

RICK HALL PR

FOURTH ESTATE

A multi-part series on what every client should know about the media

Better know the press

*Part 9: Sean B. Pasternak
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WHAT IS YOUR “BEAT” SEAN; WHAT SECTORS AND SUBJECTS DO YOU COVER?

Since 2001 I’ve written about Canadian banks, insurance companies, hedge funds, mutual funds, market regulation – really, anything to do with the whole financial services sector.

WHAT COMPANIES DO YOU COVER AND FOR WHAT REASON? IS THERE A CERTAIN SIZE OR MARKET CAP?

I don’t know if there is a minimum size to the companies we report on, as such. I’ve been doing more small-cap reporting in the last, I’d say, year and a half. Certainly, much of my focus is on the big six banks and the larger insurance companies, but I’m also now looking more often at smaller companies in the news.

WHAT’S THE REASON FOR THE GROWING INTEREST IN SMALLER COMPANIES AS WELL?

I think investors are looking for more information, and the greater the diversity and source, the better, especially in these turbulent times.

This has been a developing trend for a while. We won’t necessarily report on a company that’s a few hundred million in market cap, but if they’re doing something that will have ramifications on the entire industry, certainly our interest is aroused.

Last year I wrote on Canadian Western Bank, for instance, because of its interesting corporate culture, and remarkable financial history: at that point, it had had a string of 80-odd quarters with absolutely no write-downs at all. It’s a story you don’t hear often. I guess the motivation for me writing that story was

wanting to learn, just what are they doing that’s been working so well. It was a very interesting story. And we got a fantastic response; I think it ran in every major newspaper in Canada... can’t argue with that.

IN TERMS OF COMPANY FINANCIAL DISCLOSURE, AS WE ARE IN THE MIDST OF CORPORATE REPORTING SEASON, WHAT IS IT YOU NEED TO LEARN FROM A COMPANY SO YOU CAN DO A GOOD JOB COVERING THAT STORY FOR YOUR READERSHIP? WHAT KIND OF INFORMATION ARE YOU LOOKING FOR?

I am sure a company can never issue enough information to meet investor concerns, but what we are looking for is the story for the past quarter, and also what is the company’s game plan for the future. There’s no shortage of clues a company will give you, not just in the quarterly financial statement, but also on the conference call, interviews with investors, interviews with executives, that you get a little taste of “Okay, this is how we did, but here’s what’s next.”

AND HOW FREE ARE THEY TO TALK ABOUT WHAT’S COMING UP NEXT?

It really depends. I’ve yet to hear a company say, “Yeah, we’re about to do an acquisition,” but you know a lot of companies, especially in the financial sector, have some sense of where they are going for the rest of the year. The current business environment is probably causing an exception to that rule, but I think companies typically have some idea of what’s going to happen next, where they are looking for revenue and profit growth, and what might be a problem area too.

ARE THERE PARTICULAR INDICES YOU LOOK AT WHEN A COMPANY ISSUES ITS FINANCIAL STATEMENT?; TOP-LINE REVENUE, BOTTOM-LINE EPS?; WHAT ARE THE NUMBERS YOU FOCUS ON, AND WHY?

I think the media, and the financial analyst community as a whole, looks at EPS as one of the primary measures of a company’s economic health. Beyond that, it’s very

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difficult to say because there are a myriad of metrics that can be considered, and tell a story.

Net income is obviously an important number, as are adjusted earnings that exclude one time items. It can really depend on the company, the situation of its particular industry sector, and the general economy. All of these variables can direct what the market considers important; one quarter it may be revenue, another the number of bank branch openings. At the moment, employment numbers and expense spending are the big things.

YOU PRESUMABLY STAY IN CLOSE CONTACT WITH MARKET ANALYSTS AND INVESTORS, SO HOW MUCH OF YOUR DECISION ABOUT WHICH NUMBERS TO FOCUS ON IS INFLUENCED BY THESE DISCUSSIONS?

Our job is to write for our audience and provide the information they need; and for sure, being in contact with the market provides a sense of what they are going to be looking for. We also constantly do research, a lot of which is historical, so if an index or financial measure was important last year, it's safe to assume it's going to be relevant again.

AND IN THE CURRENT TURBULENT MARKET, WHAT ARE THE NUMBERS AND INDICES THAT PEOPLE ARE LOOKING AT MOST CLOSELY?

In banking, for example, banks in Canada have increased provision for credit losses, and the retail banks have indicated this is probably going to rise; as they've made this indication, the market has flagged credit losses as an item to be closely monitored. Debt write-downs was the big story last year; we'll have to wait and see what it will be for 2009. As of today, there's \$800 billion U.S. in write-downs for banks worldwide.

LET'S TAKE A STEP BACK; CAN YOU SAY A LITTLE BIT ABOUT HOW YOUR JOB HAS CHANGED WITH THE ABUNDANCE OF NEW REPORTING AND DISCLOSURE REQUIREMENTS THESE PAST FEW YEARS?

It's funny, but if someone had told me two years ago that accounting rules would become a hot topic in financial services, I wouldn't have believed them.

