

# The Risk of Venezuela

As of June 11, 2019



MYLOGIQ

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## How Significant of a Risk is Venezuela

**3M Suspends Operations in Venezuela** – On June 11, 2019, 3M reported that it had suspended its operations indefinitely in the troubled country. Significantly, 3M did not identify Venezuela as a risk factor in its last four years of SEC filings.

3M joins a host of other companies, including Kimberly Clark, General Mills, Kellogg, and General Motors, that have left the troubled Latin American country in the last four years among price restrictions, currency restrictions, deep civil unrest, and falling consume purchasing power.

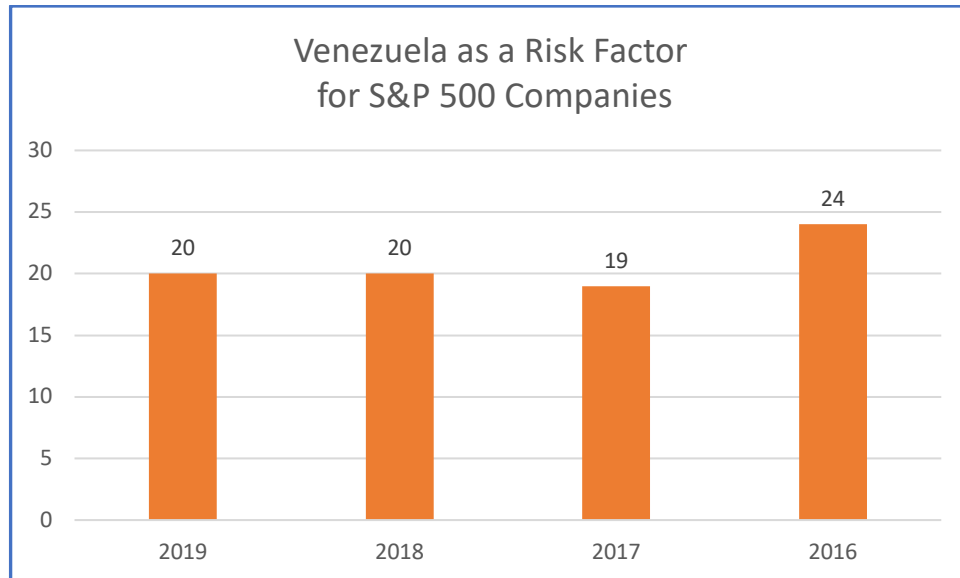
Below is an excerpt from 3M’s regulatory filing with the SEC announcing their suspension of operations.

*“In light of continuing challenging circumstances in Venezuela, including its unstable environment and heightened unrest that have led to a sustained lack of demand, and our expectation that these circumstances will continue for the foreseeable future, 3M has concluded that it no longer meets the criteria of control to continue consolidating its Venezuelan operations, and therefore deconsolidated its Venezuelan subsidiary as of May 31, 2019. 3M notified relevant employees today that it has suspended local operations of this subsidiary for the foreseeable future.”*

