Effective Road Shows

How to Make the Most of Your Non-Deal Road Show

BY MARY TURNBULL

As an IRO, one of your main functions is to facilitate and manage your company's relationships with institutional investors. The traditional non-deal road show remains the best way to do this. According to Greenwich Associates' recent survey of institutional investors, direct access to company management has become more important than published research. Indeed, according to John Feng, managing director of Greenwich Associates, "Research has become a contact sport."

While investors value the role of the analyst and the insights they provide, they also want to be able to ask their own questions and judge the quality of management for themselves. But many times getting management's time for a non-deal road show can be one of an IRO's biggest challenges. Most management teams have limited time to go on the road, so the key challenge is: when you do get some time on your CEO or CFO's calendar, *you want to make the most of it*. How can you do that? By understanding the current factors affecting the buy and sell side of institutional communities, you can address some of the challenges you face.

The Buy Side — Many Changes

The institutional investment community has been affected by the economic challenges of the past year. Falling asset values and redemptions have caused turnover on the buy side, displacing many of the portfolio managers and analysts that you may have been talking to for years. Keep in mind: You can use a sell-side broker to help you understand the current structure and staff at the investors you are targeting.

Travel Budgets — Down in Buy Side in 2009

Economic concerns have also reduced the travel budgets at many buy-side firms. Where in past years multiple portfolio managers and analysts from the same firm have attended sell-side conferences, today they may only send one or two people to conferences. Does this mean you should skip con-

ferences? Absolutely not, but recognize that you may see a limited number of people from a firm. By visiting investor's offices, you will most likely see both portfolio managers and analysts from multiple funds. Also, many key long-only investors don't attend conferences as a matter of policy, limiting your audience there. To see all the investors you are targeting, management needs to attend conferences as well as travel for non-deal road shows.

Many IRO's spend a lot of time developing their target list of investors and developing their ideal shareholder base. If you have specific targets, make sure the broker knows about them early in the process. Take advantage of the sell-side broker's market intelligence and ask for their suggestions as well. The sales force may have insights into your stock (and that of your peer companies) that you don't. Not having this knowledge could cause you to miss an opportunity to showcase your company. Remember, this is a partnership, and benefits both you and the sell-side firm.

A few words about hedge funds: The hedge fund community has seen many players close their doors and those that remain are under real pressure to improve their performance. While hedges are still an important segment of the investment community, these players are not nearly as dominant as they were. Many CEO's and CFO's are reluctant to meet with hedge funds, but they can be worth a meeting. Many have become more fundamentals oriented and even the more active traders can give you valuable insight into the bear case on your stock. Our advice would be to ask questions of the broker to find out more about the fund's trading history and investment approach.

The Sell Side — Window to Institutions

The sell side is your window to the institutional investment community. Salespeople are in constant contact with portfolio managers and analysts. Not only are they bringing your management team in to visit, but they are bringing many other companies as well. They can provide you with valuable insights as to what they are seeing from other companies, as well as how the portfolio managers think.

One thing to keep in mind is that portfolio managers have an appetite for your stock at different times in your company's life cycle, so don't be alarmed if someone you have met before turns you down. Don't hesitate, though, to ask why someone you expected to want a meeting with your company is not on your schedule.

Investor feedback is an important component of any road show, and can help you improve for the next one. Most sell-side firms will provide you with anonymous feedback a few weeks after the trip. This can really help you prepare for your next non-deal road show. If you are not getting sufficient feedback, you may need to look at another broker for your next road show.

Clearly, turnover in the analyst and sales forces are having a big affect on the sell side's ability to help you market. You may find yourself with fewer analysts covering your company, a new or junior analyst eager to establish a relationship, or a long term analyst that has joined one of the small boutique firms that have sprouted up.

CAN'T GET YOUR CEO/CFO'S TIME FOR A TRADITIONAL NON-DEAL ROAD SHOW? TRY THESE IDEAS:

- **One on One Conference Calls** — The CEO or CFO has a series of calls with investors from his or her office. A half-hour is the right length of time. This is an effective way to update a number of investors in a relatively short amount of time.
- **Market Around Industry Events** — When the CEO or CFO is traveling to an industry conference, add a day of marketing.
- **Group Dinner with Investors** — When management is traveling for other business, schedule a dinner (or breakfast or lunch) with a small group of investors. Management needs to eat, so make the most of it.
- **Field Trips** — Host investors in your office or operating facility with some of your key executives.
- **Reverse Road Show** — Investors come to your offices as part of a series of meetings with various companies organized by a sell-side firm. These are increasingly popular for U.S. equity investors based in Europe and Canada as tight budgets have limited overseas travel for many U.S. companies.
- **Webcasts/Videocasts** — These work best when you have a specific topic to cover. Do investors have questions on a key division? Have the head of the division on a webcast discussing the questions you are getting from investors.

