

Investor Relations in a ‘Down Market’: the bear necessities

For the first time in seven years we are ‘technically’ in a bear market, which is commonly defined as a downturn of more than 20% in multiple broad market indexes. The current environment has been extremely volatile, with multiple forces placing downward pressure on equities, and market turbulence is expected to continue for the foreseeable future.

In an environment characterized by uncertainty and speculation, a common reaction by issuers is to limit their investor relations (IR) activity and curtail their outreach to the investment community. The idea being: “if no one is buying, why should I bother?” Wrong. Investors need to hear from management in a down market.

Proactive and transparent communications are essential to reinforce strategy, review near-term milestones and revise, if necessary, expectations related to future performance. A proper communication strategy will help you stay top-of-mind during a down market, and will position your company to capitalize early on the favourable dynamics that occur once markets stabilize and begin to emerge from their trough.

What follows, are three fundamental rules for practicing smart IR in a down market.

Put a plan in place

Evaluate what impact the current economic or capital market environment has on your business, and develop, or adjust, your IR strategy.

- Identify your capital market objectives for the next 12 months
- Devise specific strategies to achieve your objectives
- Implement the necessary tactics to support your strategy
- Build an activity calendar to coordinate the implementation of your tactics

Proactively communicate with the market

Don’t go quiet. It is critical that you have an open dialogue with the investment community.

- Develop a set of key messages you want to communicate to the investment community
- Use press releases to communicate your company’s progress and achievements
- Maintain a proactive outreach program – regularly scheduled or event-driven roadshows
- Solicit regular feedback from the investment community to determine how their perceptions of the company are being affected by developments in the market

Manage expectations

Build credibility by properly managing expectations. Companies with management teams who are perceived to be highly-credible, often command a premium valuation versus peers.

- Under promise and over deliver. Avoid over-promising to compensate for negative market sentiment
- Ensure the objectives you have communicated to the market are achievable
- Be transparent in your communication
- Provide non-financial key performance indicators to help the investment community evaluate your company’s progress beyond your financial results
- Be candid about the challenges you may face, given the shift in the economy, and reset expectations, if necessary

IR remains an essential tool for public issuers during a down market. Regardless of the short-term shifts in the market, you want to maximize the utility of your listing over the long term. Remember, the market is cyclical. As history has repeatedly demonstrated, the end of a bear market tends to mark the start of a bull market. So, be patient. Follow these steps to build support within the investment community now and best position your Company to take advantage of the next up-swing.