

Media Release

18 April, 2007

Australian companies at financial risk

Business failing to prepare for emerging exposures

Australian companies are failing to prepare for emerging exposures such as carbon, water and governance and face reduced share price performance according to research released today by investment research agency, RepuTex.

The research quantifies and monetises for the ASX 300 Index, the impact of more than 100 risk and performance indicators and assesses management capacity to mitigate risk and build future opportunities.

The findings demonstrate four key trends:

- Smaller cap companies are less prepared to manage risk than larger organisations
- Companies that perform poorly against risk indicators show 15% greater share price volatility than industry leaders
- Industries with lower levels of exposure are under-prepared to deal with risk
- Companies that performed well against risk indicators in 2006 outperformed the ASX 300 by 6.35% (see graph: Ratio Leaders vs. ASX 300)

A strong correlation between market capitalisation and preparedness to manage non-traditional risk exposures is evident in the research, with the ASX 20 better equipped to manage risk than the ASX 300. The Risk Ratio demonstrates that the ASX 20 is performing almost 15% higher than the ASX 300.

According to RepuTex's Head of Research, Hugh Grossman, this is a concern for smaller organisations.

"Smaller caps, while ostensibly less exposed to non-traditional risks such as carbon, exacerbate their vulnerability by ignoring the upside of risk management practices. Organisations which adapt quickly to new market opportunities stand to gain market share and a competitive advantage," said Mr Grossman.

The research also shows the strong financial benefits associated with integrating innovation and proactive strategy into business operations, with Risk Ratio leaders outperforming the ASX by 6.35% during 2006.

Mr Grossman said the results demonstrate that Australian organisations need to prepare for emerging exposures to ensure continued profitability.

"Adapting to new market opportunities minimises the cost impact of external factors such as regulatory burdens and creates the potential for market share gains.

"A significant number of ASX 300 companies are failing to consider this upside and as a result are leaving themselves open to serious financial consequences and share price volatility," said Mr Grossman.

For further information, or to arrange an interview:

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