



# Fundamentals of Investor Relations

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# CORPORATE MESSAGING DEVELOPMENT

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VP Investor Relations

Foundation Buildings Materials

# Topics to be Discussed

Understanding  
Your  
Audience

The  
Company's  
Disclosure  
Record

Message  
Development  
Process

Assessment  
of Peer  
Messaging

Message  
Development  
Effectiveness

Create  
Accurate  
&  
Authentic  
Messages

Consistent  
Messaging

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# UNDERSTAND THE AUDIENCE

# The Current Investor Landscape



## Limited Bandwidth

Number of investments

45 under management /  
55 under research



## Varying Levels of Knowledge

Significant vs. underweight  
vs. prospect

Generalist vs. sector specific



## Activism as an Asset Class

\$65.0B of capital deployed

226 companies targeted in 2018,  
up from 188 in 2017



## ESG Growing in Importance

\$98B in AUM, up 58% YoY

European matrices

US focus on "G"



## Sell Side Dislocation

MiFID II

Tier I buy-side going  
direct-to-issuer



## IR Impacts Valuation

Investors confirm good / bad IR is a  
factor in stock price

Example: TESLA

Source: Corbin Advisors

# Investor Relations Audiences

Current Shareholders	Prospective Shareholders	Sell-side Analyst	Other Audiences
• Sector Specialist	• Sector Specialist	• Buy-Rated	• Media
• Generalist	• Generalist	• Hold/Sell-Rated	• Competition
• Portfolio Mangers	• Portfolio Managers	• Institutional Sales	• Customers/Suppliers
			• Corporate Sustainability

## Key Takeaways

- Find a message that resonates at a high level – “The Elevator Pitch”
- Develop fine tuned message for each group
- Communicate what your audience needs to hear, not what you want to say

# Investors Can Have Varied Mandates

Investment Mandate	Notable Example
• Growth Investors	• Fidelity, T. Rowe Price
• Value Investors	• Dodge & Cox, Ariel
• GARP Investors	• Putnam, Franklin Advisors
• Yield/Fixed Income	• Payden & Rygel, Pimco
• Momentum	• Oppenheimer, Columbia
• Market Capitalization	• Large Cap/ Small Cap
• Index/ETF	• Blackrock, Vanguard
• ESG	• TIAA-CREF, Calvert

IR Professionals should tailor their investment thesis to target audience

# Create a Compelling Investment Story

Analysts and investors review and follow numerous companies every year

- View your corporate message from their perspective and put yourself in their shoes

A corporate “story” needs to distinguish its unique characteristics from the field

There must be a compelling investment thesis tied to the Corporate Strategy



# Messaging Topics

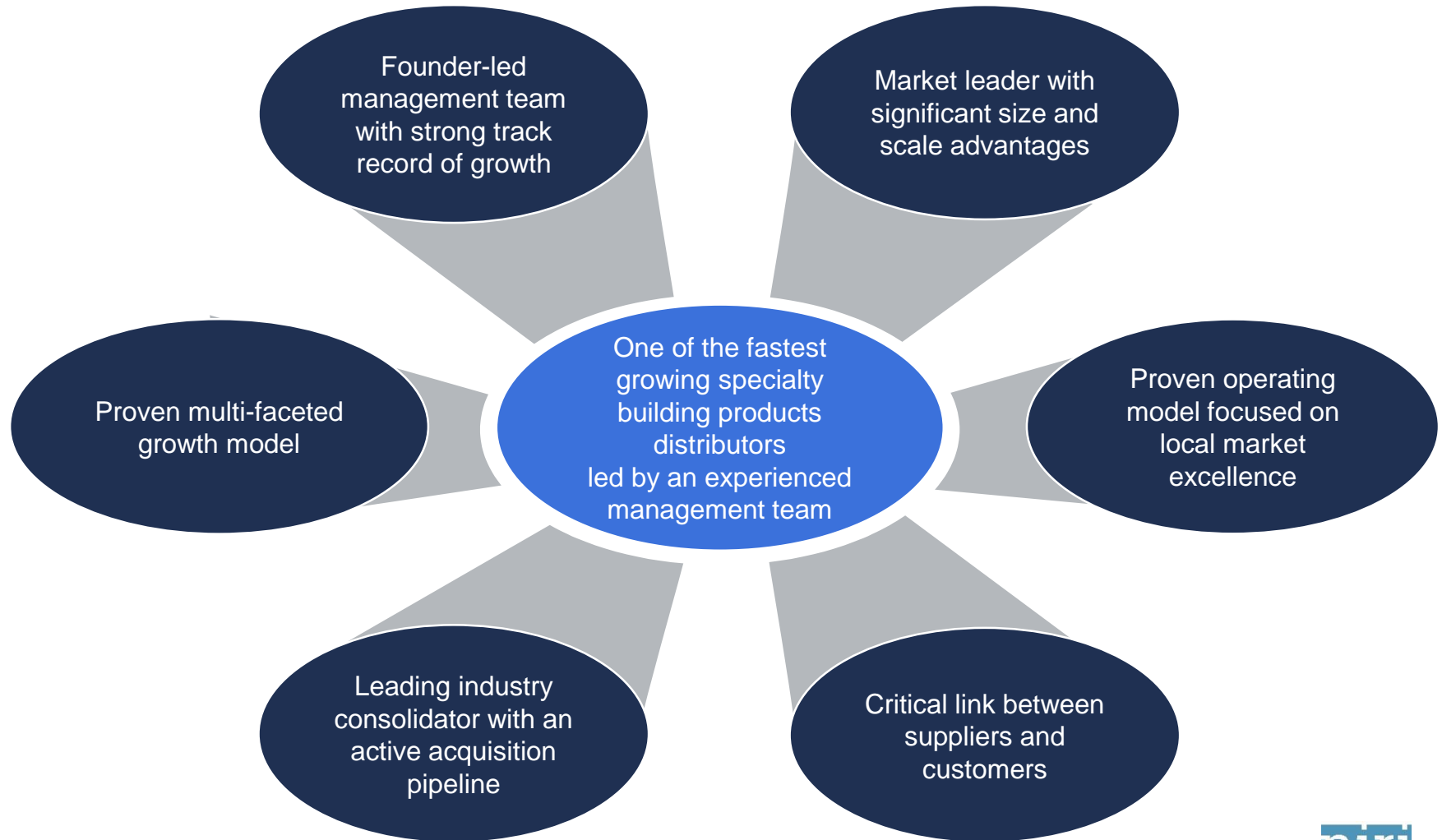
- General corporate position and how it will generate returns
- Innovation
- Unique/compelling milestones or events
- Market position

