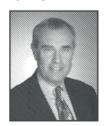
### **BEAR MARKET BLUES?**



**GET OUT AND TELL YOUR STORY!** 

### A Q&A with PondelWilkinson's Roger Pondel

very great public company story deserves an engaged audience, regardless of market conditions. Particularly during bear markets, astute investors are listening. They have their antennae up, looking for good companies whose share values may have dropped because of the market, but not because of company fundamentals and performance. Gaining the attention of microcap and smallcap investors while valuations are low is a strategy than works.

SNN's Shelly Kraft recently sat down with veteran investor relations and public relations advisor Roger Pondel, CEO of PondelWilkinson Inc., to ask a few questions about what microcap and smallcap public companies should be doing to address the bear market blues:

# SK: WHY IS IT IMPORTANT THAT PUBLIC COMPANIES SEEK ATTENTION IN THE INVESTMENT COMMUNITY DURING A BEAR MARKET?

**RP:** For publicly traded companies, communicating with existing and prospective shareholders during bear markets may at first seem counterintuitive. Who is listening? But at a time when valuations have dropped precipitously, investors are eager to discover and invest in solid companies at perceived bargain prices. It is also a time to communicate and foster good relations with existing investors, providing confidence in the company's future and encouragement to stay the course.

## SK: CUTTING TO THE CHASE, IS THERE ANY ONE BEST COURSE OF ACTION PUBLIC COMPANIES SHOULD TAKE DURING BEAR MARKETS?

**RP:** While there is little companies can do to calm market forces, I will give you two courses of action

that I believe management teams of public companies should take in a bear market: 1) Keep doing what you do best, namely, running the company to the best of your ability, with long-term performance in mind. 2) As difficult and painful as it may be, do not be defensive about a falling stock price, particularly if the company is still performing well. Investors know the reason, and it is not the CEO. The rational investor will stay calm and even become excited by price declines, seeing opportunities rather than losses.

SK: HOW 'BOUT SPECIFICALLY FROM A COMMUNICATIONS PERSPECTIVE... SHOULD MANAGEMENT TEAMS OF MICROCAP AND SMALLCAP COMPANIES JUST LAY LOW FOR A WHILE UNTIL MARKET CONDITIONS CLEARLY IMPROVE?

RP: Retreating or staying purposely quiet is not a strategy that works. Bear markets are principally reflections of investor sentiment, rather than company specifics. More than ever during bear markets, companies should communicate widely. In so many cases, the corporate story remains solid. And when there is bad news to convey, doing so in a transparent manner instills integrity, trust and respect. Businesses that go silent just because they are not seeing immediate valuation returns are essentially leaving it up to the court of public opinion to choose their fate—but taking a proactive approach by filling communications channels with the proper messaging, including news content, will help overcome negativity stemming from a communication vacuum.

SK: IS THERE ANY DIFFERENCE IN BEAR MARKET COMMUNICATIONS TACTICS THAT MICROCAP AND SMALLCAP COMPANIES SHOULD PURSUE, VERSUS WHAT BIGGER CAP COMPANIES DO?

RP: Communications tactics remain essentially the same in bear or bull markets, but for the microcap and smallcap company, there needs to be more proactivity than for bigger companies, which typically garner greater attention by virtue of their size. Identifying and issuing real news helps, as long as that news has substance and is not being issued for the sake of "putting something on the wire." Continuing to tell the corporate story through non-deal roadshows, conference presentations and social media is imperative.

### SK: WHAT ATTRACTS INVESTORS THE MOST TO MICRO AND SMALLCAP COMPANIES DURING **BEAR MARKETS?**

RP: Given current market conditions, investors focus on fundamentally sound assets to strengthen their portfolios. Most investors stick to the decisions that they already have made when they were in a calm and rational state, and they will not typically deviate from their portfolio mix and their views of management teams and their companies. If a public

company communicates well, it will attract new investors and retain current ones, helping them not to be overcome by emotion. Bear markets enable investors to buy great companies for far below their fundamental worth.

### SK: WHAT SHOULD COMPANIES BE MESSAGING TO THE INVESTMENT COMMUNITY DURING THESE TIMES?

**RP:** In my humble view, the fundamental corporate messages remain largely the same during bear or bull markets, and regardless of a company's sector. The ones that immediately come to mind include:

Discussing the company's underlying strengths: cash flow and balance sheet; debt management; client/ customer relationships; resilience and history in prior down markets.

Articulating if and how current economic conditions are creating change for the company, positive or negative, including decision-making.





Giving existing investors reasons to hold your shares or buy more.

Showing empathy regarding the loss of valuation, but also exuding confidence in the company and offering assurance that the good times will be back.

Being certain that investors hear regularly from csuite executives - sometimes more than the CEO and CFO - on conference calls and non-deal roadshows and at conference presentations.

### SK: IS IT REALLY POSSIBLE TO ENHANCE VALUATION DURING A BEAR MARKET?

**RP:** A simple answer is yes. But it takes a strong dose of patience, as well as performance. As in virtually any market environment, it's up to the company to perform financially and operationally - and tell its story - for enhanced valuation to occur. The "telling" part means proactively seeking to attract attention, getting in front of the right investors, communicating

the company's financial performance, participating in NDRs, presenting at conferences, issuing a steady flow of real news, seeking and accepting speaking opportunities, and judicious use of social media.

SK: I KNOW YOU DO NOT HAVE A CRYSTAL BALL, **BUT BASED ON YOUR EXPERIENCE, HOW LONG** DO YOU THINK THE CURRENT BEAR MARKET WILL LAST?

**RP:** Most of us have been through bear markets before, and the good news is that it does not take a crystal ball to know that bear markets eventually end. But one thing is certain, there is no certainty of when that end will come. The last official bear market began in February of 2020, concurrent with the pandemic, and it ended about six months later. It was the 6th worst bear market since 1927, based on the S&P 500 Index and predecessor indices, dropping nearly 40% at its lowest point. It was, however, the quickest bear market by far, followed by the S&P 500 attaining a new all-time high. During the dark months of the 2007-08 financial crisis, when the S&P sank nearly 52%, investors flocked to companies in all size ranges with solid financials, established track records and positive outlooks. The current bear market in the S&P 500 was confirmed on June 13, 2022, but the broader market began its slide on January 3, 2022. While the pandemic scare and supply-chain challenges are abating, inflation and interest rate hikes are still with us. But don't take it from me, if history repeats itself, the average bear market since 1928 lasted 349 days. Most analysts and others we know confirm that bear markets typically last between nine months and a year. So while we all should settle in for some continued volatility, it bears repeating: Every great public company story deserves an engaged audience, regardless of market conditions. And investors are listening.

Roger Pondel is CEO of PondelWilkinson Inc., a full-service investor relations and strategic public relations firm that has earned a national reputation for innovative, aggressive, professional service. He can be reached at rpondel@pondel.com, or 310-279-5965.

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