

Study

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Guidance in times of Covid-19: How to proceed in an uncertain market environment

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The Covid-19 pandemic and the resultant economic uncertainty has made guidance in most sectors more difficult than it already is. Companies have reacted very differently, and it is evidence of the defensive nature of the Swiss stock market that many companies have stuck to communicating financial targets. A recent [study by Finanz und Wirtschaft](#) has neatly illustrated this.

IRF has examined the reporting of companies in the SMI Expanded during the Covid-19 pandemic and identified seven approaches to how guidance can be provided in an unstable market environment.

1. **“Better to be roughly right than precisely wrong.”** The effects and end of the Covid-19 pandemic are difficult to assess in most sectors. An appropriately broad target range together with qualitative information is generally preferable to precise quantitative guidance. If estimates of future developments are so vague that they do not add value to the market, no guidance should be given.
In its first quarter reporting, the **Adecco Group** focused on qualitative data ([Link](#)).
2. **Short-term guidance.** Instead of an annual or medium-term guidance, some companies use a quarterly guidance. This allows for shorter-term adjustments to be made in line with the situation.
In contrast to the previous year, **Clariant's** outlook focused primarily on the second quarter ([Link](#)).
3. **Use of different communication formats.** After the effects of Covid-19 were hardly foreseeable at the time of the annual reports, certain companies adjusted their guidance in subsequent quarterly and half-yearly reports. Some of them used separate media releases specifically on Covid-19, partly with monthly updates. Special

situations justify the creation of new formats which can be painlessly abandoned when the company returns to normal operations and a binding guidance.

Exemplary **dormakaba** published a separate media release ([Link](#)).

4. **Guidance for individual business or product segments.** Estimates regarding the development of individual areas may be easier to make than one for the business as a whole, especially in the case of a heterogeneous composition of business areas. The future effects of Covid-19 can be better estimated with regard to similar supply chains, demand behaviour and competitive situations.
ABB's outlook was specified for individual product areas ([Link](#)).
5. **Dependence of geographical location.** The impact of Covid-19 varies greatly from country to country. One way to remedy this is to estimate the percentage share of severely affected regions in global business, from which a worst-case scenario can be derived.
Geberit made reference to the Covid-19 pandemic in the regional outlook ([Link](#)).
6. **Information on savings or future financing.** If it proved difficult to provide guidance on usual indicators such as sales or profit, some companies have communicated a specific outlook on savings or financing to provide certainty.
Bucher, for example, commented on their future financing ([Link](#)).
7. **Assessment of the development of demand.** The Covid-19 pandemic has shown that demand is changing more structurally in some sectors than in others. Guidance on the development of demand goes beyond mandatory reporting and therefore offers all the more information content.
In its outlook, **PSP Swiss Property** focused on demand ([Link](#)).

About IRF

In recent years, IRF has established itself as one of the leading Swiss consulting firms for business topics. IRF's established customer base includes about 30 Swiss and international companies. IRF has also made a name for itself in crisis communications and monitoring capital market transactions and recently opened a branch in Geneva.

For further information, please refer to www.irf-reputation.ch

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