- Intangible assets
  - Strong management
  - Brand recognition
- Financial track record and future outlook
- Turnaround story?
  - Include activities and evidence to right the ship

# What makes a Compelling Message?

- ✓ It is strategic...
- ✓ It is simple and concise...
- ✓ It is compelling...
- ✓ It is easy to remember and repeat...
- ✓ It is authentic to your company...

# KEY INVESTMENT HIGHLIGHTS



# Reflection Questions

*Have you effectively communicated your story to provide a compelling investment rationale?*

*Do you know your target audience?*

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# **KNOW YOUR COMPANY'S DISCLOSURE RECORD**

# Know Your Disclosure Record

## Evolution not Revolution

- ✓ Know what you have communicated to investors in the past and build a bridge to the present and future
- ✓ Be proactive not Reactive
- ✓ ESG is becoming a big deal

## Make sure you know the Rules

- ✓ Disclosure Concepts
  - ✓ Materiality, Duty to update, Duty to correct
- ✓ SEC Statutes and Regulations
  - ✓ Form 10-K, Form 10-K, Form 8-K, Regulation G
- ✓ Voluntary Disclosures
  - ✓ Earnings calls/webcasts, investment conferences, Sustainability

# Corporate Disclosure

Know the general disclosure rules including Regulation Fair Disclosure (Reg FD)

Determine if other factors –e.g. Environmental, Social and Governance (ESG) – may be involved

Know your specific industry disclosures – examples include:

Set a standard for voluntary disclosures and stick with it

Biotech=data

Mining=mine safety

Tech=cyber security

Financial and non-financial guidance

# Reflection Questions

*What are the disclosure obligations for your company and what are the historic disclosures?*

*Are there other disclosures that you think are relevant and should be voluntary for the company?*

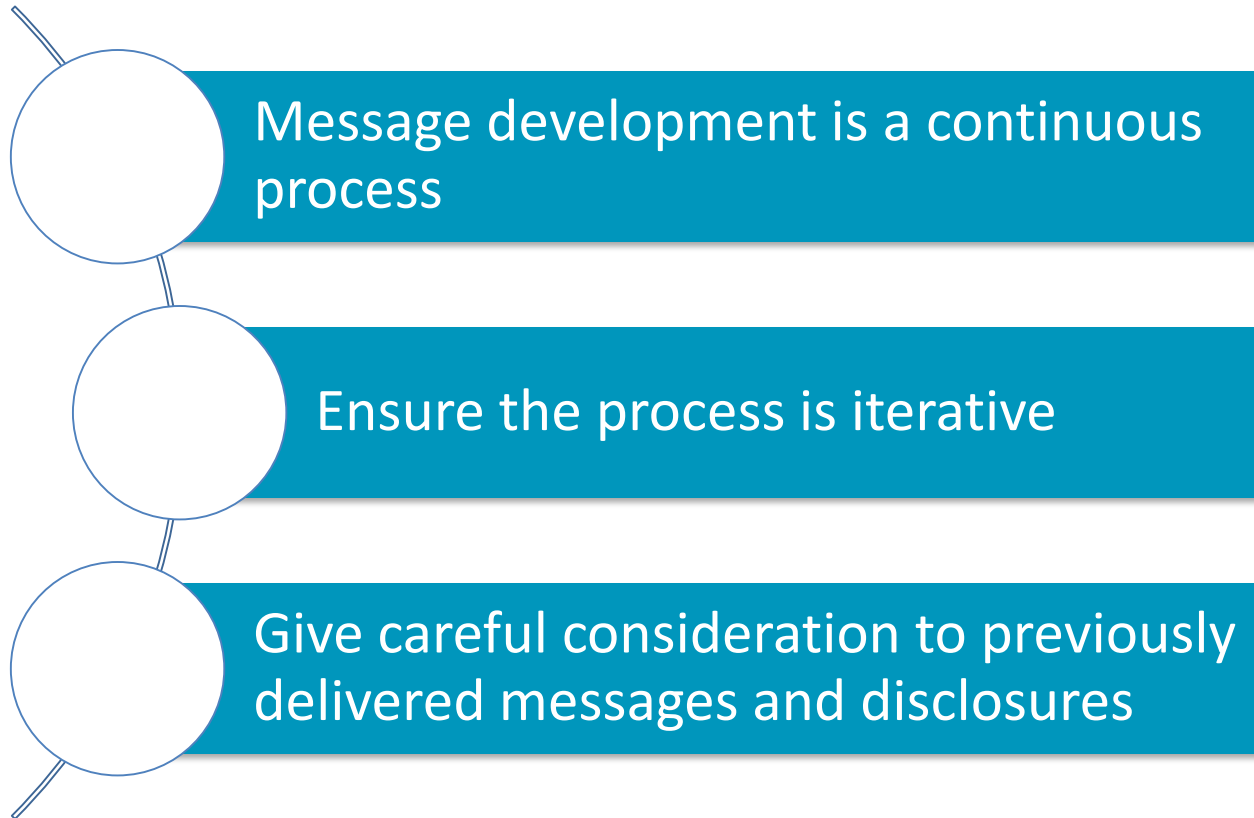
*Do your disclosures allow for objective investment decision making?*



