

INVESTOR DAY · 2026 PROPRIETARY RESEARCH

Stop Presenting the Plan. Prove the System.

Why the Investor Day Must Become a Long-Duration Underwriting Event

Kim Belval interviews Mark Hayes about why one of the most important rituals in public company communication is losing effectiveness at precisely the moment long-term investors need it most. Breakwater Capital Markets' 2026 proprietary research shows Investor Day satisfaction falling from 4.1 to 2.4, while the areas investors say are missing have moved far beyond better access to management or a more detailed strategy presentation. Future profit pools score 88, business model reinvention 85, AI value capture 82, reinvestment runway 81, capital intensity inflection 79, moat evolution 76, value chain control 74, portfolio optionality 73, execution capacity 72, adjacency economics 70, innovation to revenue conversion 68, strategic bottlenecks 65, and a decision trigger framework 61. At the same time, the attributes investors associate with an exceptional Investor Day now begin with valuation ready disclosure, defensible strategic differentiation, risk and scenario framing, execution linked evidence, unit economics, capital allocation return curves, probability weighted futures, and proof that the organization can learn and correct course. The implication is larger than a need to redesign the event. The Investor Day is becoming a test of whether management can make a long-duration investment thesis underwritable without pretending that the future is more knowable than it is.

Kim: Investor Days have existed for decades. Why are investors suddenly so dissatisfied with them?

Mark: I think the format is colliding with a change in what investors are actually trying to know. The traditional Investor Day was very good at answering, “Where does management want the company to be in three or five years?” It was built around strategic intent: the portfolio, the markets, the plan, the financial targets, the management team. Those things still matter. But the investor’s harder problem now is determining how much of that future deserves to be capitalized today when several of the assumptions behind it may change before the company reaches year three.

That is why I would be careful about interpreting the decline in satisfaction as presentation fatigue. The unmet needs are economic. Investors are asking about the durability of future profit pools, the capital required to capture them, whether the business model itself will have to change, what happens to the moat, whether new technology produces returns or merely expense, and how management decides when to accelerate or retreat. Those questions sit underneath the strategic plan.

There was a period when showing investors the road map could increase confidence because the road itself changed relatively slowly. Today the quality of the vehicle and the driver matter more. An Investor Day that spends four hours describing the destination while providing little evidence about how the organization will respond when the route changes can leave investors with more information and almost no additional underwriting confidence.

Kim: The need to “prove the system” sounds persuasive, but what can a company prove about a future that has not happened?

Mark: It cannot prove the outcome. That is where companies sometimes get themselves into trouble. They try to compensate for uncertainty with precision, more years, more targets, more milestones, and the result can look rigorous while resting on assumptions no one can actually know with that degree of confidence.

What management can show is the quality of the mechanism that will encounter the future. Investors can examine the economics of the current franchise, the assumptions connecting those economics to the next phase of growth, the evidence management is using to test those assumptions, and the rules governing how much capital gets committed before uncertainty resolves. They can see whether management has identified the conditions under which a project scales, a market becomes less attractive, or an advantage needs more investment to remain defensible. They can also look backward: when evidence changed in the past, did the organization recognize it early enough and move resources accordingly?

That is a more modest claim than “we can prove our five year plan,” but I think it is more valuable. The real evidence concerns the company's capacity to make economically intelligent decisions as the future reveals itself.

Kim: Then why give long-term targets? Are they increasingly a form of false precision?

Mark: Sometimes they are. A target becomes dangerous when it is treated as a destination management must defend rather than the output of a set of economic relationships.

I still think long-term targets can be useful because they force choices into the open. If management says margins can reach a particular level, investors can ask what mix, pricing, productivity, scale, and reinvestment assumptions are required. If the company targets a particular growth rate, investors can ask how much comes from existing businesses, new products, new markets, or acquisitions, and what amount of capital must be committed to produce it. The target gives the conversation a point of reference.

