

# STRATEGIC RESEARCH

## What To Do When Your Stock Blows Up

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### *Executive Summary*

#### Overview

At some point almost all public companies suffer a significant one or multi-day drop in their share price and are forced to issue a response to investors. However, many senior level executives and IROs are unaware of the best way not only to disseminate that response, but also how to handle the fallout that typically takes place after an adverse event transpires. To that end, Thomson Financial surveyed 53 “C-level” executives and IROs to gauge how public companies historically have responded to large one or multi-day drops in their share price. In addition to providing these results, this report also provides an outline that public companies can use to deal with a major stock blowup, rebuild investor confidence and firm up their share price. A step-by-step actionable checklist is also included.

#### Key Findings

Public companies should respond to significant declines in their share price. However, the type of response will vary depending upon the nature and severity of the event. In many instances a press release or an 8-K filing may be warranted or will suffice. In others, a visit with institutional shareholders, a series of investor conferences, and/or the release of updated earnings (or other financial information) may be required. In any case, the company’s goal should be to communicate with the investment community its plans to resolve the issue as well as describe any further complications that could occur. Finally, companies should embark on an offensive campaign to recapture the hearts and minds of current shareholders, as well as to attract new retail and institutional interest in the stock. Both “road shows” and the deployment of an aggressive investor relations effort will help achieve those objectives.

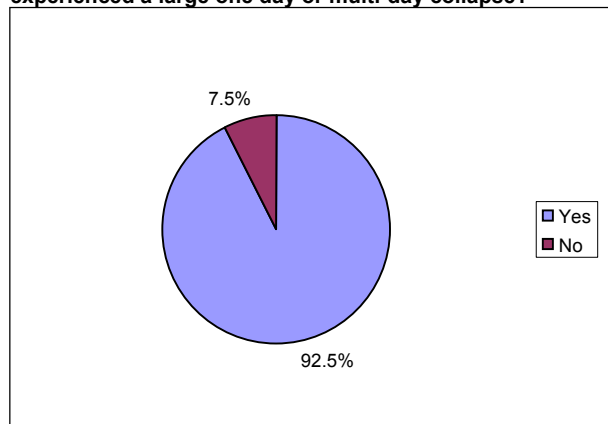
#### Key Survey Findings:

- 92.5% of survey respondents indicated that within the past five years their company’s stock has experienced a large one or multi-day collapse. Almost 68% of respondents indicated that the value of their stock declined between 10% and 40% at that time.
- Only about half of respondents had a plan in place beforehand to deal with or respond to such an event.
- Nearly 74% of respondents indicated that they reached out to institutional investors after the collapse. More than 60% of respondents indicated that they did so within two days.

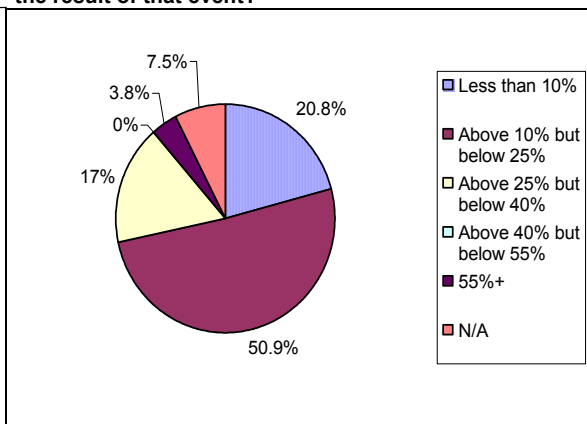
• Almost 68% of respondents indicated that their IRO crafted their company's comeback, or re-emergence strategy after the drop in share price. Just 53% indicated that their CEO/CFO helped to craft the plan. Other parties charged with crafting the plan, but to a lesser extent included: IR/PR Firms (13.2%), Boards of Directors (5.7%) and others.

See Charts Below For Additional Detail:

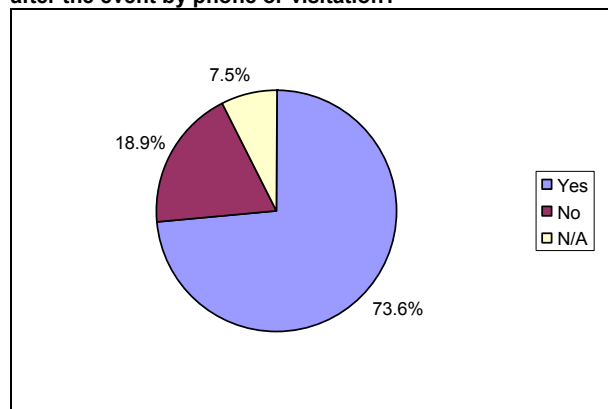
**In the past five years, has your company's stock experienced a large one day or multi-day collapse?**



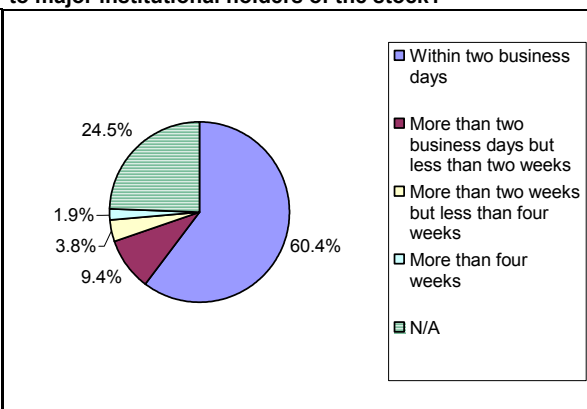
**What percentage would you say your stock declined as the result of that event?**



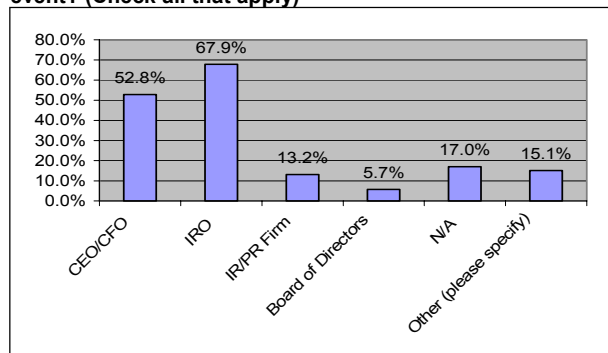
**Did your company reach out to institutional investors after the event by phone or visitation?**



**Within what period of time did your company reach out to major institutional holders of the stock?**



**Who crafted your company's comeback strategy after the event? (Check all that apply)**



**Selected IR Comments:**

- "In a volatile sector, and we have a continuous and active IR communication with sell-side and buy-side. This gives the institutional investor the confidence in management to let us perform out of insignificant/minor setbacks."
- "We involved legal ahead of time to discuss our responses and help minimize our risk."

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