



middle east
investor relations
association

MEIRA WORD: CRISIS, WHAT CRISIS?

18 March 2020

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Summary

Let's consider the topical case of DP World and its recent announcement that it plans to delist from Nasdaq Dubai this year. While on the face of it, this is a story that hit the markets hard, there is always another way to look at this. Above all, one common element in all our MEIRA Word articles will be the role of IR. We are fortunate to have DP World, a perennial IR award winner, as a supportive member willing to share their IR best practice.

The IR issues

A key part of IR's role is to maintain and develop the investment story of a company. In the case of DP World, this started in 2008 in a post-Global Financial Crisis world when a restructuring of the ports business led to a successful IPO in Dubai and London. Roll on a decade and the positioning of DP World had changed markedly to become a global logistics play. However, a steady share price decline suggested something wasn't working as far as the investment community was concerned. Part of this can be put down to a lack of liquidity, a not uncommon feature of listed stocks in the region given relatively small free floats – 20% in DP World's case. However, perhaps the bigger IR issue has been the missed re-positioning of DP World, a business that doesn't easily or neatly fit in a sector and in the end, couldn't see the fair value it sought from the market.

All change

Something had to give and in early 2020, DP World announced that it would address a larger capital structure question by undergoing a significant corporate action. This would result in effectively paying equity holders a premium for their shares and, at the same time, paying down the debt of its majority shareholder through further capital raising. Naturally, IR would expect to have happy shareholders and possibly less happy bond holders given the prospect of higher debt levels. This is where effective IR and good communications can make a difference to the perception of the company and certainly to its investors.

Company management can't please all stakeholders all the time and the further question for DP World was how to induce the best possible response to the initial market reaction to their big announcement? This was an opportunity for IR to lead the communications strategy given one clear corporate objective and multiple stakeholders, including equity and debt holders. Following conference calls at the outset with both investor groups, IR led the charge with a roadshow spearheaded by senior management. There is, of course,

nothing quite like hearing it from the horse's mouth and seeing the whites of the jockey's eyes in full flight. This is the real measure of leadership and something that has to be done for key investors at a time of such big news.

It is said that in public capital markets, corporate access (read transparency) is everything. To give this to investors, while sometimes difficult, particularly after the initial market reaction to news, is to be applauded. If you can turn the disappointment, if not the sadness of a titan leaving your market, you have something to be proud of in that IR can make the difference from "no-one's going to lend you money again" to "fair enough, when's the next round of fund-raising?" This is what IR does by maintaining important relationships through thick and thin, keeping the door open, giving the access that both company and investors need and by keeping the communication going, regardless of how news may initially be taken. And let's face it, not everyone will get it or want to get it.

The role of IR

As Warren Buffet says, "The purpose of Investor Relations is to attract the investors you never want to lose" and this, of course, doesn't mean everybody. IR has an important role to work out for/with management who are the target investors.

When a story has the potential to be received badly, if not as you intended it to land, you need to think of your audience and your communications. In this, IR can and does make a difference in knowing who's who, both internally and externally, and having the key relationships that you can draw upon. However, at the same time, management needs to understand what is needed and to support IR in its role of managing the all-important "Cs" of IR:

Context – Where are we today, what is our overriding objective and how do we achieve this?

Commitment – IR needs management and the Board onside and IR needs to know and show this.

Clarity – The story must be crystal clear, compelling and you must believe every word you share.

Consistency – Regardless of what is happening, 'good, bad or ugly', keep the communication going.

Credibility – The market should know and respect IR and it will believe you, if you are doing a good job.

Conduit – Above all, IR is a two-way relationship which means listening to your audience and making sure management knows what the relevant feedback is and what it may mean for the investment story.

Key take-aways

To conclude, it is fair to say that the IR team at DP World has again demonstrated a best-in-class approach to its IR at a potentially turbulent time. In doing so, DP World IR showcases the importance of the following lessons:

- > **Plan** and make sure IR is involved at a strategic level so that the market view is fully considered.
- > IR can and should lead the **communications**, particularly for the investment community.
- > Sometimes things change and we have to **adapt** and make the most of it, IR story or not.
- > More fundamentally, what is the **purpose** of public capital markets and how do we ensure that markets continue to work for companies, investors and other stakeholders, including the public?
- > Perhaps the biggest take-away is to stay calm, focused and never lose your IR **reputation**.

And finally, to put matters into perspective, a quote from Redwan Ahmed, Head of IR, DP World, "It may feel like goodbye for now, it's certainly not forever. We still need IR".



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