

# Litigation IR – Investor Relations in Legal Disputes as a Strategic Management Task

**Dr. Simon Friedle** | Porsche Automobil Holding SE  
simon.friedle@porsche-se.com | +49 711 911 11041

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«Litigation IR – Investor Relations in legal disputes as a strategic management task»: The relevance and necessity of stock-listed companies to proactively communicate with their stake- and shareholders in on-going legal disputes gained a more important role over the course of the last few years, and legal disputes themselves have become an important factor in assessing the financial and non-financial performance of a company. No longer does the dictum «silence is gold» apply; on the contrary, within the framework of Litigation Investor Relations, a transparent and proactive form of communication with the financial markets has to be preferred.

More and more, companies are involved in litigation, be it on the civil side or the criminal side. Yet, those disputes do not only take place in a court room but are also increasingly fought in the public, in the so-called «court of public opinion». Often, the judgement of the court of public opinion and consequently of the financial markets is the more serious verdict for a publicly listed company than the legal ruling itself. Thus, companies become increasingly aware of the fact that strategic communication during litigation must be actively managed as legal disputes have an important impact on the valuation of a company, and an insufficient flow of information during lawsuits only increases the uncertainty of the financial community. Thus, companies must actively address legal issues in their Investor Relations in order to allow investors and analysts to value the potential outcome and financial burden a company could face as the result of a legal dispute.

Yet, Litigation IR is not only a special form of financial communication but also a strategically important management task that creates added business value. With the necessary care and a clear intention, an attempt should be made to minimize the loss of confidence of the interest groups and to reconcile market expectations with the facts of the legal case by means of transparent information. That not only safeguards the reputation of the company on the capital markets but has also the effect of reducing the costs of debt and equity as the markets are able to develop a better understanding of potential costs resulting from a legal dispute a company potentially faces. Thus, a proper Litigation IR enables a more transparent valuation of a company as the markets can better estimate the potential effects of a legal dispute, i.e. how a potential ruling affects the share price.

In this sense, Litigation IR is the strategic financial communication before, during and after legal disputes of a company and its representatives in order to give the financial markets and its participants a transparent and preferably complete summary of the legal dispute, contingent damages as well as the potential outcome. Thereby, the objective of Litigation IR is to align the expectations of the financial markets with the actual and potential development of a company's legal dispute. While investor relations and litigation public relations concentrate on specific target groups, litigation IR pursues a holistic communication model.