.

There was a significant upswing in hedge fund activism following the financial crisis of 2008-09, and it appears likely that many U.S. companies will be targeted by activists in 2021.

Do you agree that modernized Schedule 13D activist disclosure rules -- that cover derivatives and include a four-day disclosure window (instead of 10 days) -- would help your company (or clients) be better prepared to respond to an activist taking a significant position?

- **Strongly agree 48.7% (77 responses)**
- Agree 33.5% (53)
- No position 17.1% (27)
- Disagree 0.6% (1)

(158 responses. This question was posed to corporate IR practitioners and counselors.)

This result – 82.2 percent approval for modernizing the SEC's 13D rules -- is consistent with the results from NIRI's advocacy surveys in 2016 and 2018, where IR practitioners overwhelmingly supported updating the archaic 13D rules, which date back to the Williams Act of 1968.

Have you noticed (or been informed about) an increase in short-selling activity relating to the stock of your company (or your client companies) since the start of the crisis?

- Yes, and the short sellers have been spreading misinformation about the company/my clients 4.4% (7 responses)
- Yes, but the short sellers have remained quiet 25.9% (41)
- No 55.1% (87)
- Unsure, but believe there has been an increase in short-selling activity 14.6% (23)

(157 responses from corporate practitioners and counselors.)

Almost 45 percent of respondents reported an increase in short-selling activity in their stock or believed that had happened. This percentage most likely would have been higher if the SEC had adopted rules to require 13F filers to publicly report their short positions on a monthly basis. Despite a provision (Section 929X) of the Dodd-Frank Act of 2010 that directs the agency to promulgate disclosure rules for short positions, the SEC has failed to act. NIRI, Nasdaq, and NYSE have all filed rulemaking petitions that urge the SEC to improve transparency.

Do you agree that modernized Form 13F disclosure rules -- with a 15-day disclosure period instead of 45 days), monthly reporting (instead of quarterly), and including short positions -- would help your company (or clients) be better prepared for activism and respond more effectively to investor requests for calls/meetings with C-suite executives?

- **Strongly agree 69.4% (109 responses)**
- Agree 24.8% (39)
- No position 5.1% (8)
- Strongly disagree 0.6% (1)

(157 responses from corporate practitioners and counselors.)

More than 94 percent of respondents said they agree that the SEC's Form 13F disclosure rules should be updated and expanded to include short positions. This strong approval for 13F reform is similar to the support expressed by members in NIRI advocacy surveys in 2016 and 2018.

Improving equity ownership transparency by modernizing the 13F and 13D disclosure rules is among NIRI's top advocacy priorities. NIRI encourages issuers and NIRI chapters to express their support for these important reforms in comment letters to the SEC and/or Congressional lawmakers. For more information on these issues, please visit NIRI's Advocacy Call to Action page at: https://www.niri.org/advocacy/call-to-action.

Narrative Responses

At the end of the survey, 86 respondents shared their thoughts when asked: “how the crisis has impacted your company, firm, professional organization, or you personally?”

One of the common themes raised by respondents was the uncertainty and disruption caused by the pandemic, which has made it more difficult for IR practitioners to engage with investors and analysts.

This is truly unprecedented. There is no playbook. But the collaboration across the company and with other companies has been a pleasant positive. The hardest issue we will likely have to tackle is not being able to provide guidance for the first time in decades.

It has disrupted our industry due to the economic upheaval in the wake of the crisis. How we mobilize our resources to execute our strategy AND manage our cost structure as revenue softens is critical to our communications.

It has massively increased uncertainty, which is always a strong negative.

Extraordinary, if not unrealistic, demand for insight and data that issuers may not yet have just 30 days into the crisis, as the investment community attempts to understand mid- and long-term impact of the pandemic on the economy.

Another common concern was the difficulty that IR practitioners face in keeping up with the constant flow of information about the pandemic and their industry.

Absorbing and synthesizing the daily flood of internal and external information is like drinking from a fire hose.

The amount of materials, webinars, emails, reports has been astonishing -- impossible to keep up with it all.

Very challenging to secure data and credible information on trends when events are moving so fast.

Some respondents said the crisis had elevated the role of investor relations within their companies.