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# DEVELOP THE MESSAGE

# Messaging Overview



# Gathering And Assessing Feedback



# Reviewing Feedback

- Compile the feedback and assess if the message is accurately absorbed
  - Numeric scores
  - Open-ended comments
- Develop consistent, frequent assessment which enables comparison of trends over time
- Utilize investor/analyst feedback to develop new or modify existing messaging

# Review With Management

## What the process looks like:

- Multiple rounds of review to perfect the message and ensure consistency
- Consistent review schedule
  - Correspond with quarterly earnings
  - Annually
- Open dialogue to evaluate perception and form of delivery

## What to include:

- All relevant external sources
- Internal departments:
  - Corporate Communications
  - Marketing
  - Legal

# Evolving the Message

## The Four B's of Change Communications

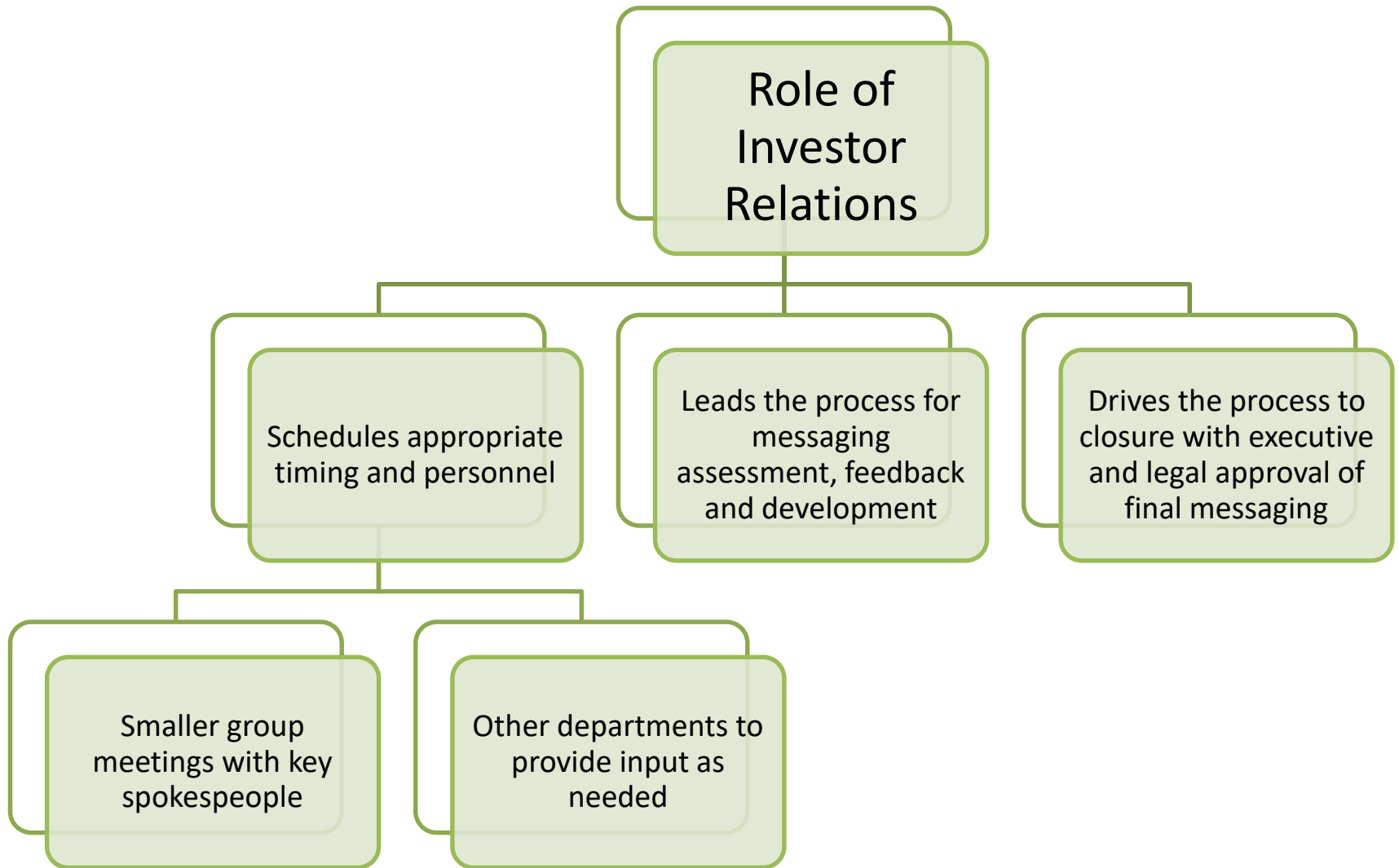
**Be Proactive**: As markets change and/or business dynamics change, the IR professional should be prepared to message the change

