

## **COVID-19 & Shareholders: What you need to know**

At Kingsdale, our expertise lies in our ability to provide meaningful advice to public company boards and management, especially when they encounter an unforeseen challenge or a novel event.

Over the last few weeks, we have been helping clients navigate uncharted waters as they encounter questions and identify considerations related to the market turmoil from COVID-19/coronavirus. While most companies have crisis scenario response plans in place, the COVID-19/coronavirus outbreak has introduced some new considerations, especially from a capital markets perspective.

Below is our checklist of questions designed to help public companies prepare for and mitigate the evolving challenges associated with the COVID-19/coronavirus outbreak, and the subsequent market turmoil.

### **What should we tell our shareholders?**

The truth. Clearly, concisely, and consistently. This is Crisis Management 101. As best you can, outline the potential impacts that are specific to your business and any 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. Shareholders will understand that in a rapidly moving situation you may not have all the answers, but they will want to see a demonstration that you are thinking about and are on top of a changing dynamic. Of note, make sure your shareholders understand your approach to capital allocation and preparedness for supply chain disruption and market downturn.

### **What should we say as part of our disclosure obligations?**

While there is no one-size-fits-all approach, we generally advise clients to err on the side of over-communicating to ensure the market knows you are on top of the issue, even if the impacts on the business to date are minimal. To date, we have observed Canadian companies have been thoughtful and measured in their disclosures, likely in part to a perception that Canada is more prepared than other nations to manage the outbreak. Generally, companies with their counsel should assess the foreseeable financial impact, material impact on operations, concerns with supply chain and customers, and any agreements that could be affected.

### **Should we consider a virtual AGM?**

Yes. In the current environment where containment continues to be a key priority globally, the responsible course is to avoid unnecessary public gatherings and close personal interactions. While this does not mean avoiding shareholder engagement, it does mean you should take a prudent approach

given the new reality. For example, this time of global concern may present an opportunity to utilize virtual AGM technologies. Before making the switch, however, there are some key factors that issuers must take into consideration. Where is the planned physical meeting location and what is the current impact of COVID-19 in the region? What is your expected attendance? Do you have enough time before your meeting to communicate the change to shareholders? While virtual meetings are authorized under corporate legislation, different jurisdictions across Canada have different rules. For companies that have the ability to host a virtual-only AGM, we encourage you to have a comprehensive agenda which includes a management update and a Q&A session that would afford shareholders a similar level of participation as an in-person meeting.

### **Should we cancel our planned roadshow and/or investor day?**

Shareholder engagement, especially when it includes directors, is valued by shareholders and boards should be sensitive to closing this door, particularly in a time of crisis. Rather than relying on in-person meetings or events, consider moving to more virtual formats like Skype video calls with shareholders and webcasts to replace investor days. Companies should take their cue from their stakeholders—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 room. Directors should also consider video conferencing for their own board and committee meetings.

### **Does the market downturn now make our company vulnerable?**

Likely, yes. The question is what are you doing to prepare for the emergence of a hostile bidder who can take you out on the cheap or an activist shareholder who can accumulate a sizable position in a more cost effective manner than they might have otherwise been able to? Valuations may make entry points attractive to potential suitors—or an opportunistic private equity fund—to gain toeholds. Peer comparisons matter; assess how you are stacking up to your competitors in this downturn. We encourage companies to conduct an in-depth shareholder analysis in light of the market selloff, review governance and by-law best practices, and initiate a defensive preparedness strategy, something we at Kingsdale are on standby to help with. Those that are contemplating a transaction will really need to know where their shareholders stand—lock-ups and outreach will be more critical to success.

### **How can we emerge stronger?**

Beyond demonstrating a high degree of competency in your company's response to this period of adversity, the market collapse presents an opportunity for insiders to buy more shares to demonstrate to shareholders they are aligned with them as the work to restore value begins. Companies may also consider buying back shares given current valuations, measuring this against other uses for cash available or taking on additional debt to finance the repurchases.

### **With so much uncertainty, what can we do now?**

Invest in holistic planning that combines corporate and crisis communications, investor relations, and governance advisory. Working with your legal and financial advisors, Kingsdale specializes in developing

customized blueprints tailored to your company that deliver a full complement of strategies to plan and react in a thoughtful, deliberate, and effective manner, including reputation recovery and long-term communications planning.

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.](#)