



Financial Profiles

Communicating with Investors in a Turbulent Market

We have counseled a number of our clients this week about how best to communicate with investors in this turbulent market. The following are some ideas for your consideration.

- First of all, impulsive reactions by companies are not likely to effect long-term remedies. Broad-scale investor confidence in the integrity of the markets will need to be restored over time. Therefore, proceed with business as usual and resist the temptation to be distracted by the cascade of events. Our team has been through major market corrections and we know from experience that steady hands and cool heads prevail.
- Continue to provide the Street with consistent and credible information and make management accessible. Credibility is built by consistent communication in good times and bad.
- Be forthright about your risks and outlook. Investors are currently more focused on mitigating risk than finding immediate upside. Show the Street that you have thought through the worst case scenario. Describe the systems you have in place to monitor risk. If you lived through a downturn in the past, explain to investors how you managed through the disruption and what you learned from your experience.
- Reinforce your core business and strategy. Focus investors on why your business is viable for the long term, and tell them what they should look for in the next three years – not just the next quarter. Put the story in context by addressing the industry issues that could impact your company. Remind them of the factors that are in your control and those that are out of your control. For example, if your company has exposure to credit sensitive customers, consumer spending, government spending, the price of oil or currency fluctuations, explain how you evaluate the risk and provide investors the best case and worst case scenarios.
- Talk about intangibles that drive valuation – brand, customer relationships, training, leadership, human capital, etc. Connect the dots for investors by explaining how these key attributes drive revenue and margin growth.
- Continue to meet with existing investors and new prospects. Many growth stocks are now value stocks, and your stock may now appeal to an entirely new group of investors. Savvy investors will pursue strategic rebalancing to take advantages of current equity values. Be in a position to benefit when investors step off the sidelines.
- Investor communications are important, but don't forget the importance of internal communications during disruptive times. Keep the lines of communications with employees open and frank.

Financial Profiles is available now to talk to you about any of these recommendations. Please feel free to call Moira Conlon or Jonathan Destler at 310-277-4711.

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