**Build Credibility**: Clearly Communicate what has changed? Why it has Changed, and management actions in response to the change

**Be Visible**: In good times or bad, control the investor messaging

**Build a Bridge**: It's important that change communication maps to your core corporate message

**Make the message is aligned across all communication platforms**



# Key Roles in Messaging Development

## EDITOR

Investor  
Relations

Creation of draft messaging

Description of expected tone

Coordination of review process

Consolidation of editing  
comments

Compilation of supporting  
documents

## CONTRIBUTOR

Functional  
Owners

Product Management

Marketing

Sales

R&D/Technical

## REVIEWER

Subject Matter  
Experts

Legal

External  
reporting/accounting/finance

PR/Corporate Communications

C-Suite Executives

## APPROVER

Messaging  
Owner

Final approval of messaging

Limited to key executives –  
CEO, CFO, Legal, etc.



# Methods of Delivery and Desired Outcomes

## Earnings Press Releases

- Financial results including GAAP vs. non-GAAP
- Management’s description of results, outlook and guidance

## Slides for Earnings Release

- Reinforcement of points from the press release and conference call
- Additional details on outlook, models, guidance and complex issues

## Earnings Call Scripts

- Provide greater clarity on financial performance and future outlook
- Ability to discuss key drivers of changes from prior periods

## Analyst/Investor Day Presentations

- Detailed understanding of products, technologies, strategy, differentiators
- Ability to showcase additional departments

## Letter to Shareholders

- Provide a more personal touch on the longer-term recap of performance
- Demonstration of successful execution strategy, goals and objectives

## Corporate Presentation Deck

- Overall review of the company and often the “first look”
- Increase dialogue between the Street and company spokespersons

# Reflection Questions

*How are you going to gather feedback on your story? Who will you reach out to?*

*How will you track the feedback received to redesign a more effective corporate message?*

*Who are the key spokespeople and message contributors in your organization?*

*How often do you revisit your messaging and methods of delivery?*

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# ASSESSMENT OF PEER MESSAGING

# Your Company Versus Peers



It is important to understand the company's investment story relative to competing investments (a.k.a. peer group)

Peer messaging leverages a wide variety of financial and non-financial metrics and related valuation benchmarking against key competitors and industry peers

Gather perceptions from analysts, shareholders, top targets and recent sellers

# Audit Peer Group Communications Practices



# Perception Gathering Questions

1

What are the most compelling reasons for owning the stock now?

2

What are the risks to owning now?

3

What factors are behind the current valuation?

4

What metrics and/or methodologies are used in valuing the company?

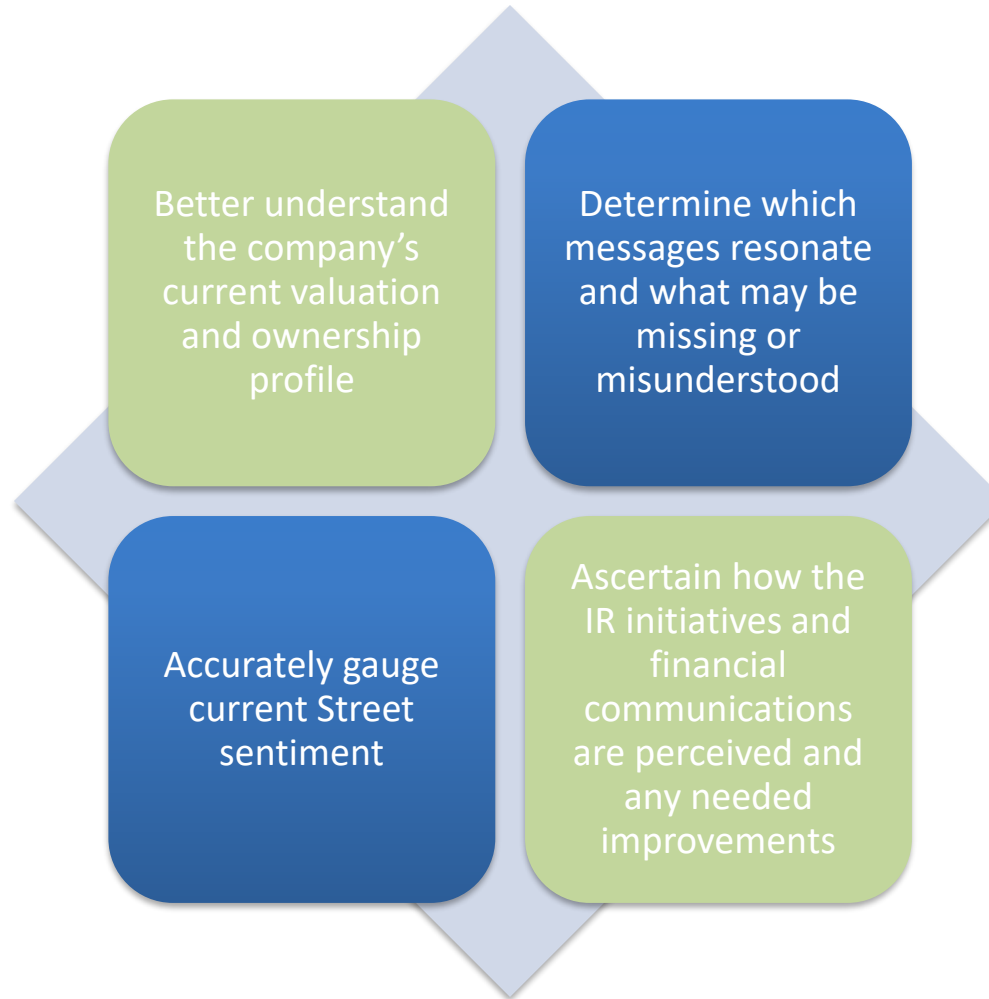
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How would one describe the company's business strategy?

