



Building Market Confidence: The Strategic Role of Investor Relations in Equity Stories

Mike HARRIS¹ - Founder of Cribstone Strategic Macro, and Adjunct Professor with the Syracuse University Whitman School of Management London

Before becoming an equity story optimisation specialist, I spent 24 years as a research analyst, strategist and head of research. Most of my career was at Merrill Lynch where I launched their coverage of the Turkish, Egyptian, Greek and Israeli markets. While we were lucky to build a strong franchise, in Türkiye in particular, the truth is we were a peripheral business within Merrill. Greece joining ERM and Türkiye becoming an EU candidate created pull from sales, but generally we could not take European and global sales attention for granted. We had to become expert at articulating equity stories to generalist sales teams whose clients didn't need to invest in these markets. To win mind-share, we had to pitch in the context of global macro, economic and political intricacies of the markets, and finally, the individual stock idea.

That experience, my years advising on investor decks for IPOs and CMDs, and my coal-face secondment as Head of Investor Relations for Amsterdam listed Inpost in 2022, have led to the following observations:

Enfranchise IR, it can add huge value

Investor Relations should be plugged into everything that is going on at the company, and preferably with a voice at the table. Yes CEO & CFOs may handle set-piece events and results, but IR should be the first port of call to educate investors. This doesn't just save time of management, it sets the table for higher quality conversations. Truth be told, not all CEOs and CFOs know how to communicate in a way that resonates with public markets (especially with doubtful questioning from analysts and investors).

This is a core competency of IR professionals.

IR wins when the market pre-pays for Execution

- Too often investors wait for momentum / operational delivery to re-rate a stock...that is a form of Equity Story Failure
- Investor Relations Victory is when the market has the conviction to fully value expectations or "guidance" before it materializes

Articulate your differentiation

- What is your competitive differentiation / purpose / right to win and what opportunity does that create?
- Valuation is the market's job, but if investors have medium term conviction in your equity story, you'll like the valuation

Develop Proof Points...

- Elevate market understanding of underappreciated strengths
- De-Risk areas of market concern.
- Short sellers and Sell recommendations are the best source of information on what you need to prove

Derisk market concerns

- Every meeting is an opportunity to understand what parts of your story aren't convincing. If you always get the same question, you answer isn't resonating.

¹ Mike Harris is the Founder of Cribstone Strategic Macro, and Adjunct Professor with the Syracuse University Whitman School of Management London program. While on the Sell-Side, he was the highest ranked active research specialist outside the US with 22 number one rankings in the Institutional Investor Survey.

- Don't just provide backward looking data or statements, provide evidence

Use Data to prove your equity story

- Use all the data you have (and relevant examples) to "prove" your equity story.
- When investors see how you use data to prove your strengths, they'll consider your data competence a strength also. This is key in an AI driven future.

Peer multiples usually a far cry from a DCF

- EV/EBITDA multiples adjust for neither higher Returns nor higher growth. You need to love your peers' multiple, or prove why you are better than peers.
- Bank ROE vs P/B is a good DCF proxy as return differentiation is accounted for, and most banks growth is macro driven. Non-bank multiples a different story.
- Instead of peer multiples, the Holy Grail is to get analysts and investors to give you an absolute valuation based on future cashflows.

Modelling Toolkit

- If an analyst / investor can model the business with high conviction, they can move from multiple based to a cashflow valuation.
- Provide a toolkit for modelling from an outside-in perspective. Prove & report variables that drive estimate models
- A "shadow" model revenues/margins must not be hard coded. Know how to estimate growth/costs/operating leverage etc

Macro-Proof Your Story

- If you are in India saying you are a macro proxy is often good enough.... but in most markets it is better to prove why you're better than a macro proxy.

Own the Narrative

- Use every investor and analyst touchpoint to reinforce your equity story, even if they know you well.
- Quarterly results calls should be used to reinforce the equity story...otherwise analyst results reports are close to useless.
- Answer questions in a way that reinforces your differentiation
- Don't downplay investor fears, instead look for proof points that show your resilience/outperformance even if those fears are realized

Attract attention:

- Create new opportunities to engage with a wider market. CMDs & site visits where all sector analysts are invited
- Use many banks as no one has universal reach.
- If you are a value stock...find value investors...if you are thematic find thematic funds. If you are a definitive structural winner, every generalist investor in the world (that owns market cap of your size), is a potential shareholder.

Analysts are people too

- If you give them great proof points, modelling comprehension & attention, analysts might really like covering you
- Be proactive with sector analysts that don't cover you but may be intellectually curious
- Any analyst with a sell recommendation should get a disproportionate amount of your attention...oh and be very nice to them