The more important question is whether management has disclosed enough of the bridge that investors can tell when the target is becoming more or less probable. A target that can be monitored is useful. A target that survives every change in the evidence because management simply changes the explanation around it is not.

Kim: Is there a risk then that guidance impossible to falsify if management can always say one of the assumptions changed?

Mark: That risk is real. The protection against it is timing.

If management identifies the assumptions only after the target is missed, the explanation deserves skepticism. If it says beforehand, "This outcome depends materially on these three variables; this is what we expect to observe; this is how the economics change if one moves against us; and this is what we would do," investors have something against which to judge the subsequent decision.

A company does not earn credibility simply because the world was uncertain. It earns credibility when the reasoning exposed before the outcome is consistent with the actions taken afterward. Sometimes that will mean maintaining the plan through noise. Sometimes it will mean changing the plan because the evidence crossed a threshold management had already identified.

That is a much harder discipline than adding a disclaimer that conditions may change.

Kim: Investor Days are curated by management. Is there an unavoidable evidence problem because the company chooses what gets shown?

Mark: Of course. There is selection bias built into the format. The event naturally contains the businesses management is proud of, the executives it wants investors to meet, the products that demonstrate progress, and the markets that support the long-term opportunity.

Investors know that. The credibility question is whether the evidence is sufficiently diagnostic to survive the curation. If every datapoint confirms the thesis, every initiative is “on track,” and every uncertain market somehow reinforces the strategy, the presentation may be polished but analytically weak. More useful evidence has the capacity to change management’s own view. Where is an assumption still unproven? Which initiative has not met the original economics? Where has management reduced exposure? What evidence would cause the company to abandon a strategic claim it currently believes?

That does not require turning the Investor Day into a confession. It requires showing that the company has criteria for determining when reality is diverging from the thesis. Investors are trying to distinguish conviction from attachment.

Kim: When or why would a CEO voluntarily tell short sellers what could break the thesis?

Mark: I would not advise a CEO to disclose operational vulnerabilities in a way that harms the company competitively. There is an important boundary there. But sophisticated investors are already building the failure case, often from information management does not control. Refusing to discuss downside economics does not make the downside disappear; it simply gives outsiders more freedom to fill in the blanks.

The more relevant question is whether management can help investors model the transmission mechanism accurately. If a geopolitical change affects 15 percent of revenue but almost none of the rest of the business, that is different from a global operating dependency that touches revenue, working capital, margins, and capital intensity simultaneously. If the company has contractual protection, alternative capacity, or pricing mechanisms that mitigate the impact, those facts matter. Investors will put a number into the model either way.

The company does not have to make the bearish argument for them. It should make sure the bearish argument is built around the economics that actually exist.

Kim: Investors already arrive with enormous amounts of outside information from customers, competitors, suppliers, alternative data, and AI generated analysis. If they already have their own model of the company, what is the Investor Day actually for?

Mark: Increasingly, reconciliation.

The company once had much greater control over the factual record investors used to understand it. That is eroding. Investors can observe hiring, pricing, customer activity, product adoption, capacity changes, competitive behavior, supply chain activity, and a growing amount of operational evidence between formal disclosures. The playbook's continuous underwriting example makes the point vividly: customer weakness can change revenue assumptions on Day 1, a competitor price cut can alter the moat assessment on Day 3, policy can change TAM or the risk premium on Day 6, supplier evidence can change CapEx and ROIC assumptions on Day 9, and the quarterly results may arrive after the thesis has already been revised several times.

That changes the purpose of the event. Management is not introducing investors to a blank sheet of paper. It is entering a market in which multiple causal interpretations already exist. The Investor Day can help explain where management's internal understanding agrees with the externally reconstructed view, where it differs, and why. The company may know that investors have correctly identified a demand slowdown but are attributing it to the wrong customer cohort. Or investors may be seeing a competitive deterioration that management is dismissing too easily. Both possibilities matter.