In the midst of all this change, focus on consistency when choosing among your many options for road show providers.


Mary Turnbull

Barbara Gasper, senior vice president–IR for MasterCard, cites these influencers when allocating marketing events among the many firms that ask. These include:

- The analyst's knowledge of the story, as well as how well that analyst is respected by the buy side.
- The analyst's past ability to "deliver" a good audience on the road.
- The analyst's willingness to mutually develop a potential client list so that it does not serve only the institutional sales force and the firm's largest trading clients. (If I haven't heard of someone and the sell-side analyst tells me they have never talked to this client about my company, the client gets crossed off the list.)

Why Use the Sell Side?

Could you arrange all this yourself? Sure, but most IRO's do not have the staff and other resources to handle all the logistics. Working with the sell side, you can outsource most of the details, take advantage of their market intelligence to target the right investors, and make the most of your road show. In these challenging times, make the most of resources that are available to you! IRU

Mary Turnbull** is corporate relationship manager at Raymond James & Associates, and works closely with IR directors to maximize their time with the institutional investment community. E-mail:* ***mary.turnbull@raymondjames.com.

IR Professionals Surveyed – What's Your Biggest Problem?

What do today's investor relations professionals identify as the biggest problem they face? This was the question that Alexander V. Laskin, Ph.D., an assistant professor at Quinnipiac University (Connecticut) asked a sample of investor relations officers from *Fortune 500* companies. Out of 63 IR professionals who completed the survey, 25 (almost 40 percent) named "complex regulatory environment" as their biggest headache. One of the anonymous respondents explained: "Regulation is confusing and increasing, and it does not enhance information but instead creates unnecessary bureaucracy." Others mentioned difficulties of keeping track of all the changes in regulations and complained about regulations actually preventing them from being more transparent.

Twenty five percent (25 percent) of investor relations officers surveyed, however, pointed within their organizations when asked about the biggest problem facing investor relations today. One officer alleged that her biggest challenge was making top management "recognize investor relations as a key function of the company." Claims of "lack of support from senior management" and constant struggles to prove "the value that investor relations brings to the table" were also mentioned. As a result, respondents explained, the IR function is understaffed with just one or two individuals running day-to-day operations.

Slightly more than 10 percent of the respondents believed the biggest problem facing investor relations was the dichotomy between Wall Street's need for profits right here and right now on one side and the corporate goal of creating long-term shareholder value on the other side. One anonymous respondent illustrated the point: "A mismatch between management's own horizon in running the company versus the Street's fixation on what's happening now creates challenges for IR in communicating with the Street, which often focuses on short term issues that really have no long term bearing on the company's ultimate success." Another officer added that this situation required him to constantly "educate Wall Street on the long-term strategies for value creation."

Among other problems facing investor relations today, IROs mentioned the diminishing role of sell-side analysts, increasing complexities of satisfying informational needs of diverse groups of investors and analysts, and other problems.

The researchers asked what department managed the investor relation function, what activities IR officers were involved in, and the educational background of the respondents. The results: A majority of corporations assigned the investor relations function to a dedicated IR department (65 percent of all investor relations officers surveyed). However, at some companies the function was assigned to a finance/treasury department (27 percent) and at some to public relations/communications department (8 percent).

Among common activities involving investor relations officers, the most frequent were responding to requests from shareholders and analysts as well as participating in road shows, presentations and conferences. Among other common activities, investor relations officers mentioned providing information to the top management, one-on-one meetings with investors and analysts, ownership research and analysis, and preparation of various reports.

As for the educational background of IR officers, more than 85 percent are coming out of business schools with degrees in finance, accounting, marketing or management. Ten percent came out of communication schools with degrees in public relations, journalism or similar majors. More than 60 percent reported having a graduate degree, with MBA being the most often cited.

The compete research report is published in the Journal of Business Communication, Volume 46, Number 2, pp.208-233. For questions, please contact Alexander V. Laskin, ALaskin@gmail.com or http://www.alexanderlaskin.com. IRU