

Top Tips for Improving Your Annual Report

Many companies see the annual report as just that – a report on last year. From this standpoint, the report becomes a compliance exercise, adding little value to either the company or its investors.

The best reporters view the annual report as their once-a-year chance to explain their company to the market. They understand the power of bringing together pertinent information in a compelling narrative, so that investors have a clear view of what the company does, how it has performed and where it is going.

Does it really matter?

In a word, yes. To work out what your shares are worth, investors need a lot more than your past financial performance. They'll want to assess your likely growth rate, the quality and experience of your management, your strategy and business model, the strength of your brand, your approach to corporate responsibility and a host of other factors not captured by your historical numbers.

Giving investors this information pays off. Research by FutureValue shows that the quality of a company's narrative reporting correlates with its share price performance. This is not surprising, since:

- » good narrative reporting helps investors understand your company and predict its performance. Investors hate uncertainty. The more they know about your business, the better they'll be able to predict its performance as market conditions change. Greater investor confidence should mean better share price performance.
- » what you write speaks volumes about the quality of your company. For example, you can only write clearly about your strategy if you've thought clearly about your strategy in the first place. One of the key benefits of producing a good annual report is the additional rigour it imposes on your strategic processes.

Top tips for improving your annual report

If you want to get the most from your annual report and maximise your return on the time and money you invest in it, the following tips are the place to start.

1. Define your audience

To communicate properly, you need to have a clear idea of who you are writing for. Trying to please too many audiences will result in your report pleasing nobody.

For most companies, investors are the primary audience for the annual report. Remember, though, that your other audiences – such as customers, suppliers and employees – will still read your report and everything you say must be consistent with your messages to them.

2. Work out your style

Many companies write their reports in dry, formal language because they think that's what investors expect. They forget that investors are also people and that people want to be interested and engaged.

There's no 'correct' style for communicating with investors. What's important is that your style should be easy to read and reflect the way you want others to perceive you. Using the same language and tone of voice in all your communications helps build your brand with investors.

Whatever your style, avoid industry jargon. Many investors are generalists and jargon will deter them. This is not the same as 'dumbing down'. Even the most complex ideas can be explained in simple language.

3. Create a narrative

The narrative part of an annual report explains such things as what the company does, its strategy and markets, its performance and its goals for the future. Good narrative reporting is more than a collection of statements about the company. It takes the word 'narrative' literally, meaning a story.

Your story for investors - often referred to as your investment case - should explain why your company exists, what you have achieved so far and what you hope to achieve in the future. This structure has a logical beginning, middle and end.

The benefits of stories are that they:

- » keep the reader's attention
- » help them remember information about your company, and
- » mean that the reader is more likely to believe that information, because it's presented as part of a coherent whole.

Once you've worked out your story, you can also use it to structure the investor section of your website, your results presentations and any other investor communications. You can also easily adapt the investment case to work with other audiences.

4. Empathise

To be effective, your narrative must tell investors what they want to hear. If it doesn't, they'll either lose interest in your company or ask you anyway. It's quicker, cheaper and more effective to be clear in the first place.

Working out what to talk about requires empathy. Put yourself in the shoes of a potential investor. Imagine it's your money on the line. What would you want to know about the company? Also, think about the questions investors often ask you. Are there things they misunderstand? These are obvious areas for more explanation.

Deciding how much detail to include is a key judgement. A single line on your strategy is unlikely to convince investors but if you write four pages, they'll struggle to pick out what's important.

Again this comes back to empathy - if you were an investor, what would you want to know? Once you've worked that out, explain it clearly and in the fewest words possible.

5. Communicate first, comply second

When you're writing your narrative, it's easy to get distracted by the need to comply with the rules. A box-ticking approach is guaranteed to destroy your story's flow.

The way round this is to write your narrative, then check it complies. If you've really thought about your investors' needs, it's likely that what you've written will cover everything required by the rules.

If you find that any required information is missing, then it's probably not material for your company. It should be simple to slot a brief explanation of it into your narrative.

6. Explain the bad as well as the good

It's tempting to say less when times are tough. This is a mistake because:

- » unexplained problems damage investors' confidence. As a rule, they avoid companies they don't understand
- » if you can explain a problem clearly, you must know why it happened. Investors are therefore more likely to believe you can fix it, and
- » honesty is vital for trust. Investors don't back management who hide things from them.

So be upfront about how things have gone. And don't forget, next time you report, to give an update on the problem and how you're getting on with resolving it.

7. Repeat yourself

Keeping your messages the same over time reinforces them in the minds of your audience. Changing your messages without good reason only confuses them.

It's also tempting to think that having said something once, you don't need to say it again. You explained your strategy last year, so why go over it this time?

First, because people forget. Investors are bombarded with information. The chances are that they're not going to remember something until they've heard you say it several times.

Second, some of your audience will be new to your company. You should make it easy for them to find the information they need.

To make life simpler for yourself, you can reuse material you've already created, for example in your results announcement and presentation.

8. Learn from others but don't imitate

Look at examples of best practice but only take what's relevant for you. Slavishly copying someone else's structure or content is as self-defeating as a compliance-led approach. Leave out the parts which won't help your audience understand your company better.

You should keep an eye on your competitors, since what they say affects what people think about you, but you should use your annual report to differentiate yourself. If you communicate clearly, then you'll stand out from the legions of companies that don't.

9. Get help

You wouldn't think twice about using an external designer for your annual report. Shouldn't you adopt the same approach for the most important part - the content?

Using an annual report copywriter allows you to benefit from:

- » expertise - a deep understanding of the content you need and how to turn it into a compelling narrative for your investors
- » experience - applying the lessons learned from numerous clients over many years
- » value for money - creating the content only requires a fraction of the total project cost
- » additional resource - relieving the pressure on you at the busiest time of your financial year
- » consistency - your report will support your brand and your corporate tone of voice.

Contact me

If you want to find out more about how I can help you, please get in touch.

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