

TALES OF TWO COMPANIES

Recently, Dustin Weeks, principal of ForeSight Consulting (an IR consultancy for pre-IPO and public companies) and a board member of NIRI Silicon Valley, spoke with *IR Update*. Her experiences helping two companies with targeting highlights lessons learned about working with people inside and outside the company to find the right investors.

TARGETING FOR A PRE-IPO COMPANY

In 2002, the CFO of a pre-IPO telecommunication company in Silicon Valley hired Weeks because of her experience in investment banking and advising companies during the IPO process. According to Weeks, the CFO was the only manager at the company who had public company experience, and he asked Weeks to become a partner in helping the management team learn how to target and talk with prospective investors.

Her first task was to educate them about targeting and the tools that are available for this task. They didn't have the tools and didn't realize their cost — and their first impression was that Weeks would find investors through Internet searches. Management had not budgeted any money for databases or tools, but wanted quick results.

So Weeks set out to find an inexpensive way to identify potential investors. "I asked for a pre-IPO discount from companies that offered tools but didn't receive any offers," she said. "I had zero dollars, so I became really creative." She enlisted the help of former banking colleagues and friends who referred her to their contacts in the telecommunication industry. She developed criteria for the institutions she thought the company should visit and researched the Internet for additional information on these leads.

Then, Weeks said, she networked. She and the CFO telephoned investment bankers and analysts who covered companies in the telecomm field and fit her criteria, and sent them information about the company. They called prospective investors in New York and set up appointments.



Some of the larger banks didn't expect to hear directly from her, Weeks continued, "but they were curious. Would [the pre-IPO company] be a good fit for them? Had I not been able to communicate well, they wouldn't have agreed to see us." Weeks, the CFO, the president and the CEO then conducted roadshows in New York, Maryland and Washington, D.C. The result was a successful IPO; the company raised more than \$32 million.

Weeks summarized the lessons she learned from the experience:

- **Help management manage their expectations.** "While I was encouraging tier one and two banks to look at the company, I had to educate management that 'it's a one-in-a-million shot that Goldman Sachs will look at us,'" said Weeks.
- **No money is a challenge, but not a catastrophe.** "It's great to have resources and tools," said Weeks. But results can still be had by taking a creative approach.
- **It's important for IR to have an ally in management.** Weeks attributed part of the success of the IR program and the IPO process to her relationship with the CFO.

TARGETING DURING A TRANSITION

In 2003, Weeks accepted the position of IRO with a small-cap technology company in Silicon Valley. Previous to Weeks, the company

had never had an in-house investor relations officer or program. The former CFO had been responsible for sending earnings releases, but the company had hired consultants to create PowerPoint presentations and prepare for investor conferences. Its industry was stagnating, its stock price was languishing, and the company experienced management changes, including a new CFO.

Communication between the company and the investment community had fallen by the wayside. The former CFO had little public company experience and avoided speaking with institutional and retail investors. He participated minimally in roadshows, and the CEO was not always available to travel. Consequently, after the company missed its own earnings targets for several consecutive quarters, analysts were skeptical, and a handful dropped coverage. Weeks said she felt some initial concern that management

did not think investor relations was important, but she thought the company's story had potential.

Weeks was able to purchase tools for targeting, and a representative from her listing company, Nasdaq, alerted her to the exchange's online resources. She used these tools to determine investors most appropriate for a company of its size, industry and level of risk. Then she sent letters and company information to those prospective investors.

Weeks followed up her letters with a phone call. First, she explained that the company was in transition. She also apologized for any delays in responding to previous requests for information. She let them know she would be able to provide them with information and asked if they had questions. "They appreciated it," said Weeks. "Analysts and investors came to visit us, and I convinced the CFO to meet with them."

As a result, the company picked up three new analysts and strengthened the relationship with the two who had remained with them through the transition. It also brought back previous investors who had left and picked up new stock owners.

Weeks' lessons learned:

- **Be proactive with internal communication.** Many employees of the company did not know what IR was, so she explained her role to them. By talking with them and earning their trust, she in turn received operational insights early on, such as whether a product rollout would be delayed.
- **Be proactive with external communication.** It's not enough to identify potential shareholders. If IROs expect to increase visibility with the investment community, they have to reach out, said Weeks.

— Carol Metzker