Middle East Investor Relations Society Interviews Belinda Labatte About IR in Times of Uncertainty

Interview

The Capital Lab's Belinda Labatte spoke with the Middle East Investor Relations Society about the importance of IR in our current environment of economic volatility and uncertainty. Here is what Belinda had to say:

From an IR perspective, what have been the biggest challenges for your clients during the downturn? Which mistakes are being made?

The challenges presented by the downturn are multi-faceted no doubt, some issuers are facing considerable financial pressure, whereas others are preparing to react to opportunistic acquisition events. In my view, there are two things that the investor relations function should be addressing now, irrespective of the company's financial condition. Firstly, how can management succinctly communicate strategy within the context of an uncertain economic environment and secondly, what levers does the company have to withstand the volatile capital markets, and changing dynamics within their respective sectors.

Responding to these challenges requires an integrated perspective, which means clearly understanding how all operating functions of the firm are de-risking its operations and planning for multiple scenarios. As part of its de-risking communications strategy, but also as a form of 'adjusting the levers', management should review and change expectations by changing underlying assumptions (growth rates, commodity prices, market penetration etc).

Now more than ever the companies need to communicate the long term competitive position of the company. Uncertainty is far off the scale when compared to managing business risk – it requires careful scenario analysis for the present, but also vision.

Also important, but an unfortunate outcome of an uncertain and volatile market is the need to seriously consider and prepare for worst-case scenarios. Issuers need to be prepared for all possible eventualities or risk the appearance of being out of touch, and unprepared.

"The biggest mistake companies are making with their current IR strategy is inflexibility. Communicating that your company will not be impacted by the downturn is not an option."

- Belinda Labatte

The biggest mistake companies are making with their current IR strategy is inflexibility. Communicating that your company will not be impacted by the downturn is not an option.

Failure to look at your company objectively and come up with solutions to potential risks and problems will make you and your organization appear arrogant and out of touch. Companies have been impacted across the board, and to claim that you are the one exception is short-sighted and likely untrue. It never hurts to take a deeper look at your company and come up with proactive solutions.

Continued on page 2

What would be your advice to companies who are trying to navigate during times of uncertainty? In what ways can this crisis be an opportunity for improvement?

Go back to the first principles of the business and the underlying demand and supply fundamentals that are working in or against your favor. Then talk straight about what you can do and cannot do, within the rules of appropriate disclosure. Straight talk is always welcome.

Revisit the vision of the company, the fundamental value drivers and the long term competitive position you seek - and clarify these factors with your investor. Fully understand your balance sheet and the metrics that matter: sources and uses of cash, ability to repay / restructure debt, covenant breaks, credit worthiness, return on capital and debt to capital.

The current environment absolutely requires better intelligence, faster response time and a clearer picture of your competition. So suggested improvements would be: solicit information from across the investment community, be agile and responsive and capture opportunities to tell your story and study the competition to get ahead of the curve.

What are the biggest mistakes companies are making when meeting with investors?

I cannot speak for the investor, but part of the IR process is to get exactly that kind of feedback, specific to your company. Generally, investors want companies to explicitly acknowledge downside risk and what the mitigating factors are. Do not come across as over-confident. Investors want balanced information, bringing the good with the bad, and sensible expectations that allow for happy surprises.

Management and investor relations should also fully utilize and work with their corporate finance advisors: ask for feedback from the sales desk, from investment bankers and do so frequently to enable an ongoing conversation.

If necessary ask your investor more questions to assess their perspective: well- thought out questions can be asked of the investor without selectively disclosing information or setting expectations. Issuers should be aware of all the measures available to them to make decisions.

How can companies in the Middle East region raise their profile in the North American capital markets now?

There are many opportunities for companies in the region to access capital in North America. A listing on the local exchange is an obvious choice but the work should start before that.

With local investor relations support, foreign issuers should develop a targeted and high impact investor strategy, meeting with select funds interested in the sector and/or geographic region.

Commitment is key: investors need regular access to management, site visits, regular investor communications, appropriate disclosure policies and a local contact. Acquiring the services of a locally-focused and globally-oriented investor relations firm goes a long way to building a company's profile in North America, and allows the company to quickly and effectively leverage local knowledge and experience. The investor relations firm can act as a cultural bridge of sorts and provide direct, relevant and honest feedback, as well as advice and execution support.

Contact: **Belinda Labatte** at belinda@thecapitallab.com | **Phone** 647.436.2152 or **visit us** at 76 Richmond Street East, Suite 330, Toronto, Ontario, corner of Richmond and Church.