6

How does the Street view the company's disclosure transparency guidance practices?

# Key Objectives in Peer Assessment



# Reflection Questions

*Who are your peers?*

*What and how are your peers communicating?*

*What are the external perceptions of your company?*

*Who are the stakeholders you can contact to best understand the Street's perception?*



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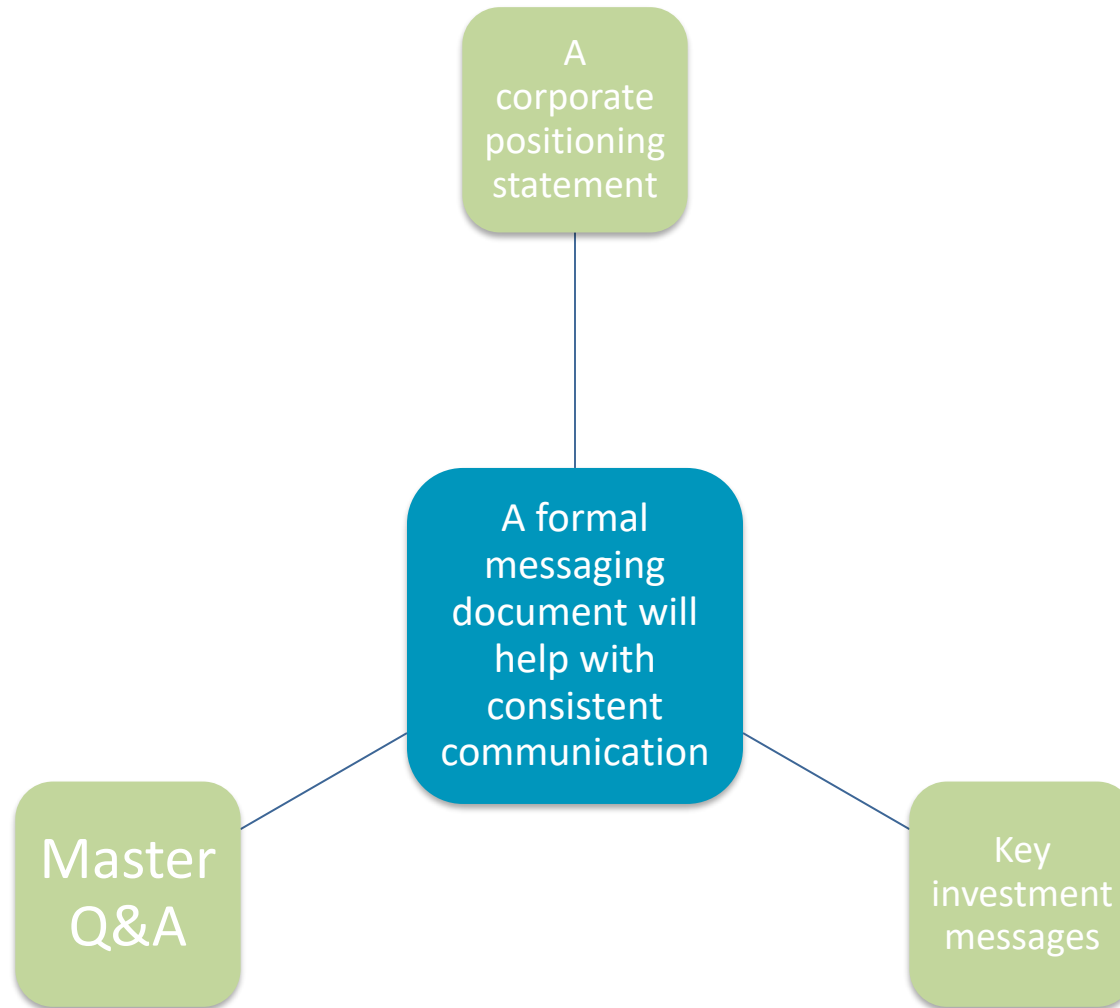
# MESSAGE DEVELOPMENT EFFECTIVENESS

# Drafting Messages

- Helps provide a thorough understanding of the most essential business elements
  - Business model, past performance, future prospects
  - Differentiators in the competition for capital
- Generates a message map
- Assures consistent communication

