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DISTRESSED COMPANY COMMUNICATION ESSENTIALS

When times are tough, it's more important than ever for a listed company's IR program to kick into action.

Investors must fall in love with a small cap's story as well as its financials. But when the company shows signs of distress the love affair can sour.

Subsequently, typically the stock price will decline and changes will be made to the leadership team. Telling this story and giving it context and relevance is the investor relations challenge at this point.

The investment story needs to highlight what management and the board are doing to address the challenges in the business, whether they are operational, financial or strategic, and tell the story concisely, using language that is relatable, simple and resonates with all stakeholders. The key is simple communication and no fancy metrics.

Small cap marketing activities comprise four main areas: perception audits, communication, investor targeting and the investor relations calendar.

Undertaking a perception audit once a year is recommended. It's very easy for a company to fall in love with its own story, and a perception study provides management and the board with constructive feedback on how they are perceived, areas of misunderstanding and whether investors want more details on the financials or strategy. A perceptions audit provides an excellent foundation for improving market communication.

Start with a thorough review of the company's key messages. They need to be simple, clear and consistent and, importantly, unqualified so as to create credibility and certainty. Messages need to clearly express the business model, financials, management, board and operational metrics and how this drives value.

Investors value direct communication and they expect the financial results presentation, stock exchange announcements, annual reports, investor fact sheets, newsletters, media releases, digital and audio content to be easily accessible via the company's web site. Adding a contact email address to the investor section of the website allows for two-way communication and investor engagement.

Infographics are an effective tool, and can be distributed via direct email to a database and shared on social platforms to educate and engage quickly and effectively. Some 80 percent of investors use social media to read news and research specific industries.

The media is also an influential channel but it requires a carefully considered and thorough media strategy to ensure disclosure obligations are met. Suitable people within the company should be appointed spokespeople.

Finance journalists will look for a clear explanation of the competitive environment in which the company operates, the investment offering, track record of achievement and differentiation from other small cap companies.

Once relationships are developed, email can be used to communicate market announcements, media article mentions or interviews and podcasts.

Management needs to provide relevant communication that creates trust in line with current market themes.

Investor targeting and marketing should be conducted regularly. Allocate time for briefings with retail and institutional desks, as well as conference presentations, conference calls and investor meetings. Marketing out of reporting season is very favourably received by investors.

Once relationships are developed, email can be used to communicate market announcements, media article mentions or interviews and podcasts. This constant engagement will develop trust and familiarity with the story, understanding of the financials and confidence in management.

Planning an investor relations calendar of events to include results campaigns, annual general meetings, corporate days, conferences, non-deal roadshows, trade shows, site visits and attendance at sector-specific events is an excellent way to engage with existing and potential investors.

Commissioning independent research to be released prior to these events can help the investors gain a deeper understanding of the company including important environmental, social and governance (ESG) issues.

Sponsoring a significant cultural or sporting community event can provide exposure within a community. Sharing this activity on social media platforms can also be useful.

Investors expect companies to use engaging means to communicate metrics and business milestones. In return, they are likely to support management – and they may become long-term investors if the story really is great.