ANY ADVICE ON HOW CAN COMPANIES CAN IMPROVE THEIR FINANCIAL DISCLOSURE PRACTICE, AND IN A WAY THAT MAKES YOUR REPORTING BETTER?

I think companies, generally speaking, do a good job of coming out and saying, "Well, here are the accounting sheets" because of the reconciliation they've done in their quarterly reporting. MD&A discussion of how market condition changes have not only affected their current results, but also on a "go-forward" basis, is also generally well done. And just see what's in the market. There will probably be more need for disclosure, so it's hard for me to say how well the industry overall is doing this or that.

TO PURSUE THE TOPIC OF THE MD&A FOR A MOMENT, WHAT FOR YOU MAKES A USEFUL MD&A DISCUSSION?

Like the market, we're looking for clues into the company's sustainability, what the risk factors will be; at the current moment, I think as much disclosure as possible about the risk factors faced by the firm, is information investors are looking for.

IS THERE ANYTHING ELSE TO ADD ABOUT HOW CANADIAN FINANCE SECTOR COMPANIES TYPICALLY HANDLE THEIR MEDIA RELATIONS AROUND FINANCIAL DISCLOSURES?

For me, time really is of the essence. We are trying to get the announced company information to our readers as fast as possible. The main issue I would mention is calling somebody at a company for follow-up on an announcement, and maybe getting a reply a day or so later – or no answer at all. This doesn't happen often but is frustrating when it does.

My job as a reporter is to get the information needed, regardless; if we don't find it from somebody in media relations, then we will turn to the other avenues available. I absolutely understand that the answer is not always going to be available right away. It depends on the relationship; if I've dealt with you before, and am told, "well here is where we are at right now... and we're going to contact somebody in IR" this response is helpful. The most frustrating thing is no answer at all.

As a reporter, transparency is key. Not only am I trying to get that information to our readers, but at the same time we are forced to make statements such as “an official at the company didn’t immediately have the answer” or “did not return our phone call”. I would imagine the companies we deal with probably don’t like to read things like that in the business press. But for us, we’ve got to be as transparent as possible, saying “here are the steps we took, trying to get that information.”

HOW DO YOU THINK FINANCIAL DISCLOSURE WILL EVOLVE FROM HERE? WHAT MIGHT BE NEXT, AND HOW WILL THAT AFFECT HOW YOU DO YOUR JOB?

We are certainly going to be getting a lot more disclosure, no doubt about it. Whether a lot of this additional information is going to be useful, I have no idea. And the specifics of the information demanded by investors and others, issues like capital reserves, etc., will just really depend on what direction the market takes. We are in a whole new world now, because the investments a lot of people thought were safe, proved otherwise, and because of the continuing financial volatility.

WHAT ARE THE ARTICLES ON WHICH YOU GET A LOT OF FEEDBACK ON, THE TOPICS THAT STRIKE A CHORD?

It’s literally everything. I’ve written stories for Bloomberg News on topics as diverse as the CFL to Lord of the Rings. These articles have had tremendous feedback. The same for articles written about business developments in the banking world. There can be absolutely no rhyme or reason to which article will be the catalyst for feedback or commentary, and which will not. I receive a lot of feedback on just about every daily article, but once-in-a-while a piece will solicit dozens and dozens of e-mails, which wasn’t expected, but is great to have. But really, I have no idea when I am writing something, what kind of interest it will arouse.

HOW IMPORTANT IS THE HUMAN-INTEREST ASPECT IN BUSINESS REPORTING?

It’s important, and probably becoming more so. I’ve realized, ever since I started my career in community news reporting, that people want to read about themselves, or people like them. So whether that’s somebody at the bridge club or bankers on Bay Street, readers want to know how others like themselves are weathering the current economic times. We wrote a story just before the holidays about the bonus season on Bay Street, and what it was going to look like this year. The article touched on the things people like to do when not working, and focused on spending money on holiday parties or yachts, and things like that.

ANY LAST COMMENTS OR REFLECTIONS?

Despite the baffling time we live in right now with the economy, and a lot of people needing to deal with this financial crisis, because they’ve lost their jobs or their business is being affected, there’s never been a better time to be in business journalism. I really enjoy what I do.

People need up-to-date information, and hopefully that’s part of the role I play. We’re all looking for more and more information, and I do believe information is power. I am not sure that there are a lot of answers out there yet, but it keeps my day fascinating, as I never know what is going to happen next.

SEAN B. PASTERNAK joined Bloomberg Business News in 1999, first covering the technology sector and then moving on to financial services since late-2001/early-2002. He’s appeared on Bloomberg Television and Bloomberg Radio in that time. Prior to that, Sean was an editor at Thornhill Publications, which produced three monthly magazines serving Thornhill, Richmond Hill and Markham. He was also an editor for Mature Lifestyles magazine at the Time, and ran his own publishing company.



Effective media relations, in public, private and non-for-profit sectors, is critical. Success depends on it. Without exception. And key to effective media relations is understanding the media – print and broadcast. In a series of web postings on www.rickhallpr.com, direct feedback from today’s important writers and editors will be featured, offering clients a rare window into the world of journalism, what works and what doesn’t in media relations. The better a client knows the media, the more effective media relations will be.

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