*Consistency is key! Buy-side is tracking 100+ investments – need to be clear and concise.*

# Formal Messaging Document



# Sample Categories and Proof Points

Growth Drivers	Strategic Growth Drivers	Business Strategy	Probability Factors	Business Model Detail
<ul style="list-style-type: none"><li>•General economic</li><li>•Demographic</li><li>•Technology</li><li>•Regulatory</li><li>•Market share</li><li>•Future goals</li></ul>	<ul style="list-style-type: none"><li>•Product/service differentiation</li><li>•Brand awareness/loyalty</li><li>•Pricing or price increases</li><li>•Production capacity and distribution</li><li>•Resources: infrastructure, financial, human</li><li>•Competitive advantages</li><li>•First to market</li><li>•Barriers to entry</li></ul>	<ul style="list-style-type: none"><li>•Organic vs. external growth strategies</li><li>•Increase demand</li><li>•New products/services</li><li>•Higher volume for existing products, add-on feature, etc.</li><li>•Increase market share (e.g. geographically, distribution, sales force, R&amp;D)</li><li>•M&amp;A for product diversification, acquiring companies or competitors</li><li>•Joint ventures</li><li>•Asset disposition</li></ul>	<ul style="list-style-type: none"><li>•Unit volume increases</li><li>•Price increases</li><li>•Sales mix shift to higher margins</li><li>•Operational efficiency through scale and lower costs</li><li>•SG&amp;A and interest expense</li><li>•Facilities/equipment</li><li>•Labor/raw materials</li><li>•Liquidation, divestiture, product pruning</li><li>•Redeployment of assets</li></ul>	<ul style="list-style-type: none"><li>•Top-line growth trajectory</li><li>•Scalability</li><li>•Operating efficiencies &amp; leverage</li><li>•Profitability</li><li>•Risk management</li><li>•Balance sheet</li><li>•Cash flows</li><li>•Capital allocation strategy</li></ul>

# Foundation Building Materials

## Long-Term Strategic Priorities

### 1 Strengthen Balance Sheet

- Reduce net debt leverage
- Drive working capital efficiency
- Disciplined capital spending

### 2 Drive Organic Growth

- Greenfield expansion opportunities in underserved markets
- Expand the products we offer our customers
- Optimize the pricing of the products we sell to our customers
- Grow market share

### 3 Expand Profit Margins

- Drive procurement savings
- Leverage our economies of scale
- Execute our cost-out initiatives
- Grow wallboard net sales

### 4 Platform Expansion

- Grow asset base through strategic acquisitions
- Scalable infrastructure facilitates efficient integration of acquisitions
- Grow complementary and other products net sales

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# CREATE ACCURATE & AUTHENTIC MESSAGES

# Accuracy

Pull facts from reliable and verifiable sources

Note external sources

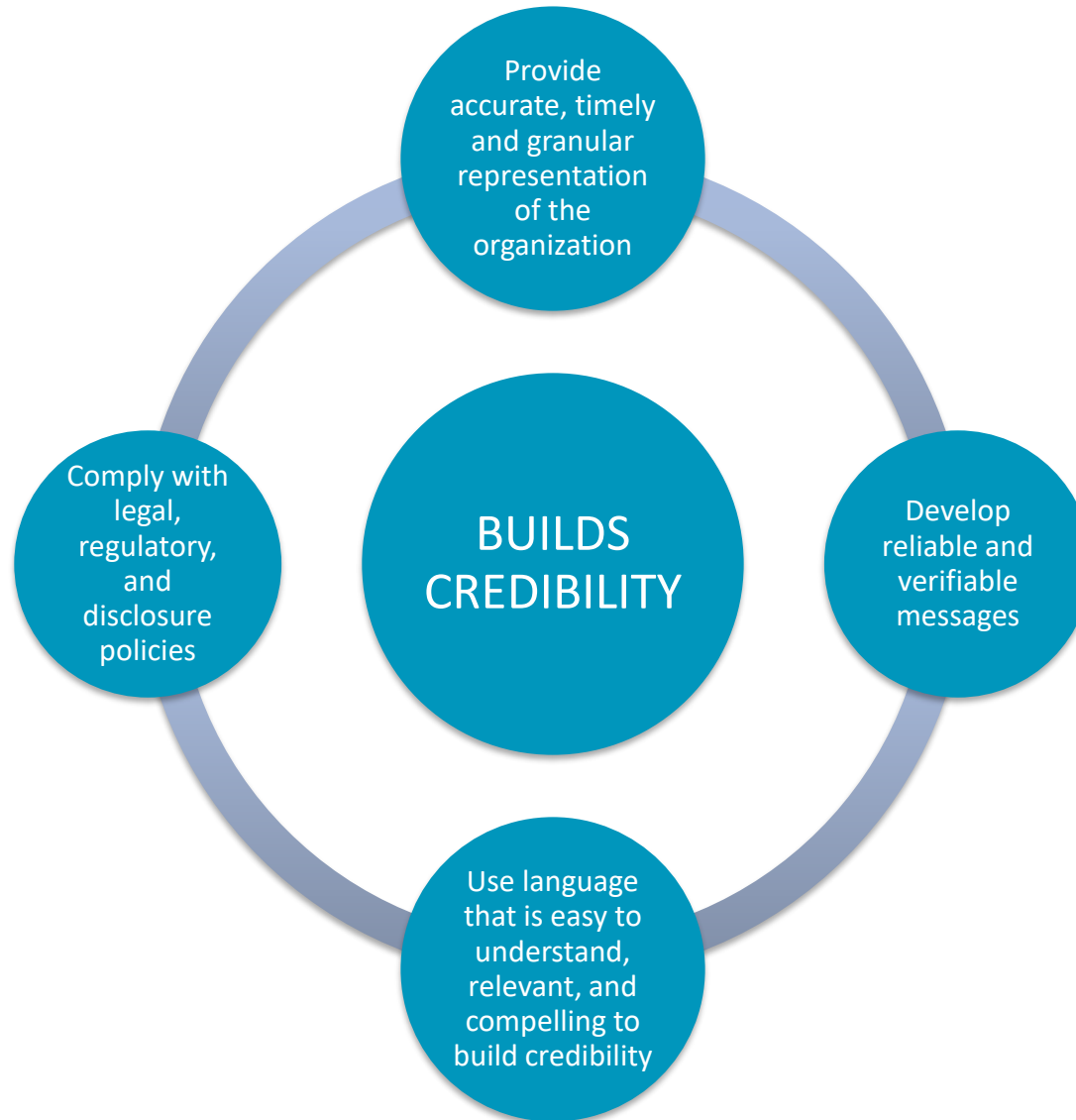
Ensure that internal sources are tested, proven, and credible

