

KINGSDALE MEMO:

Director-Shareholder Engagement While Maintaining Social Distancing

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Public companies in Canada have, en masse, opted for virtual-only meetings in response to the COVID-19 pandemic: According to Institutional Shareholder Services Inc. (ISS), 274 Canadian issuers have chosen the virtual-AGM route, while just 14 have postponed or cancelled their meetings.

The next issue boards need to tackle is how to engage with shareholders, pre- and post-AGM, given that social distancing measures and travel restrictions will likely continue for the foreseeable future.

COVID-19 is not license to put a pause on your engagement activities—unpredictability does not mean the expectations of your investors have changed; in fact, they might be heightened. During this period of time, director-shareholder engagement remains critical, not only to head-off potential issues, dissuade shareholder activism, and demonstrate board capability, but to calm fears, instill market confidence, and increase buying.

Now is not the time for issuers to go dark.

Below, we've listed four ways to keep engaged with your shareholders during the COVID-19 pandemic. Before launching your shareholder engagement activities, we encourage you to conduct an in-depth shareholder analysis in light of the market sell-off. Initiate a stock surveillance program, keeping an eye on company announcements, 13Fs, and sector flows. Now is also a good time to reach-out to your evergreen list of shareholders/investors who liked your story but cited valuation as a reason they were not buying. Will they buy now?

KEEPING ENGAGED WITH YOUR SHAREHOLDERS

Don't let your website become stale

The first place shareholders—especially retail shareholders—will look for company updates is the investor pages of your website. The information that investors look for most—your stated growth strategy, most recent annual reports, information about your leadership team, and contact information—should all be up-to-date and easy to find. As a best practice, consider posting a continually updated FAQ, which includes the most recent questions asked by shareholders related to COVID-19 and its impact on the company going forward.

During the crisis, we also recommend adding a clearly marked section on your investor pages dedicated to your response to COVID-19. In this section, consider including a short one to two-minute video from your CEO highlighting your business resiliency and outlining steps you've taken to ensure safety of your employees, customers, and other key stakeholders and to mitigate risks. (Research has shown that only 20% of web visitors will read copy, while 80% will watch a video.)

Don't worry about production quality of the video—a webcam or smartphone message is explicable and sufficient, and, in fact, may speak to the speed and authenticity with which you are acting. Remember to utilize your social media channels along with email blasts to shareholders inviting them to visit your website for regular updates and to promote your CEO video.

Try videoconferencing with top holders

While technology solutions for virtual one-on-one meetings, such as Skype, Zoom and GoToMeeting, have been available for many years, they've been under-utilized for shareholder engagement with issuers traditionally opting for in-person or telephone meetings.

We encourage our clients to try the video conferencing option this year as part of their pre- and post-AGM outreach: Video meetings—versus telephone—spur increased engagement, trust, and collaboration.

Head into these meetings with the understanding that your discussions with shareholders, during the COVID-19 crisis, will be different from your discussions in the past:

- Be prepared to answer questions about the potential impacts on your business and the changes you may be making. If there are things you don't know, tell shareholders that, followed by the steps you are taking to identify and solve for the unknown.
- Be transparent and provide as many qualitative and quantitative details as you can. Shareholders will understand that in a rapidly moving situation you may not be able to accurately forecast the future, but it's important to offer best-case and worst-case scenarios.
- At the end of the meeting, reassure the shareholder that you intend to provide them and the market with regular updates as the pandemic evolves.

What about roadshows?

Already, we've seen a number of companies cancel or postpone their roadshows or investor days due to the pandemic. We urge our clients to take their cue from shareholders—don't be afraid to check in on their comfort level and preference—because you don't want to end up speaking to an empty (virtual) room. On the other hand, virtual investor meetings may foster greater participation and engagement—this format enables any shareholder or investor to participate in the meeting regardless of their location.

If you choose to forge ahead, there are a number of virtual roadshow platforms available that provide multi-media capabilities and offer your current and potential shareholders the ability to ask questions, download materials, and even chat with other virtual attendees.

For your virtual roadshow, keep your presentation brief and interactive. Given the economic upheaval, you'll want to revise your typical investor deck. Start off your presentation by directly addressing impacts of the COVID-19 pandemic on your business—to your balance sheet, your liquidity, your cash burn rate, your supply chain, etc.—and highlight the detailed steps you've taken to address these challenges in the short-term and to mitigate risks in the near-term. You can then conclude your presentation with your regular slides demonstrating that your long-term, post-COVID, fundamentals remain solid. Another effective tactic to tell your story is to include a CEO 'fireside chat' as part of your roadshow webcast, inviting a preferred research analyst to host.

With any type of digital interaction with shareholders, make sure the participants from the company are familiar with the technology. It's always a good idea to have one or two dry runs prior to the meeting to coordinate talking points and assign Q&A's, especially since the participants likely won't be in the same room.

Consider using social and traditional media to reach out to shareholders

Some investors may not want to meet with you right now with many focused on keeping their own businesses afloat. To reach these investors, we recommend utilizing your social media accounts to amplify your company announcements, serialize key points and visuals in your updated investor deck, and push shareholders to your website.

Issuers should also consider a proactive media relations strategy to reach mainstream media (Financial Post, BNN-Bloomberg, Barron's, etc.) as well as industry publications. Has your board and management taken pay cuts to help preserve capital and avoid mass layoffs? Has your company announced any philanthropic initiatives in response to the crisis? Do you have a unique take on how your industry will rebound from the pandemic? Share these stories with the media who in turn may relay them to your shareholders.

While digital engagement may not be the ideal situation for everyone, it's expected social distancing, at least in some form, will be the new normal. If you have started planning for in-person engagement meetings in the fall, make sure that your board and executive are prepared to shift back to digital if needed.

For more tips and tools about director-shareholder engagement, download Kingsdale's The Definitive Guide to Director-Shareholder Engagement providing Canadian boards with best practices and latest trends.

If any of these questions have identified a need for your company or you have other questions, we are here to help 24/7. [Contact us today.](#)