An exceptional event should narrow the disagreement to the places where informed people genuinely differ about probabilities and value, rather than leaving them to disagree because they are working from incompatible representations of the business.

Kim: Let's talk about growth. Investor Days love TAM slides and long-term growth algorithms. What is missing?

Mark: The reinvestment burden.

Two companies can produce the same 10 percent revenue CAGR and create very different shareholder value. If one converts a high proportion of growth into free cash flow, requires modest incremental capital, and earns returns well above its cost of capital, investors should value that growth differently from growth that requires large amounts of CapEx and working capital while incremental ROIC drifts toward WACC. The playbook makes exactly that comparison.

So when management shows a large future market, the next question should be: how expensive is the right to participate? What must be reinvested to win? How long before that investment generates cash? What return does the incremental dollar earn? How much of the capital is defensive simply to remain competitive?

The Investor Day should help investors answer a question companies often avoid: even if the growth is achievable, should shareholders want management to pursue all of it?

Kim: Future profit pools are one of the largest gaps in the research. How should management discuss them without turning the event into speculation?

Mark: By treating them as contingent economic opportunities rather than as booked value.

A useful discussion starts with why the profit pool may emerge. Is customer behavior changing? Is technology altering a cost structure? Is regulation opening or closing a market? Is a part of the value chain moving toward a new bottleneck? Then management has to establish why this company has any particular advantage in capturing the opportunity. A large addressable market is not enough. Large markets often attract enough capital to destroy attractive returns.

I would want to know what has to be true for the economics to work, what the company already possesses that gives it a credible right to compete, which capability still has to be built, and how much capital management is prepared to risk before the evidence becomes stronger. That last point matters. A future profit pool can be attractive while the correct current allocation is still small because management has more learning to do.

Kim: It sounds like capital allocation is central to the event. If management has superior allocation judgment, shouldn't investors be able to see it in realized ROIC? Why do they need four hours of explanation?

Mark: Over a long enough period, realized returns should absolutely matter more than the explanation. A beautiful capital allocation framework cannot rescue a record of poor deployment.

The difficulty is that investors are valuing capital decisions before the full return is observable. A major capacity program, an acquisition, an AI buildout, or a new market entry may take years to mature. Investors therefore need some basis for deciding whether management is applying a sound process while the outcome remains uncertain.

That is where the decision rule becomes useful. What return is management underwriting? Which risks are being accepted? What evidence determines whether the next tranche of capital is released? When would the company partner rather than own? At what point does resilience justify a lower direct financial return? The research frames capital allocation as an optimization across return, strategic control, and resilience and asks management to pre-answer why the capital is being used, what risk is reduced, what return is delayed, what proves progress, and what would trigger a change.

Realized ROIC remains the ultimate accountability mechanism. The Investor Day helps investors understand the decisions whose ROIC has not yet had time to reveal itself.

Kim: You mentioned balance sheet optionality. Why should investors pay for unused capacity? At what point does “optionality” become lazy capital?

Mark: Yes, cash and borrowing capacity do not deserve an automatic premium simply because management calls them strategic flexibility.

Balance sheet optionality has value when the company is likely to encounter opportunities or risks for which the ability to act quickly matters, and when management has demonstrated discipline about exercising that flexibility. A company entering a period of industry consolidation may benefit from keeping capacity available. A highly cyclical business may preserve the ability to invest when competitors are capital constrained. A company facing uncertain technology economics may be better served by maintaining financial flexibility than by prematurely committing to one architecture.

But optionality has a carrying cost. Cash can depress returns. Excess capacity can invite weak acquisitions. Investors should ask what decision rights the balance sheet preserves, how probable those decisions are, and whether management has a history of waiting intelligently rather than simply avoiding allocation. The Investor Day should make that trade off visible.

Kim: How much should an Investor Day expose about culture and incentives? Those topics are usually treated as softer material.

