



Critical thinking at the critical time™

AN IRO'S CRITICAL ROLE IN CORPORATE EVENTS



Introduction

For a company going through an enterprise-changing event, in-house experience and disciplined preparedness are the keys to optimizing shareholder value. Precious time is wasted during a major acquisition or corporate crisis identifying the few go-to people who can navigate corporate obstacles and locate critical information quickly during the most trying of times. And very few people are around who have the true trust of senior management and great gut instincts to anticipate the market's potential interpretation of a situation. The investor relations officer (IRO) is in a perfect position to play this role. But, frequently, the IRO is an underused resource.

Management, bankers and other advisers often fail to engage IROs early in the corporate events, instead tapping them in the latter stages to execute a tactical plan. The IRO should have a seat at the table from the beginning. This can save time and money as well as diminish the chance of misstep. For the best result, IROs must be ready long before a crisis, creating tools in their daily work that will be critical when the chips are down.

The following explains how the IRO can be used best in a crisis as well as the tools management should know the IRO has at the ready.

Faster, More Efficient Access to the Right Investors

While the management team often talks to top investors, the IRO knows more investors at various levels. These tend to be long-nurtured relationships that yield better insights into who is buying and selling shares and who is most sensitive to big changes in messaging. A well-prepared IRO has contact information for every powerful decision-maker and knows the best way to get real-time access during a pivotal moment for the company.

To be ready for crisis, an IRO must maintain the following:

- A “hot list” of institutional investors who are known to receive emails from the IRO, open corporate marketing documents, and follow corporate website links
- A segmented list of underweighted and prospective investors who are the likeliest buyers during a valuation or strategic shift of the business
- An updated shareholder list using a surveillance tool that helps assess movements and potential impact of hedge funds and fast money players

Unbiased Market Intelligence

Bankers and CEOs are influenced by the biases of the largest or loudest investors and, therefore, often have a skewed view of the investment universe. On a daily basis, IROs hear a broader range of investor sentiment that tells a more accurate story. This perspective on industry and investor intelligence often transcends the latest market trend because it encompasses the perception of investors with smaller positions – but the potential to make significantly larger investments in the stock – and prospective investors who may be the future owners of the company. By tapping into the IRO's deep well of insights, a company's management and Board can gain a more holistic view of the market's interpretation of the situation, mitigating the chance of unexpected reactions.

To be fully effective in a crisis, an IRO should have the following items ready:

- Perception study less than 18 months old
- Pulse surveys that benchmark investors' relations to recent corporate issues
- Updated summary (monthly) of top sell-side reports, including key ongoing strategic concerns and key assumptions in financial models

Unparalleled Internal Network

All too often, the best ideas of bankers and advisers navigating a crisis fail to gain traction in the early stages simply because the team cannot find data or useful examples to support their underlying theses. IROs have unparalleled internal networks of operators, business heads and executive assistants that can give them accurate information quickly enough to be useful. An outside adviser simply will not have that kind of access. Furthermore, an IRO asking for this information – as per usual – will raise far fewer suspicions among employees than an outside adviser with the same request. This discretion is especially helpful in heading off rumors and safeguarding the confidentiality of a high-level plan.

Useful information an IRO can retrieve quickly during a crisis includes:

- Q&A books and updated earnings documents
- Internal network contact list and normal timing in gathering this information
- Quarterly evolution of public statements on key investor questions and issues
- Documentation on what the company has promised and most difficult questions left unanswered

Voice of the CEO

Investor relations messages tend to be the foundation upon which all other stakeholder messaging is based. For this reason, the IRO has the following valuable strengths:

- Expertise in creating and refining core corporate messages
- Unique knowledge of the CEO's voice

An IRO is best positioned to share the voice of investors and analysts, which can mitigate the chances of unexpected and negative reactions to corporate changing events. In addition, the IRO can also provide the contacts, data and perspective necessary for the development of a preparedness plan for any crisis that effects the reputation or value of the company. By giving the IRO a seat at the table with key decision-makers, a company can make effective use of many of its untapped or underused resources and smooth the bumpy roads of corporate change and crisis. A well-prepared IRO – consulted in the earliest stages of a crisis – can greatly improve the chances for success.

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