CRITICALEYE

How to Survive Investor Relations

*Good investor relations entails creating a story which is based on reality. **Criticaleye** spoke to seasoned NEDs and CEOs to find out what it is investors want to see and hear*

The management teams of public companies must work hard at investor relations (IR) if they want to be heard by the right audiences. It's something that needs to be carefully judged, as it's easy to fall off the radar with so much news and information available across a wealth of channels, but equally executives mustn't make the mistake of telling a story that is more fiction than fact.

"A good investor relations strategy starts with the business and whether you can tell a clear and compelling story around it," says **Vanda Murray**, Criticaleye Board Mentor and Senior Independent Director at engineering company Fenner. "You must be able to translate what happens in the business into an understandable story that is evidence-based. What are the external factors and what are the elements in the business that are going to take it forward?"

It's a case of using advisors wisely, such as hiring a good public relations firm, taking the time to talk to analysts and having a well-rehearsed narrative to relay about the company. **Jamie Pike**, Chairman of plastics manufacturer RPC Group, comments: "You need to take investors seriously, even if they're asking you questions about strategy and management which you might think reveals a lack of detailed experience or understanding.

"That's perfectly reasonably because these people don't run businesses, but if you don't take them seriously and if management teams lose what one might loosely call the confidence and trust of investors, then that really is bad news."

Competence, communication and clarity are what investors want from management teams. **Martin Bloom**, Criticaleye Board Mentor and Non-executive Chairman of Chinese solar wafer manufacturer ReneSola, says: "Boards need to provide timely and accurate information to the market and, above all, they mustn't hide problems. Investors will forgive a lack of achievement once or maybe twice, but they certainly won't forgive deliberate misinformation, nor will regulators."

> *"The CEO, CFO and Chairman must commit the requisite time and resources to support the IR effort"*

DON'T BELIEVE THE HYPE

A common mistake, especially among companies seeking backing for an IPO, is to get into the nasty habit of promising too much. "I've seen companies where board directors don't really see [beyond] the funding itself and therefore, in their relationships with the investors, potential investors, brokers and research analysts, they oversell their capabilities," continues **Martin**.

Alan Bannatyne, CFO at recruitment company Robert Walters, comments: "[My advice is] to be as straight as you can. Companies definitely get themselves into trouble if they start to overhype things and I think it's important that, in terms of where the consensus numbers are, there's a high degree of confidence."

RUNNING COMMENTARY

Whether it's the media, analysts, institutions or private investors, each audience will have different needs and management teams shouldn't be under any illusions about the time it takes to nurture strong relationships with them.

Tom Attenborough, Head of UK Large Caps for Primary Markets at the London Stock Exchange, says: "One of the prerequisites for a successful IR function is management commitment. [It] should be embedded within the senior management team and the CEO, CFO and Chairman must commit the requisite time and resources to support the IR effort.

"A good IR function will know the business inside out, know its target audience and ensure that the messaging to both investors and sell-side analysts and brokers is consistent, clear and timely – both in good times and bad."

Mike Tye, CEO of Spirit Pub Company, comments: "You need trust from the analysts. If you don't talk to them they always think something is wrong or there is something they ought to know about, and they don't like surprises... If the relationship is good and you've had the right conversations to help them shape their modelling, then they can make their own decisions about the impact of management actions on their model."

More often than not an experienced PR firm will prove to be invaluable. ▶

10 Tips for Effective Investor Relations

1. Ensure that the Chairman, CEO and CFO devote plenty of time to IR
2. Create a clear, simple description of the business plan that everyone on the board can explain in less than five minutes
3. Make use of advisors to ensure you are telling a story that will capture the imagination of new investors (and reassure existing ones)
4. Understand what matters to different audiences (media, analysts, institutions, private investors) and tailor your message appropriately
5. Be aware that one wrong statement could lead to reputational disaster – as Gerald Ratner found out after famously dismissing his own range of jewellery as "cheap tat"
6. Take investors seriously – it behoves management to explain why investors have backed the right business and, if performance dips, shareholder support will be invaluable
7. Work hard to build close relationships with analysts and investors
8. Always provide timely, accurate information
9. Don't overpromise (or you'll more than likely end up under delivering)
10. Don't take financial PR advice lightly – shop around for an agency that's suits the size and scope of your business

Martin says: "If you're involved with new technology, you probably need a separate PR firm to place stories with opinion formers in the tech community. These can see the benefit of the technology, how innovative and how different it is from what else is out there. So that is important and that may need a certain specialisation, depending on the nature of your technology."

There is, however, another side to this which should be taken into consideration. **Leslie Van de Walle**, Chairman of construction company SIG, comments: "You need to have a strategy which reflects the size of your company – you don't want to be over exposed. What you want is to have one or two [financial journalists] that you know and can rely on... [and] a PR agency that is well experienced, who will introduce and advise you [on the level of profile you need]."

Jim Wilkinson, Chief Financial Officer at African investment concern Lonrho and former Group FD at online gambling company Sportingbet, says: "Financial PR is one of those things that you want because it helps [the market] understand what you're doing, when you're doing it and why you're doing it.

"In the good times, that doesn't add a huge amount of value apart from a sense check... but in the bad times [PR] adds a huge amount of value because it makes sure that your communication is done properly and that you're getting the right message across to the right people."

What this all boils down to is building trust through open, honest dialogue – after all, there's no currency like goodwill on the public markets.

Mike says: "When you're running a Plc you've got to have enough in the tank to deal with a decent amount of bad news, because there are always ups and downs. You simply have to build a trusting relationship to create long-term holders." ■

Featuring Commentary From:


Tom Attenborough
Head of UK Large Caps, Primary Markets
London Stock Exchange


Alan Bannatyne
CFO
Robert Walters


Martin Bloom
Chairman
ReneSola


Vanda Murray
SID
Fenner


Jamie Pike
Chairman
RPC Group


Mike Tye
CEO
Spirit Pub Company


Leslie Van de Walle
Chairman
SIG


Jim Wilkinson
CFO
Lonrho

Contact the contributors through:
www.criticaleye.net