Mark: They are soft only until they change a decision.

Suppose management tells investors the company is disciplined about stopping projects whose economics deteriorate, but the executive running the project is compensated primarily on revenue growth and budget size. That is not a culture discussion. It is a capital allocation contradiction. If management claims to value long-term innovation while incentives punish experiments that do not produce immediate revenue, investors should question whether the organization will actually behave as described.

The same is true of information flow. A culture in which business unit leaders are punished for surfacing bad news will lengthen the time between an operating signal and a capital decision. A CEO may believe the company is learning quickly while the incentive system ensures that contrary evidence arrives late.

That is why I would use the Investor Day to show selected examples of how the organization actually makes trade offs. Culture becomes underwritable when investors can see its economic consequences.

Kim: You're emphasizing leading indicators, but we know managers are very good at finding an indicator that says the strategy is working. How do investors protect against that?

Mark: By paying attention to whether the indicator was identified before it became convenient.

If management says today that customer retention is the critical proof point for a strategy and retention weakens next year, that metric should remain part of the conversation. If management drops it and replaces it with engagement because engagement looks better, investors have learned something about the company's evidence discipline.

The same principle applies to innovation, margins, capital intensity, and market share. A leading indicator earns credibility through continuity and causal relevance. It should predict something economically important, and management should be willing to discuss it when the signal turns against the thesis.

The playbook explicitly asks companies to identify the indicators that reveal whether the strategic thesis is proving true over the next twelve to twenty four months. That is useful because it compresses the feedback loop. Investors should not have to wait until year five to discover that the five year thesis stopped working in year two.

Kim: Does that mean a strategy should be verifiable?

Mark: Its important economic assumptions should be.

Businesses are too complex to reduce an entire strategy to one binary test. But a management team ought to know which assumptions carry a disproportionate share of expected value.

If a vertical integration strategy depends on gaining control without destroying returns through higher capital intensity, management should know what evidence tests that claim.

If AI investment is justified partly by lower service cost or faster product development, those effects should eventually appear somewhere observable. If a new customer proposition is supposed to improve retention, then retention should matter.

The danger appears when a strategic claim can accommodate every possible outcome. If the evidence is favorable, the thesis is working. If the evidence is adverse, management says the strategy needs more time. If capital requirements rise, that proves the size of the opportunity. Once every outcome becomes confirmation, management is no longer testing the strategy.

A company should be able to explain what would reduce its own confidence without pretending that every disappointing quarter invalidates a long-term thesis.

Kim: AI has become unavoidable at Investor Days. What would make that discussion worth listening to?

Mark: Start with the economics, including the uncomfortable ones.

Investors need to understand whether AI changes revenue growth, customer conversion, pricing, labor productivity, service costs, capital requirements, incremental ROIC, or the duration of competitive advantage. The research explicitly pushes companies away from “AI enabled” language toward evidence on adoption, productivity, revenue conversion, CapEx and OpEx cost, and incremental returns.

But I would go further. Management should discuss which part of its existing advantage AI may make less scarce. Does it lower barriers to entry? Reduce switching costs? Commoditize expertise? Increase dependency on infrastructure providers? Require so much new capital merely to maintain parity that industry returns change?

A serious AI discussion should leave investors with a view of the net economic effect. Some companies will discover that AI is a new source of advantage. Others may discover it is an expensive admission price for remaining competitive. Investors need to know which one they are underwriting.

Kim: What about innovation more broadly? Companies show product pipelines constantly. What makes innovation underwritable?

Mark: The conversion mechanism.

A pipeline is activity. Investors need some understanding of how activity becomes economics. What percentage of launches reach meaningful scale? How long does that typically take? What capital is consumed before success or failure becomes clear? Does the innovation improve price, retention, share, or unit economics? How much value comes from extending the core franchise versus entering adjacencies?

