AIMing for investors

Managing investor relations is vital for successful AIM companies. But do we have to leave it solely to the professionals? Barry Gamble reports

In a market of over 1600 companies it is not surprising that so many AIM-listed company boards find it difficult to communicate effectively and consistently with shareholders and potential shareholders. So they turn to public relations professionals, particularly those who focus on financial PR. Many FTSE 100 companies have their own investor relations teams and this trend is seen to varying degrees through LSE-listed corporates.

For those outside the FTSE 350 and for those quoted on AIM, the financial PR firms predominate. Finding the right firm to fit the company culture and stage of development is important. As with all external advisors one wants to feel they are 'hungry' for your company's work, but also that there is a relationship to which each party, client and adviser positively contributes.

I have had exposure to the workings of a number of these firms and have also operated without any external PR advisers. What works does vary but a few underlying principles apply.

A good financial PR firm will have the capability to secure continuing press and media coverage, work well with the company's brokers – provide introductions to other brokers, including those in the regions – have a reputation management plan for handling more difficult news and become a trusted part of the corporate team. A number of firms are relatively small, others part of large media groups. As ever, which firm you choose to work with will be dependent to a considerable degree on the quality of the people in the frontline – the chemistry needs to be right.

The basics of the communication process need attention and regular review. These include corporate name and identity, including a good strap line describing what the business does. At the recent AIM awards it was not immediately obvious what all the winning companies actually did. In particular, identify what distinguishes the company offering. In re-examining the basics talk to your other professional advisers, auditors, nomad, broker, bankers, lawyers. They can all have ideas and add value to the process.

Do not forget input from the board. Encourage the non-executive directors to shift their roles from corporate policeman to being players on the field able to bring their wide experience to bear on the corporate positioning of the business.

Be prepared also to communicate the external messages internally so that staff understand how the business is being described and all parties are reassured there is one agenda being pursued for the benefit of all stakeholders.

Some take the view that if the results come through then the market will beat a path to your door. With the massive number of companies now on AIM alone, this strategy, save a few notable exceptions, is unlikely to be a winner.

When enquiring why company results have not been reported in the daily newspapers or the online financial magazines, do not be surprised if you are told "it's only the interims" or "BP were reporting today". It is all too easy to be crowded out of the media and for regulatory news to go little further than the newswires.

Very large public companies enjoy regular press and wide analyst coverage, which connects them with their shareholder base. By contrast many other companies do not even know the identity of their shareholders. Increasingly shares are held in nominee accounts, and although these can in theory be 'unzipped' in practice, many shareholders do not even get to see the annual report of the company of which they are part owner.

When discussing with your PR advisers how the IR profile should be raised, recognise that "throwing money at the problem" might be doubly costly in terms of cash out and management time. It is important to be realistic about what can be achieved.

The investor relations strategy needs to be aligned with the overall corporate strategy. Investors are focused on shareholder value – the combination of return from a steadily increasing share price hopefully augmented by the management discipline of a dividend. Shareholder value also has a time component and this is relevant to determining the most appropriate investor relations strategy. Good IR can help maintain the share price, can help to provide the background communication to ensure a steady supply of new investors to balance sellers or invest in secondary fundraisings.

Investor relations: DIY Top 10

1. Corporate name and identity
2. Strap line
3. Involve all your advisors
4. Involve non-executive directors
5. Schedule news
6. Company visit
7. Meet major shareholders regularly
8. Shareholder welcome letter
9. Trade press
10. Involve staff in presentations and articles

An important caveat is the paramount need for good visibility and connection with market expectations. It is vital that management stay absolutely on top of this aspect of IR. So often company management can be seduced into a curve of future results which puts them 'on the rack'. No amount of IR can redress the balance here so management must ensure they are in no way led by brokers or analysts or start to believe the more flattering PR coverage.

If market expectations are not going to be met, the obligation on the board to inform the market without delay has to be delivered. If such a profit warning has to be made expect investors to be impatient for 'something to happen' and for the need to communicate fully.

So what can be achieved with necessarily limited resources? Start by drawing up a schedule of expected company news over the next year such as interim and preliminary results, new business wins, the release of that all important document, the annual report, and pre-close period updates. ...

Being consistent and communicating to a recognised pattern is an important element to this approach.

Make sure your broker analyst, company-sponsored research house and other analysts are aware and can have input and commit to producing regular research. Your PR firm should consider when regulatory news service (RNS) announcements might best be made to avoid clashes with the corporate heavyweights. Discuss in some detail how this program should best be delivered and the role of company staff and management to improve the effectiveness of communication and control costs. Consider carefully how the website will be harnessed for frontline communications. Do see Rule 26 as an absolute minimum.

This schedule might include a company visit for a select handful of analysts or journalists. This should have strong input from company management and not be handled just by the PR specialists. The impact of spending more extended time with these external influencers can be massive and long lasting. Be honest, be open, provide some real insight to the business drivers and you will forge strong relationships.

As in so many other aspects of corporate life doing a few things thoroughly often pays off better than trying to do too much. But work out the objectives. Beyond regular face to face meetings with major shareholders which should be supported by a hard copy presentation. Other shareholders may be better serviced by email or communications by post.

For new shareholders, if you are able to track down the beneficial owner's name and address, try a personalised letter of welcome. You may wish to include a copy of the most recent annual report and company newsletter or customer brochure. Such an approach can provide real connection between a company and its owners, the shareholders. Periodically it just might be worthwhile to instruct one of the more specialist shareholder relations firms to drill down to all the major shareholders so that the chairman or CEO is able to write to them directly with, say, a personal reminder of the AGM. The rather official looking documents and proxy cards which form part of the annual report often need more to really command shareholder attention.

Good investor relations are often boosted by good trade press coverage. Shareholders welcome their company being mentioned in the specialist press. Such coverage can be part of a newsfeed for the company website or the basis for a press release directed at local and regional newspapers. Staff enjoy the company they work for achieving local mention.

Consider also the value of key staff submitting articles to trade publications or speaking at conferences. As well as raising the profile of the company it creates wider interest and a differentiation from others. Initial company prepared drafts can be polished up by your PR firm again sharpening effectiveness, improving connection within the company and controlling costs.

So a focus on cost and effectiveness should seek to retain the most appropriate PR firm working to an agreed brief. All company advisers have potential to add to the process if they understand what management want to achieve. Properly managed investor relations can be satisfying for management and a key part of overall strategy so the effort of maximising the benefit from advisers can start to pay dividends towards shareholder value targets. When analysts and journalists say they like the story you will know the process is starting to work.

The basics of communication need attention – that includes corporate name and identity, and a good strap line

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He built an innovative environmental services company with businesses in the UK and US. He led the IPO of this company, fountains plc, onto AIM. The company was a finalist for the Investor Communications Award.

He is now pursuing a portfolio career and is currently working with some private equity groups advising on strategic options for a range of businesses.