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POST COVID-19: RESHAPING BUSINESSES IN THE MIDDLE EAST

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For nearly all public companies in the region, the Covid-19 pandemic has created unique and profound challenges. The effects of the pandemic, including business interruption as a result of social distancing and closure policies, have meant that management and the Board have had to address unprecedented headwinds and adapt quickly to weather the storm. As restrictions begin to ease across the region and business leaders begin to prepare for operations in a post Covid-19 world, MEIRA surveyed issuers across the region to understand common challenges companies are facing, where priorities lie for management and the Board, and how companies can improve engagement with investors during and after this time.

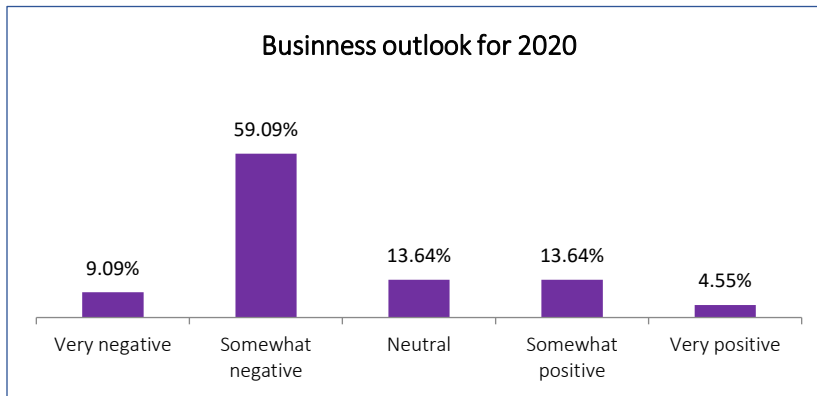
Post-COVID-19 planning

Some governments in MENA are beginning to ease restrictions. In an effort to reignite the economy, some economies are tentatively returning to some level of normality, for example opening retail and F&B and easing other restrictions – a cautious start as policy makers navigate the new normal.

Management and Boards will need to be proactive and agile in their response to new challenges, building resilience across the business as they prepare to operate in a post Covid-19 environment. First and foremost, leaders will need to ensure their employees are safe and healthy by following government and international guidelines. Assessing the financial stability of the business and the health of its operations will be vital, while preparing scenarios for what the future will look like and how the organization can learn from challenges faced.

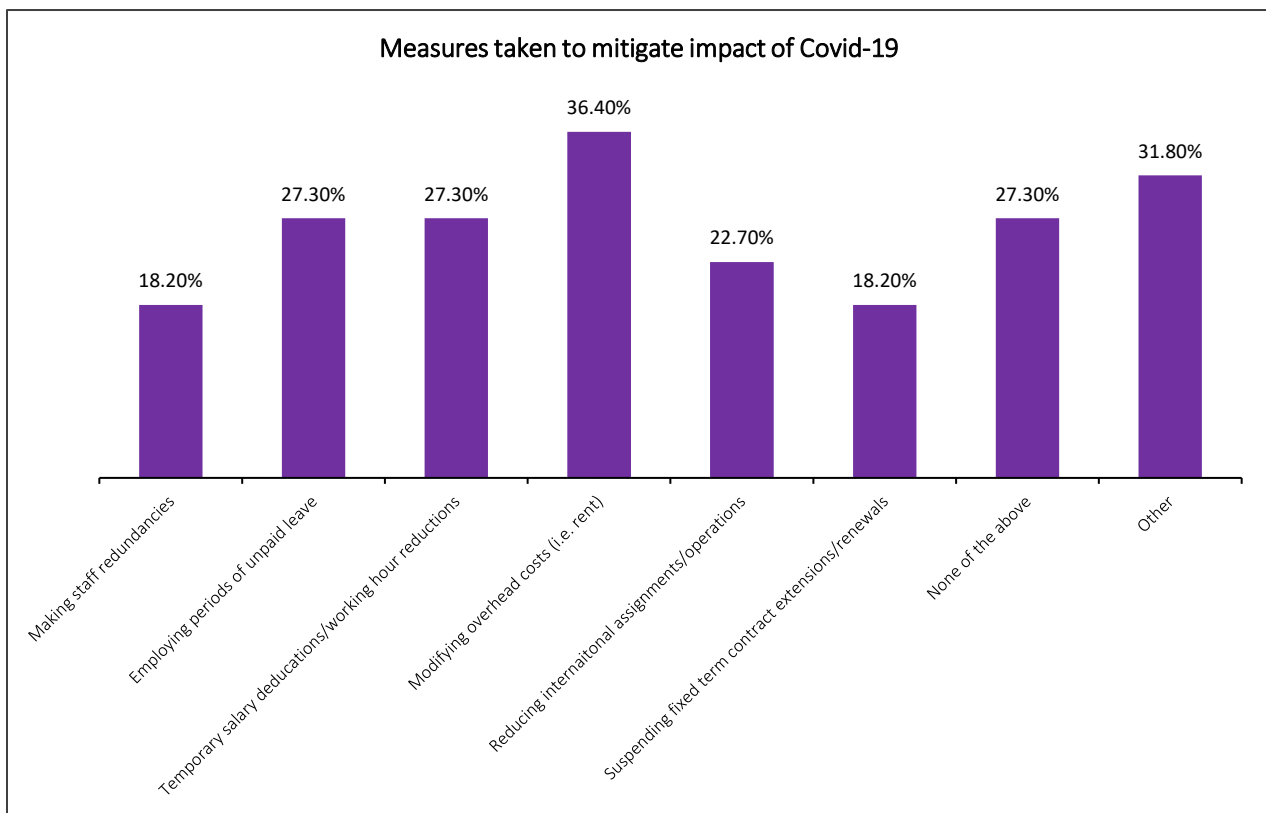
As companies roll out their post-pandemic strategies, issuers need to engage with their investors on measures taken and on their expected financial impact. Proactive and transparent investor relations should be a priority, ensuring shareholders know what to expect and have the tools and information to make investment decisions. If proactive communication is not adopted, particularly after regional markets have been upgraded to emerging market status, the impact will be felt for years. An agile but robust IR strategy is the key to sustaining shareholder trust and maximising value, especially amid turbulent market conditions and global uncertainty.

