WHAT THE BUY SIDE *REALLY* WANTS FROM CORPORATE ACCESS

RAYMOND JAMES EXPLAINS THE IMPORTANCE OF FACE-TO-FACE CONTACT

The planning that goes into a non-deal roadshow can be Herculean. Some IROs, however, go to the trouble of reserving management time and completing an exhausting itinerary of investor visits without making the most of those 50 minutes of face-to-face conversation. Savvy IROs, eager to make a lasting impression, place themselves in the investors' shoes. There is a small but critical group of portfolio managers, for instance, whose investment mandate is to meet management in person before buying shares in a company. Others may not have a formal rule but might still believe looking in the CEO's or CFO's eyes and hearing the story told firsthand makes an enormous difference.

'If you're going to buy a portion of a company – especially when you have a fiduciary responsibility to your investors to know what you're investing in – you're going to want to know the people managing the firm,' explains Paul Steinhauser, senior managing director and head of institutional equity sales at Raymond James & Associates. Although the content of the conversation matters, perhaps even more critical is the way in which executives present themselves. 'The best thing you can do is be yourself,' adds Steinhauser. 'Don't be promotional or defensive. Just tell your story honestly.'

ATTENTION TO DETAIL

A typical one-on-one meeting lasts just 45-55 minutes. That's a very brief window of time for telling a compelling story and forging a personal connection above and beyond the information in a slide deck. For this reason, selecting *who* tells the company's story is pivotal. Although portfolio managers would almost always choose to meet a CEO, access to the highest echelons of the firm matters most at small and mid-sized firms.

'In big organizations, authority is more dispersed. At small companies, investors really want to see the C-level guys,' says Shawn Borgeson, managing director of institutional sales and product development at Raymond James. Topping investors' wish lists are the CEO, CFO and sometimes even the COO.

Borgeson points out that analysts often have different preferences for who they meet in one-on-ones. Because they attend so many investor conferences, the CEO and CFO might be familiar personalities and their presentations may therefore be less revelatory. For analysts, 'a more value-added meeting might involve seeing someone a little lower on the management ladder, someone who's out in the field,' Borgeson explains.

What's more, even with investment managers, there's a growing trend of meeting individuals who offer a perspective outside the C-suite, observes Steinhauser. 'When it comes to clients wanting to dig deeper into a particular firm, it's vital to meet multiple levels of management,' he says.

Whether to bring someone from outside the inner circle of executives on a non-deal roadshow is a highly subjective decision. Steinhauser suggests additional perspectives work best at large companies, especially those entering a new business line or venturing into a new geography. He also cautions that not all operation heads or chief technology officers are 'client-friendly'. The potential downside of bringing a non-conventional executive to a one-on-one is that he or she may not be comfortable in this setting. Before inviting anyone new to meet investors, companies might hold a brief tutorial on the basics of IR.

Once a company has decided who *will* attend a one-on-one, the next question is what message to deliver. Given the glut of information available online, firms should tailor their talks to strategy and any new wrinkles on a company's investment story. Other popular topics include changes in the competitive environment, new products and strategies, or forays into international markets.

Next, Borgeson strongly recommends that public firms prepare a marketing presentation and print handouts to give to investors. 'I have seen management teams come in with no materials and take it for granted there would just be Q&A,' he says, adding that these encounters can be quite awkward. 'You should have a reason for being on the road.'

Although public companies should always come prepared with written materials, these should be tailored to the audience: glossy marketing brochures, annual reports, or information easily obtained online are not particularly useful.

PICKING UP INVESTOR CUES

While preparing a formal presentation is essential, being able to digress from it is equally important. Ideally, says Steinhauser, management will speak for roughly 20 minutes, going through a slide deck and updating investors on critical trends. But experienced CEOs and CFOs should be flexible enough to abandon the slide deck if an investor prefers a more freewheeling approach.

Many on the buy side recognize that the better prepared they are, the more they'll reap from the conversation. 'My job is to have [public companies] address the most relevant issues,' says one West Coast investment manager, who prefers to speak anonymously. 'I always research a company beforehand, so I am well prepared and respectful of management's time.'

Borgeson agrees. 'I'm always encouraged when I see someone coming into a meeting with a research report or a K or Q that's all marked up,' he says. 'When the audience doesn't know anything about the firm, it's a real missionary effort.'

Even more importantly, the West Coast money manager urges transparency, saying he's interested in gauging how well management communicates good and bad news to investors. 'Regardless of when companies are on the road, there are issues that are front and center,' he explains. 'It's much better to address them up front rather than wait for the investor to bring them up. The meeting will go much smoother that way.'

Steinhauser raises a similar point, suggesting management teams avoid sounding defensive, even if the stock price is faltering. 'Sometimes management teams get a little bit too caught up in their stock price, and it shows in their presentation,' he says. 'That can really turn investors off.'

THE ROLE OF THE IRO

At larger companies, investors are often happy for the IRO to take a more prominent role. 'At big organizations, a good IRO might be able to tell the story on his or her own,' says Borgeson. Whether or not the IRO speaks extensively, his or her presence is critical. Typically, notes Borgeson, the IRO steps in after a meeting, when investors might want to follow up on a specific point or request supplemental materials.

IROs are also adept at observing meetings and gauging how and when future interactions should take place. 'Lots of folks are very willing – especially if they've already spent time with management – to do videoconferencing,' says Borgeson. 'That seems to be happening more and more.'

In the end, IROs often find participation in a non-deal roadshow can help inform future communications with investors. Whether it's identifying key questions that have gone unanswered or anticipating how certain messages might be perceived, IR professionals can use the intelligence gained through one-on-ones to hone future messages. 'IROs are trained to notice how the day unfolds and what the general sentiment is,' concludes Borgeson. 'This type of information can prove invaluable in the future.' CA