*3M  
8-K Filing  
6.11.19*

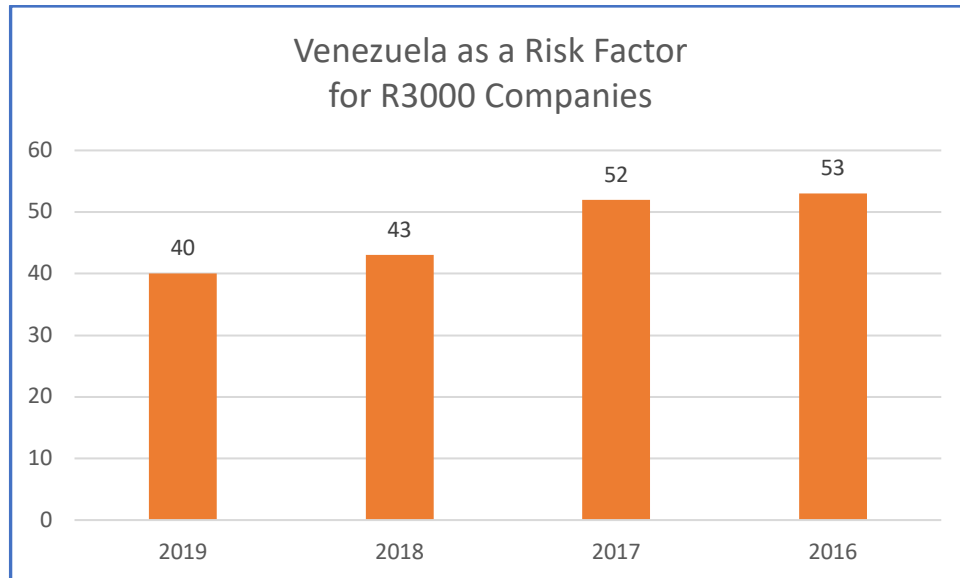
### How many other companies see Venezuela as risk?

In the current year, 20 S&P 500 companies and 40 in the Russell 3000, respectively, have identified Venezuela as a risk factor.



**S&P 500 Countries** – The 20 companies that have listed Venezuela as a risk factor in 2019 are:

- ALEXANDRIA REAL ESTATE EQUITIES
- AMERICAN AIRLINES GROUP INC.
- ANADARKO PETROLEUM CORP
- CONOCOPHILLIPS
- ECOLAB INC
- FLOWSERVE CORP
- HALLIBURTON CO
- HESS CORP
- JOHNSON & JOHNSON
- KELLOGG CO
- KRAFT HEINZ CO
- NATIONAL OILWELL VARCO INC
- PEPSICO INC
- PFIZER INC
- PHILLIPS 66
- ROYAL CARIBBEAN CRUISES LTD
- S&P GLOBAL INC.
- SEALED AIR CORP/DE
- WILLIS TOWERS WATSON PLC
- ZOETIS INC.



**Russell 3000 Companies** – Below are excerpts from a select group of the 40 R3000 companies that disclosed Venezuela as a risk factor in 2019.

- CITIZENS INC
- HERBALIFE NUTRITION LTD.
- JONES LANG LASALLE INC
- NABORS INDUSTRIES LTD
- REVLON INC
- SPIRIT AIRLINES, INC.

### ***Citizens – Power Outages***

#### ***Risks Relating to Our Business***

*A substantial majority of our sales derives from residents of foreign countries and is subject to risks associated with political instability, poor infrastructure and the application of currency control laws and foreign insurance laws. A significant loss of sales in these foreign markets could have a material adverse effect on our results of operations and financial condition.*

*Continued wide spread power outages or any other issues with infrastructure could affect our ability to receive insurance policy applications and premiums from **Venezuela**, and issue insurance policies to, policyholders in Venezuela. In addition, the imposition of U.S. sanctions against foreign countries where our policyholders reside could make it difficult for us to continue to issue new policies and receive premiums from policyholders in those countries.*

*Citizens Inc  
5-10-19*

## ***Herbalife – Currency Restrictions***

### ***Risks Relating to Our Business***

*For example, currency restrictions enacted by the Venezuelan government continue to be restrictive and have impacted the ability of our subsidiary in Venezuela, or Herbalife Venezuela, to obtain U.S. dollars in exchange for Venezuelan Bolivars at the official foreign exchange rate. These currency restrictions and current pricing restrictions continue to limit Herbalife Venezuela's ability to import U.S. dollar denominated raw materials and finished goods which in addition to the Venezuelan Bolivar devaluations has significantly negatively impacted our Venezuelan operations. If we are unsuccessful in implementing any financially and economically viable strategies, including local manufacturing, we may be required to fundamentally change our business model or suspend or cease operations in Venezuela. Also, if the foreign currency and pricing or other restrictions in Venezuela intensify or do not improve and, as a result, impact our ability to control our Venezuelan operations, we may be required to deconsolidate Herbalife Venezuela for U.S. GAAP purposes and would be subject to the risk of further impairments.*

