

Investor Communications in Times of Uncertainty

The spread of the novel coronavirus epidemic has cast a cloud over financial markets and marked a tumultuous start to the year for many businesses. While businesses around the world have been moving quickly to navigate the rapidly-evolving situation, for listed companies, there is an added, inevitable need to start preparations for communication with external stakeholders as the corporate earnings season kicks off in the next few months. For those listed in Hong Kong and the Chinese mainland, the timing of disclosure will also likely be delayed, which injects further uncertainty into the financial community, in addition to concerns around business continuity and overall economic impact.

Communications professionals, investor relations personnel and leadership teams will need to be able to mitigate and respond to mounting concerns from the financial community and instil much needed clarity and as much certainty as possible in this uncertain situation. Below are the six key areas that business leaders should bear in mind when communicating with the investment community.

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Work from the inside out

In difficult moments such as this, companies need to prioritise timely, quality and consistent communications with employees, vendors and partners. Apart from being an integral component of sound leadership, this will be key in ensuring all of the business fundamentals that the investment community values. It will also be a good litmus test – because if your own employees don't buy into your position, message or initiative, it won't succeed externally. Communicating internally will require both official and unofficial channels – learn who dominates the informal communications channels in your organisation, and engage them early and often.

Be transparent in communicating near-term challenges

Communicate transparently and candidly about the short-term challenges that the company expects to face from operational risks to disruptions in the supply chain or changes in market dynamics. Transparency is not a sign of vulnerability but of sensible risk management and sound governance. When carried out effectively, it can demonstrate management's grasp on the situation and their strong leadership capabilities in navigating challenging circumstances. The management team should articulate clearly and to its best ability an assessment of the immediate, material impact of the current situation on the business. Avoid downplaying the impact of short-term disruptions or brushing them off; instead, address the challenges in a clear and transparent way.

Use the opportunity to reinforce the business' long-term fundamentals

This is also a critical opportunity for leadership to highlight and reinforce the business' long-term fundamentals, which will support an eventual recovery and deliver long-term value. Refresh the messaging on the strengths of the company, from the value of its key offerings to talent and even investment in innovation.

Communicate solutions and commitment...

The assessment of the epidemic's impact should also include communications around solutions and mitigatory measures that the company has in place. It is important to show the company's ability and resolve to "weather the storm". Bear in mind that such investor communications will also be closely observed by other stakeholders and could in turn shape the perception of the company at a broader level.

...but also be ready to respond to concerns and uncertainty

Be realistic when communicating your outlook and guidance on the remainder of the financial period and be ready to brace for worst-case scenarios. The current situation may present a prolonged challenge that persists for a long time. Stay abreast of the latest developments, consider possible scenarios, and be ready to address legitimate concerns and doubts from the investment community.

Think about your communication goals

The interest of your investors will no doubt be weighted towards the business and financial impact of the epidemic. The company would need to demonstrate its commitment in delivering what each stakeholder is looking for. By effectively demonstrating the company's ability to achieve shared goals and find alignment with its stakeholders (such as business partners and customers) during difficult times, the company also makes its case for its ability to create long-term, sustainable value for investors.

Conclusion

The central goal is to strike a balance between providing an assessment of the impact and measured guidance, as well as conveying long-term confidence and resilience. This will help the company to reassure and provide clarity to investors during times of uncertainty such as the present.

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Joanne Wong
Senior Managing Director
Strategic Communications
Hong Kong
+852 3768 4747
joanne.wong@fticonsulting.com

Mae Mei
Senior Director
Strategic Communications
Shanghai
+86 21 2315 1065
mae.mei@fticonsulting.com

Maggie Geng
Senior Director
Strategic Communications
Beijing
+86 10 5634 1798
maggie.geng@fticonsulting.com



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