Views from the Middle East



Businesses across the region have faced different challenges. Nearly 60% of respondents of the MEIRA “Covid-19 implications for IR in the Middle East” survey have a ‘somewhat negative’ outlook on the future of business, while 18% have a ‘positive’ outlook.

In response to the pandemic, businesses took measures to control costs, worked with policy makers, and optimized staff costs. Cost management was the focus area for companies across the region and included managing staff costs, reducing Capex, revisions to third party contracts, aggressive liquidity and cash management, and participating in government support programmes.



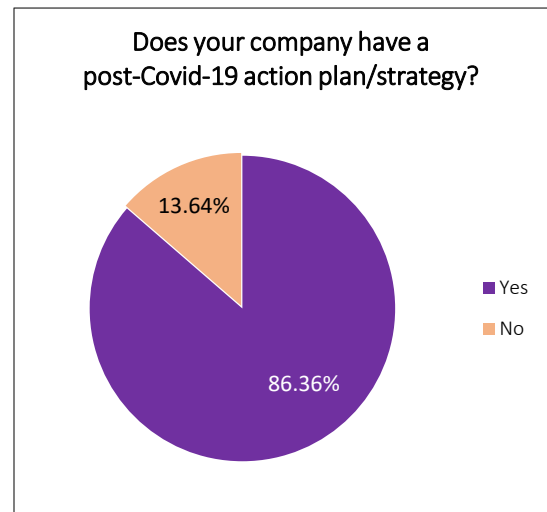
For 86% of respondents in the region, the IR function has played a role in ensuring the Board and management continued to communicate with the market during the crisis.

Board members adapted to circumstances by taking an active role in supporting management in decision making. For some companies, the Board took a highly active role in preparing for the financial impact of the crisis, putting in place mitigation plans and a proactive communications strategy. In some instances, the Board led emergency response plans, managed stakeholders, and supported management in strategic planning for during and after Covid-19.

The role of the C-suite became more granular and tactical during this time, and respondents highlighted the critical role of management in leading crisis response plans, rapidly making decisions to manage the financial impact of the pandemic, meeting directly with investors and government entities, and maintaining proactive communication with employees and customers.

Companies around the world have learnt numerous lessons from the Covid-19 pandemic and are preparing to operate in a very different environment. In the Middle East, nearly 90% of respondents have a post-pandemic action plan in place.

When asked about key lessons from the crisis, respondents highlighted the need to prepare for a crisis ahead of time. Business leaders need to prepare for every scenario, however unlikely, and maintain a flexible mindset that will facilitate improved crisis response. Cost management was a focus area, with respondents highlighting the need to maintain a leaner operating model for the future.



The importance of technology also came to the fore for many. The need to quickly adapt to operating remotely and digitally means many organizations will now look to better utilize technology in their operations. There can be no doubt that ‘the way we work’ has changed irrevocably.

The need for consistent and transparent communication with shareholders and other stakeholders was highlighted as a key lesson for respondents. Investor Relations remains highly relevant, even for private companies, as investors want to know how businesses are responding and what to expect from the plans that have been put in place.