*Herbalife  
5-2-19*

## ***Jones Lang Lasalle – Political and Economic Instability and Transparency: Protectionism***

### ***Risks Relating to Our Business***

*In the event that governments engage in protectionist policies which favor local firms over foreign firms or which restrict cross-border capital flows, our ability to utilize and benefit from our global platform and integrated business model could be adversely affected. The global financial crisis in Russia, Greece and Venezuela significantly added to the deficit spending of certain governments in countries where we do business, and also called into question the creditworthiness of some countries.*

*Jones Lang Lasalle  
2-26-19*

## ***Nabors Industries – Political or Economic Instability***

### ***Risks Relating to Our Business***

We are exposed to risks related to political instability in **Venezuela**. On January 28, 2019, the United States Treasury Department's Office of Foreign Assets Control designated Petroleos de Venezuela S.A. ("PdVSA") as a Specially Designated National under Executive Order 13850 (the "Order"). The Order prohibited, among other things, business dealings with PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest. As of December 31, 2018, Nabors operated four rigs in **Venezuela**, under contracts with Chevron and two joint ventures that are majority-owned by PdVSA, Petroboscán and Petrocedeño. **The political uncertainty and civil unrest in Venezuela could have a significant impact on our operations there, including the risk that one or more of our rigs could be nationalized by the government or that we will not be paid for our services.** Nabors continues to evaluate the potential impact of these developments on its business and operations in Venezuela.

*Nabor Industries  
2-28-19*

## ***Revlon – Civil Unrest***

### ***Risks Relating to Our Business***

**...civil unrest such as that occurring in France, the Ukraine, **Venezuela**, Turkey, Syria, Iraq and surrounding areas, may adversely affect prevailing economic conditions, resulting in work stoppages, reduced consumer spending and/or reduced demand for the Company's products.** These developments subject the Company's worldwide operations to increased risks and, depending on their magnitude, could reduce the Company's net sales and therefore could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

*Revlon  
3-28-19*

## *Spirit Airlines – Price Volatility and Supply of Aircraft Fuel*

### ***Risks Relating to Our Business***

*Any disruption to oil production, refinery operations, or pipeline capacity in the Gulf Coast region could have a disproportionate impact on our operating results compared to other airlines that have more diversified fuel sources. Fuel prices also may be affected by geopolitical and macroeconomic conditions and events that are outside of our control, including volatility in the relative strength of the U.S. dollar, the currency in which oil is denominated. **Instability within major oil producing regions, such as the Middle East and Venezuela**, changes in demand from major petroleum users such as China, and secular increases in competing energy sources are examples of these trends.*

*Spirit Airlines  
2-13-19*

As economic and civil instability in Venezuela continues, it will be interesting to see which, if any, of these companies that have identified the country as a risk factor, join 3M and other American companies in leaving.

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- 5) Non-GAAP Disclosures and Compliance
- 6) What Has Been the SEC's Focus on Comments?
- 7) ASC 842 Lease Commitments, Early Adopters Trend

### Corporate Governance:

- 1) Director Gender and Diversity
- 2) Are You an Independent Board Member If You Serve More Than 10-15 Years?
- 3) How Much Does a Board of Director Earn Per Meeting?
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- 5) Risk Oversight and Cyber-Security and Company Boards - Who Is Responsible?

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- 1) CEO Pay Ratio - S&P 500 and Russell 3000 - How Long Does a CEO Work to Earn a Median Employee's Annual Pay?
- 2) What Is the CFO Pay-Ratio and How Does It Compare with the CEO Pay-Ratio?
- 3) Pay Elements of CEO and CFO Compensation Across Large Cap, Mid-Cap and Small-Cap Companies

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