Confirm consistency with prior messaging

Know your audience

Regulatory filings, financial statements, operational reports, marketing materials, etc.

# Authenticity





# Tone

- The tone should mirror the message being delivered
  - Don't deliver negative news with a positive tone
    - Leads to investor skepticism and reduced credibility
- Evaluations should evaluate verbiage
  - Overused terms whether positive or negative
  - Inconsistencies
  - Importance of the content

# Body Language

- Executives' body language may impact message perception and absorption
- *Some investors are actually coached in assessing body language*
- Subjects for evaluation
  - Hand gestures
  - Sitting position
  - Posture
  - Stage presence
  - Clothing/attire
  - Facial expressions

# Reflection Questions

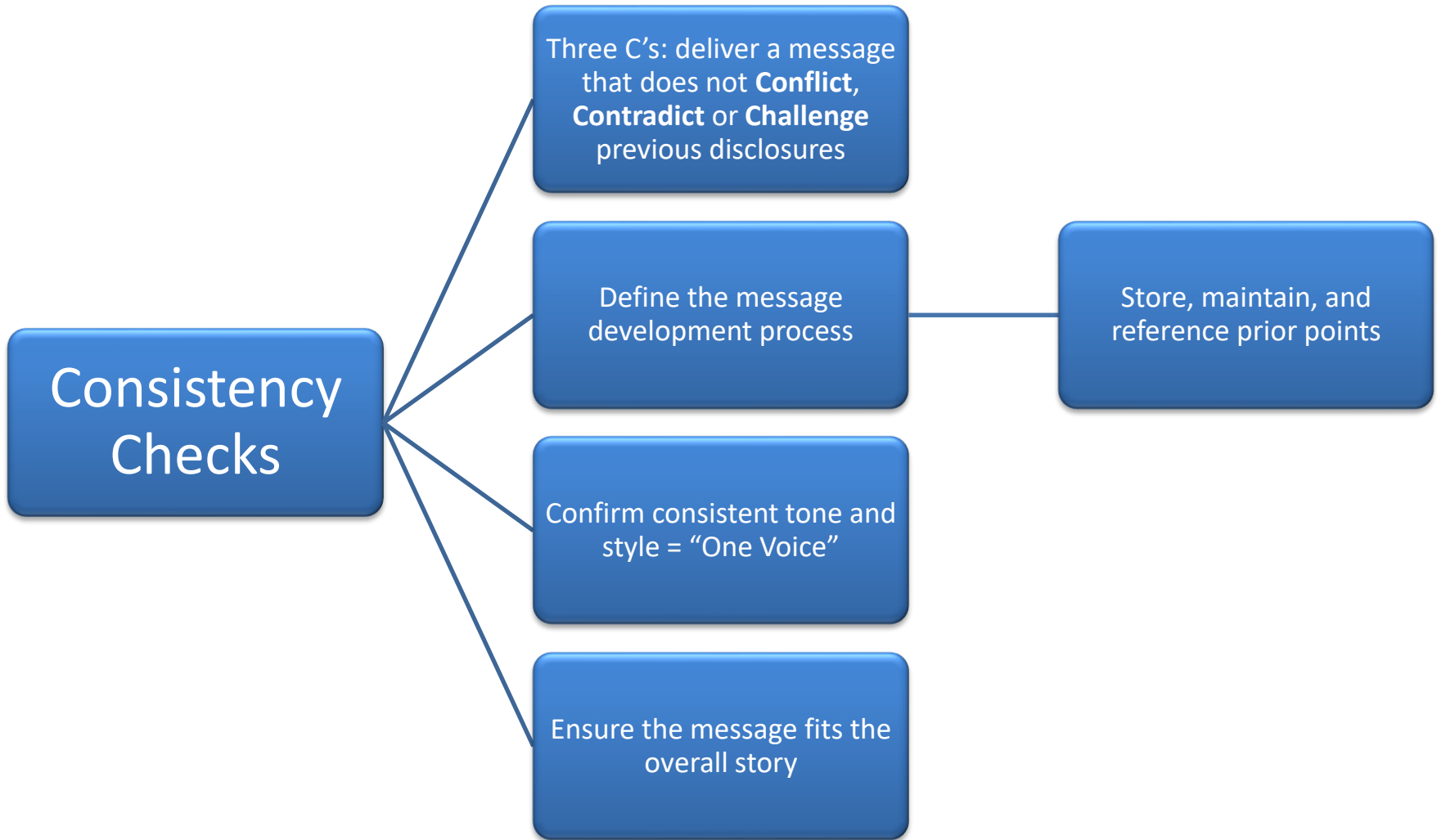
*Do you use too many industry acronyms that could complicate your message?*