As companies begin to operate in a post-lockdown environment, the role of the Board and C-suite will continue to shift. Boards are likely to take a more active role during this time, frequently reviewing a company’s strategic response and ensuring management are prepared during the evolving crisis. The Board may also take a more active role in reputation management, including through Investor Relations.

Andrew Tarbuck, MEIRA Chair & Partner, Head of Capital Markets at Al Tamimi:

“It’s enlightening to witness how regulators in the region have been reacting so nimbly to the situation. They have remained cognisant from a compliance perspective by introducing flexibility in the timing for submitting annual reports, with extensions from many Middle Eastern regulators for year-end audited accounts.

An important element of governance is that AGMs take place in a timely manner. In this crisis situation, it has become significantly more difficult, but companies are beginning to adapt by transitioning online towards Virtual AGMs.”

Paul Gay, MEIRA Board Member & Executive Manager at Almarai:

“We turned the governance of Almarai into crisis mode. Fortunately, over the last year we set up the crisis management function, where EVP or C-suite members of the company are actively participating. We wanted to refocus our attention strategically so that we remain on track. We put the utmost importance on consumer health and customer health. We set an objective, as an industry leader, that employee and consumer health are the forefront of what we do every day.

Constant communication with our board, risk committee and employees has been vital. Our CEO communicates the board’s progress to all employees on a weekly basis to ensure that business continuity plans are understood clearly, and our governance structure is still most definitely in crisis mode.”

Sofia El Boury, MEIRA Vice-Chair & Head of IR at First Abu Dhabi Bank:

“This phase has been incredibly challenging for everyone as Covid-19 does not discriminate. At the onset, there was an incredibly diligent effort across FAB to create a meaningful response for stakeholders. For IR, it was critical that we maintained open communications channels with the market. It is very easy to succumb to panic when everything that we know is put into question and the last thing that is expected from IROs is to shut down communication channels when times get tough. Investors, rating agencies, and a number of other market players all wanted to understand what was going and this time was, and still is, an opportunity for IR teams to build trust and deepen these relationships further.”

Implementing the post Covid-19 plan

As operating conditions begin to stabilize, business leaders should look at strategies for an impactful reconstruction plan. First, the Board and management will need to consider the needs of multiple stakeholders. Employees will require stringent health and safety protocols as they return from remote work. Maintaining an open dialogue with stakeholders such as government entities and regulators will be key, as companies review their operating models and legal and compliance obligations – many of which have changed markedly. Shareholders’ interests will need to be considered as material financial decisions are made that may affect growth in the medium-term – for example, major Capex initiatives. A two-way

conversation with investors can be beneficial, as they offer ideas or highlight concerns that management and the Board may not be thinking of. A fresh lens on a situation is never a bad thing.

There are a number of tools and strategies companies can employ to better engage investors as they roll-out a revised operating model. During this time, a focus on proactive and transparent communications will be vital, ensuring open dialogue with investors that will secure their support as companies adapt to a new business world. Such tools may include:

> **Management calls** – IROs should consider facilitating more frequent calls with shareholders, sell-side analysts, and bondholders. Information on the company’s roadmap will bolster confidence, and will furnish leadership with valuable information on market sentiment

> **Presentations** – a clearly articulated strategy presentation will provide shareholders with the information they need to understand priorities for management. These presentations can include updates on the regulatory environment to ensure investors are aware of policies implemented at government level, and what they mean (for better or for worse) for the company

> **Perception management** – when communicating with the financial community, prepare for best- and worst- case scenarios, reassuring stakeholders that management has considered a multitude of scenarios and is fully prepared to address risks. Listen to the market, and build its views and concerns into the planning process

> **Releases and statements** – proactive releases and market disclosures distributed across channels are a quick and simple way to show investors that management is actively addressing the issue, is evaluating impact on company performance, and is being transparent in doing so

> **Channel integration** – ensuring information is available across channels will mean that investors can access all the information they need. Creating a dedicated section on the IR website and rolling out announcements across digital channels and the media will provide an opportunity for companies to build trust and confidence

> **Internal communications** – during times of change, internal communication is an important part of managing misinformation and reducing uncertainty. Companies with effective internal communications tools can ensure that all stakeholders are receiving the same strategic information, and make their employees ambassadors for key messages

The Covid-19 pandemic has affected people around the world, resulting in unprecedented change from both an economic and social perspective. The magnitude of the crisis is immense, and Boards and management will need to work in tandem to address business challenges as well as ensure they engage stakeholders during the post-crisis era. How businesses will fare remains to be seen. The views and tools described in this paper offer business leaders in the Middle East a glimpse of what their peers are thinking, and the tools they are using to engage shareholders as they navigate the new normal.



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