

Sourcing Offshore Capital

The jostle for capital between listed Australian companies has more elbows in the fray than ever. As a well developed listed equities market, Australia presents domestic fund managers with a plethora of investment opportunities across a gamut of sectors. The challenge for CEO's and CFO's is to convince investors to include the company they represent in their investment portfolios.

However when Australian companies try to source capital from offshore, the tussle can be even more trying. Most offshore fund managers who can invest in Australian equities will operate under international or regional mandates where Australia is only one of many countries in which they can make investments. The wider investment universe which these investors have means that the battle for their capital is even more intense.

When putting together a marketing strategy to overseas fund managers, I think there are two key decisions which need to be made. Firstly, should management participate in conferences or undertake a roadshow? And secondly, if a roadshow is the preferred avenue, which broker should be used to facilitate this?

Participation in an investor or industry based conference in a major investment hub such as Hong Kong or New York has its benefits. It's a very efficient use of management's time and the audience size is often substantial. It's also a very efficient use of fund manager's time as they can attend up to eight separate company presentations in a single day (which means they are more likely to attend).

The big drawback with conferences is its impersonal and untailed format. Given the variety of investment styles present in the audience, it's impossible for the company representative presenting to give anything but a generic pitch. That said, conferences are great for getting a company on an investor's radar screen, which could lead to them making an investment or alternatively, might prompt them to request a one-on-one meeting with management at a later date.

An alternative (or complement) to conference participation is an investor roadshow. This involves a series of one-on-one meetings with investors and customarily takes place in the fund manager's offices. This format is far more direct and powerful as the pitch can be tailored to address the key issues relating to how the investment proposition fits within the fund managers investment criteria. Furthermore, a one-on-one provides the best forum for investors to obtain greater and more specific detail where desired and importantly, establish trust with the company's management team.

Investor roadshows are most commonly arranged by brokers, although investor relations consultancy firms can also provide this service. When choosing a broker to help facilitate a roadshow, a number of factors need consideration:

1. How well rated is the brokers sales desk in the relevant region?
2. How well rated is the brokers analyst who covers your company?
3. How well rated is the brokers in-house corporate advisory arm?
4. How much experience does the broker have in organising and facilitating successful company roadshows?
5. What resourcing capacity does the broker have to allocate to roadshows?
6. How supportive is the broker of your company and how active have they been in trading your stock?

The answers to the first three questions can be found by getting your hands on a copy of the latest Greenwich broker survey which is released annually. It summarises the feedback of a number of fund managers both domestically and abroad and ranks the performance of brokers across a number of key areas. If you haven't got access to this document, ask the brokers directly for how they rated in it. I can guarantee that regardless of whether they subscribe to the survey, they will be very familiar with how they rated (even if they choose not to admit so).

When talking to candidate brokers, enquire as to the size of the sales team in the relevant offshore location and also whether they have any staff dedicated specifically to the organisation and management of company roadshows. Logistics can be complicated in these events and a well resourced facilitating broker can be a significant benefit.

Like most things in life, experience matters when it comes to roadshows. Ask the candidate brokers to provide a list of roadshows they have recently organised and then contact some of these companies directly to gain feedback on their experience.

I'd be pragmatic and commercial in selecting a broker. If you roadshow with a broker who is pushing a sell recommendation on your stock and/or has a low market share in the trading of your stock, then the effectiveness of the roadshow will be marginal. The best approach is to have a broker take you around to meet a fund manager and afterwards have the broker and his research analyst independently phone the fund manager to reinforce their positive view on your company. This results in a more comprehensive pitch and should increase the likelihood that the investor will consider taking a position.

Wrapping up, my personal view is that over time, a successful offshore investor marketing strategy must include a mix of both conference participation and targeted investor roadshows. For a small to medium sized company, I think the focus should initially be on conference participation as this will initiate awareness with offshore investors without sacrificing a significant amount of management's time on a roadshow which can be hard to effectively target. However, as a company builds its profile and potential investors can be more effectively identified, offshore roadshows should be undertaken on a periodic basis into perpetuity.

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