*What are your external and internal sources and are they reliable?*

*Do your key spokespeople have “quirks” that may negatively impact the message delivery?*

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# CONSISTENT MESSAGING



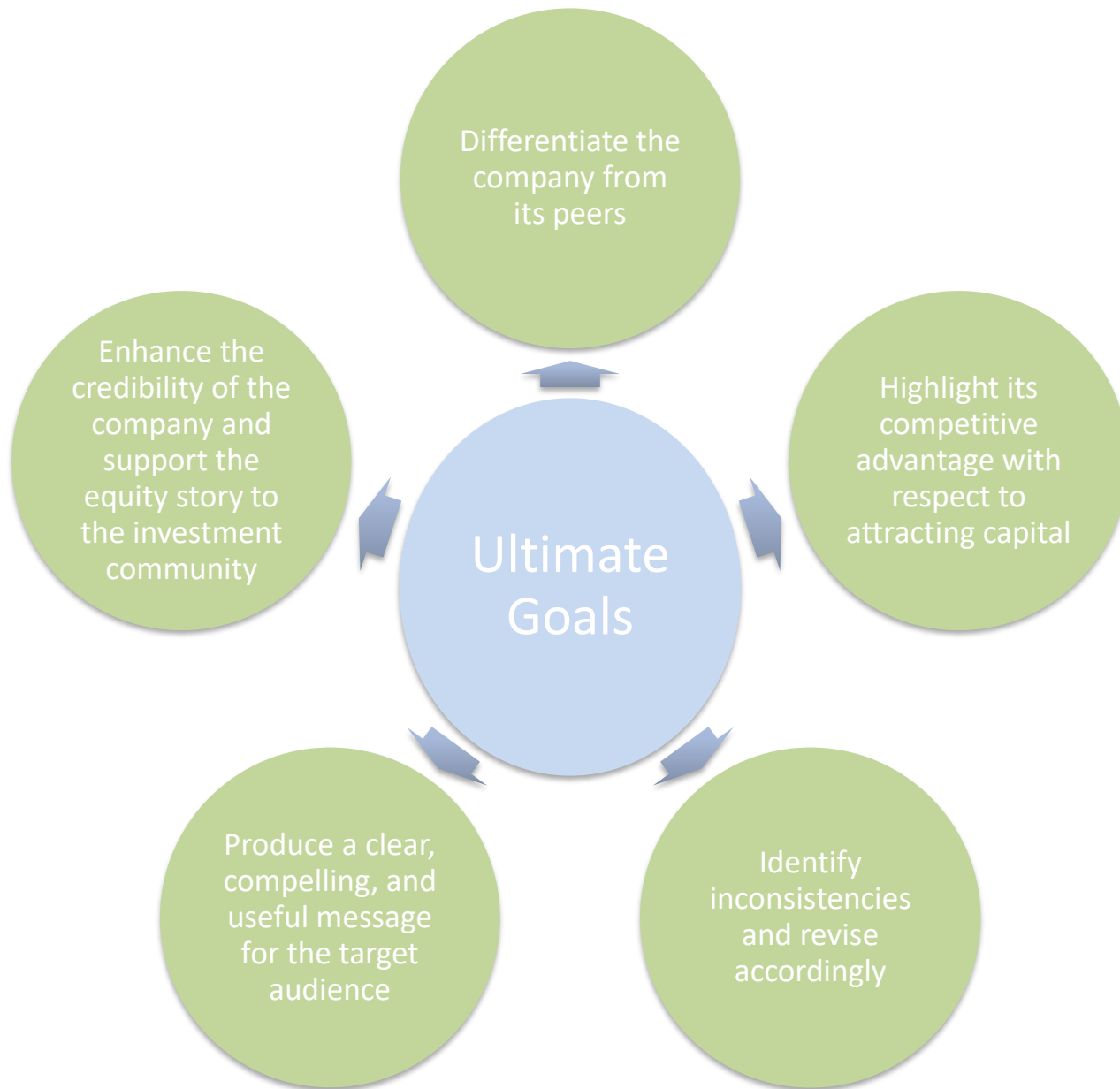
# Public Message Dissemination

## Essentials

- Identify key message points
- Address the needs/interests of the target audience
- Check the message for regulatory compliance, factual accuracy and verifiability
- Be consistent with previous communications

## Incorporate

- Financial results
- Competitive strengths
- Market position
- Future outlook



# Reflection Questions

*Does your message reflect your best “investment case”?*

*Is your message free of the Three C’s?*





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