Continues to show strategic nature of IR and importance of being ready to address investor concerns as well as bring their feedback into the C-suite and broader company.

It brought our management team closer together, and we are working even more effectively.

IR responsibilities expand during these periods to encompass enterprise communication to ensure message consistency. In addition, rating agencies are asking for much more information (handled as part of IR).

Other members talked about the negative impact of market volatility, steep stock price declines, and the lack of transparency in the market.

[It's] so hard to see and tell what is happening to stocks at any given moment -- who is buying and selling and what is driving valuations.

Our stock price dropped nearly 80% and our sector has dropped 65%. Stocks are reacting worse than the financial crisis. We have taken a reactive approach to publishing company updates to be transparent about the actions we have taken in response to the crisis.

I believe that a bigger portion of the stock price changes and volumes are not company specific compared to pre-crisis. So I feel that IR is less important. Also, we know that we will not be able to travel to meet investors anytime soon, and that new investors are less likely to look at us (especially being small cap), so again this negatively affect the perceived importance of IR.

Many respondents talked about the challenges of practicing IR remotely.

This is not a work-from-home job. Conference calls just don't work. We have reached out to investors to offer brief calls of 10-15 [minutes] for check-ins, but since we cannot give numbers due to upcoming earnings, only a few have accepted.

[My] company has taken dramatic cost cutting measures -- reduced pay for everyone, no opportunity for bonuses in 2020, no merit increases in 2020; there is great uncertainty about the rest of the year; you can feel the tension even though everyone is at home.

Managing work from home with small children is a personal challenge. Missing hallway conversations with CEO and CFO to be updated on business progress and quick preps for investor touchpoints.

Personally, my workload has increased substantially, and earnings preparation time has increased exponentially. The uncertainty in the future is very challenging, and colleagues are experiencing stress and burnout from changing how they work in this environment (remote work, video calls, etc.)

Working from home and not traveling makes you feel lonely at times.

While working remote normally isn't an issue, however, when the whole family is home, especially with younger children, presents additional challenges and distractions. I also find the lack of daily, casual interaction with colleagues is not ideal.

Everything takes longer, and there is a new workload in addition to the workload previously.

Most of the challenges are related to the remote work situation, not the crisis itself.

We're cancelling in-person plans for conferences and roadshows, moving all roadshows to virtual (which removes geography as an issue), trying to figure out how to come across well in [Microsoft] Teams and finding it hard to do more than six investor calls a day this way effectively.

1Q earnings reporting will be more challenging with everyone working from home. Believe some of us will have to return to the office to work as we get closer to earnings release/call. Love working in jeans and a t-shirt every day!

A number of consultants and service providers also shared their thoughts on the pandemic.

As a consultant, we are particularly pressed for immediate answers in a field that is based on research . . . and critical thinking. So, a process that is normally based on diligence has been meaningfully accelerated, and we've had to adapt accordingly.

Clients have pulled back spending and/or quit due to lower budgets.

Work has shifted to prepping management teams for increased disclosure and communicating business updates to the Street. A lot of pre-planning work for virtual AGMs as well as NDRs has taken focus as we also prep for earnings messaging. Overall, we are managing well, though the uncertainty of the duration gives us concern with potential client losses, which will drive layoffs. We are hopeful the recovery will begin soon and new risk mitigation efforts both personally and from corporate America will benefit our relationships, global communities, and humanity in general!

We are an IR agency. We've lost several clients. Also, in lieu of layoffs, the entire company took a 10% reduction in salary. The owners are taking no salary. If we lose more business, there will likely be layoffs.

As a service provider, the impact has been a slowdown in new business development for some products with an increase in interest in others. Overall, we've adjusted to not doing face-to-face meetings, but look forward to "normal."

About the National Investor Relations Institute

Founded in 1969, the National Investor Relations Institute (NIRI) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts, and other financial community constituents. The largest professional investor relations association in the world, NIRI's more than 3,000 members represent over 1,600 publicly held companies and $9 trillion in stock market capitalization. Through its collaborative community, NIRI advances engagement in the capital markets and drives best practices in corporate disclosures, governance, and informed investing.

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