There is also a portfolio question. Good innovation systems do not only generate ideas; they allocate attention among them and stop weak projects before sunk costs become a reason to continue. An Investor Day should help investors see whether the company has an innovation engine or merely a collection of projects.

When the playbook asks how new products and technologies translate into measurable value creation, that is the real issue.

Kim: We have talked about the company as though it controls its own economics, but increasingly it doesn't. Platforms, suppliers, cloud providers, partners, regulators, energy systems, essentially whole businesses, depend on actors outside the enterprise. How should an Investor Day deal with that?

Mark: By showing investors where the company's economics depend on someone else's decision.

That is becoming much more important. A business may look asset light while depending heavily on a platform whose pricing can change. It may have strong demand but require access to energy or compute capacity. A global growth thesis may assume market access that policy can remove. A product ecosystem can create enormous leverage, but it can also concentrate bargaining power outside the company.

Investors therefore need a map of the important dependencies: where the company has contractual rights, where it has redundancy, where alternatives exist, and where management is effectively taking a strategic actor's behavior as an assumption. The playbook's proposed machine consumable disclosure objects even include dependency graphs covering supplier, platform, cloud, and geographic concentration because those relationships increasingly affect resilience and moat durability.

An Investor Day should not pretend the company ends at the corporate boundary. Some of the most important sources of future value and future fragility sit outside it.

Kim: Geopolitics and regulation can change quickly. How much should management really try to model at a long-term event without creating pseudo-scientific scenario theater?

Mark: Enough to understand the economic pathways, not enough to pretend the probability estimates are facts.

If a policy change affects regional revenue access, tariff sensitive margins, duplicate capacity, trapped cash, country risk, or the duration of the addressable market, those are legitimate valuation variables. The playbook shows geopolitical exposure moving directly into revenue, CapEx and working capital, margin, risk premium, and terminal value assumptions.

Management does not need to announce that there is a 27 percent probability of a particular geopolitical regime three years from now. That would usually be false precision. It should be able to say which economic relationships are exposed, which investments reduce the vulnerability, which options remain available, and which external signals would cause the company to shift resources.

That gives investors something they can model without asking management to become a geopolitical forecaster.

Kim: Which parts of the thesis should management assume investors are most likely to reopen before the next Investor Day?

Mark: The ones capable of changing several valuation assumptions at once.

The research shows structural change in long-term growth or earnings power as the fastest re-underwriting trigger at 89, followed by a change in capital allocation strategy or expected returns at 86, a break in management credibility or strategic consistency at 84, competitive position or marketshare inflection at 81, structural margin or cost change at 78, and AI or technology economics materially different from expectations at 76. Balance sheet deterioration, policy or geopolitical change, transformational M&A, and management transition also matter.

That tells management something important about the event. The Investor Day should not devote equal attention to every topic simply because the organization chart gives every business unit a speaking slot. It should spend disproportionate time on the assumptions that, if they changed, would force investors to reopen the valuation architecture.

A good event therefore has an implicit hierarchy of proof. Some facts are useful context. Others are load bearing.

Kim: What should investors ultimately know when they leave an exceptional Investor Day?

Mark: They should understand enough of the company to know where their own uncertainty belongs.

They should know how the business creates attractive returns today, which assumptions are required for those returns to persist, how much reinvestment the next phase of growth requires, and where management still lacks proof. They should understand what can change the thesis quickly, how capital would move if it did, and whether the organization's incentives make that response plausible. They should have seen enough of the management team to judge whether economic judgment is distributed through the company. They should also understand the important dependencies beyond the company's walls and the evidence investors can watch between formal reporting events.

I would not expect everyone to leave with the same valuation. That would be a strange definition of success. Investors can look at the same evidence and reasonably disagree about probability, duration, risk, or price.

The achievement is more fundamental. Management should no longer be asking investors to believe that it knows what the company will look like five years from now. It should give them enough evidence to judge why the company can still deserve their capital if five years unfold differently than management expects.