

6 Tips for an Effective Annual Letter to Shareholders

Your annual shareholder letter is an important piece of communication with your investors. It's an opportunity for the CEO to clearly lay out his or her vision for the company, align employees and other stakeholders around that vision, and highlight current progress toward long-term goals.

Make your letter as effective as possible with these tips.

- 01 Make sure it's accurate.** The first objective of your letter is to correctly describe the state of your business; the letter cannot include any errors. But things change quickly in every business, and it's easier than you think to fail to update your letter with the most recent information on an important development, or to get a small data point wrong. That's why you must...
- 02 Put the letter through a rigorous review process.** Deploy the same review process you use for press releases or other public statements. The stakes are even higher: A press release can be corrected or amended, but your letter to shareholders will be included in your Annual Report and printed by the thousands. Make sure all appropriate parties — especially your CEO, CFO, general counsel, and investor relations head — review and approve every iteration of the letter.
- 03 Focus on clarity.** Even if all your facts are straight, the value of your letter is diminished if it is poorly written. All business communication must be clear, and your shareholder letter is no exception. Simplify complex investment analyses with liberal use of bullets and cut out the business jargon. Most importantly, stick to what matters to your investors: your recent successes, your immediate prospects, and your long-term objectives.
- 04 Keep it brief.** Brevity is the soul of wit. Warren Buffet can get away with a sweeping letter that tops 18,000 words and stretches more than 30 pages. You can't. Many of the best letters to shareholders are a page or two.
- 05 Cut the baloney.** Some executives see the letter to shareholders as an exercise in PR. It isn't. It's fine to paint your company in a positive light, but not a false light. Make sure you carefully review last year's letter before drafting this year's, and update readers on your progress on the expectations you laid out then. Your letter should help get your investors excited about your prospects, but it's only as valuable as it is credible.
- 06 Keep it consistent.** Try to follow the same format for the letter each year to make it easy for readers to compare. Here's a basic outline to follow:
 - **Open with an introduction** that sets the tone and characterizes the year.
 - **Summarize your financial benchmarks**, including revenue, earnings, research and development progression, etc.
 - **Review the balance sheet** and measures of financial health.
 - **Discuss your important achievements**, milestones, progress, and other key business.
 - **Provide your outlook.** What do you hope to achieve in the current year, and what are the longer-term goals?

Need more help developing an effective letter to shareholders? ICR can help optimize your investor relations.
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