There Is no Second Chance to Make a First Impression

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An initial public offering (IPO) poses major opportunities and challenges in term of communications. Companies will have to respond adeptly to a spike in interest from the financial community, the general public as well as expert specialists. Once listed, a company must comply with stock-exchange disclosure rules and regulations; this will entail new policies and operating procedures and a change in corporate culture.

An IPO marks a major milestone in a company's development. Whatever the specific circumstances are: an IPO significantly changes a company's communications activities. It puts a company in the spotlight, it's 'going public' in its true sense: An IPO offers a rare chance to leapfrog in terms of awareness, reputation and perception. As a result, an IPO will also significantly increase the visibility of the top management and closely link the key executives to the company and its prospects. These opportunities should not be missed.

It adds complexity, too. Regulation asks for enhanced information policies. The needs of the market require closer interaction with a greater number of stakeholders and interested parties with differing interests. All in all, an IPO makes a professional, comprehensive communications approach imperative. From one day to the next, communications activities will have to be addressed to a larger group of institutional and private investors. Also, financial analysts and journalists will be expecting a steady flow of information from the company. Moreover a listed firm will attract more attention from competitors, the representatives of industry associations and, not least, from industry experts and the stock exchange.

Pre-IPO Phase: Raising Public Awareness and Creating a Communications Toolbox

Once listed on the stock market, a company is no longer free to decide when and which information to share with internal and external audiences. Going public requires a company to comply with the increasingly tight listing regulations, which includes adherence to the SIX Swiss Exchange's directives on financial reporting and ad hoc publicity as well as on corporate governance. These directives set new standards regarding corporate transparency, reporting schedules and much more.

Hence, change is in the air. Operating procedures that are usually closely intertwined with a specific culture and that have grown origanically over time must be reconciled with the public stage. To qualify as an IPO candidate, a company must uphold a certain set of financial reporting standards and refine its public profile and corporate culture.

Public Awareness Matters

During the course of an IPO the company's shares are sold to new owners at a price that balances the interests of the former and new shareholders. The valuation will be driven in particular by the company's strategy and management, its recent operating performance and its growth prospects. Additional factors, such as the general market sentiment, the company's image and reputation, risk management policies, how the company's achievements are communicated, a comparison with competitors and so on, are also relevant.

A key question then is how to positively influence internal and external perceptions. To begin with, a company's messages and communications activities must be carefully coordinated in order to create a consistent impression. A coherent image is key. It is possible only if there is an internal consensus regarding the values and messages that will be cultivated and projected, both internally and externally. A first step on the communications front in preparing for an IPO is a thorough analysis of the status quo. What are the strengths and weaknesses from a perception point of view? This is followed by a concise and crisp formulation of the firm's visions, strategies and targets. Communicating the outcome of this process is the next step and the objective here is to secure shareholder support for the company's plans.

Practical Questions to Be Addressed During the Pre-IPO Phase:

- Have the key messages been formulated regarding company markets, products, services, expansion and development plans, etc.?
- Are these key messages being reflected in the current corporate communications tools?
- What is the IPO holding statement and leak procedure?
- Is the communications toolbox based on the latest tools and technologies?
- Will the company's brochures, presentations and website be in compliance with future requirements?
- Who are the key contacts in the financial press? Do they know our story?
- Which are the delicate topics a journalist might write a story about? What can be done to minimise the likeliness, or impact of such a story?
- Who is in charge for the communication with investors, the media and the public at large? How are the related responsibilities organised? How to ensure the one-voice principle?
- Which other new stakeholders must be addressed, and how?

Adaptation of Corporate Culture

Solid preparation is particularly important immediately before the pre-IPO phase gets under way, which would be a few weeks before the actual transaction. This is when investment bankers and lawyers are heavily involved in the process. At this point communications activities will be severely restricted for regulatory reasons. Some key issues at this stage, which are often overlooked, are how confidential information is being treated, and the company's information management policies in general. The precept of non-discrimination towards any and all stakeholder groups, the ad hoc publicity directive and the generally higher level of transparency required of public companies impose restrictions on the IPO candidate and mandate changes in company culture. Employees may no longer be given potentially price-sensitive information before the general public is informed, for example. The compensation paid to the Board of Directors and the top executives must be made public and will be scrutinised. The same applies to management transactions in the company's shares. If the operating results fall short of expectations, there will be a swift and severe negative backlash, and individual company managers may also be singled out for criticism. This abrupt shift from private to public might cause resistance, uncertainty or anxiety. Clever communications can help making this a gradual change, and prevent missteps.

IPO Phase: The First Impression Counts

This is when things get serious: The decision has been made to launch the IPO. One critical point is whether the financial community and the media have already been familiarised with the company's business activities and targets. The timing of an IPO announcement must be carefully selected. Companies can choose from a variety of platforms from which to make their announcement, ranging from an exclusive interview in a major financial newspaper to a simple "intention to float" press release.

The time between the initial announcement of an IPO and the publication of the transaction details, typically a period of two weeks, can be used for informal talks with selected media to deepen their understanding of the company and the relevant sector. These are also relationship-building opportunities and a means of ensuring that the journalists who will be reporting about the IPO are up to date on the company's strategy and issues. The accuracy of media coverage is greatly enhanced if the journalists are already familiar with the company and its prospects before they write about the share offering and the fundamental outlook for the individual business areas. One of the basic rules of communications must be heeded here: First impressions count. Opinions are formed on day one. Changing first impressions is a difficult undertaking, especially because the media, once it has taken a certain position, will not change position and take a completely different viewpoint unless there is good reason to do so.

The announcement of the transaction details and price range, usually via publishing a press release and arranging a press conference, is followed by a roadshow that is organised by the banks in the underwriting syndicate. Company management takes to the road to present the equity story to interested investors in numerous group and one-on-one meetings. These meetings are scheduled over two weeks and take the top executives to the major financial centres in Europe and overseas for certain transactions.

Practical Questions to Be Addressed During the IPO Phase:

- How and when will the intention to go public be announced?
- Are the key journalists familiar with the company, its business activities and targets? What is the

general level of knowledge about the industry sector? What information has to be provided to make the case easier to be understood?
- What groups of investors with what level of knowledge and familiarity with the company will be primarily addressed? Has appropriate documentation been drawn up?
- Have the new target groups been added to company mailing and distribution lists? Is the respective set-up suitable for a public company?
- What new sections and services or information must be added to the company's website?

Equity Story Serves as the Main Sales Instrument

The equity story is a short version of the company's strategy in the language of the financial analysts and investors. It describes the positioning and the development of the company in relation to growth opportunities and value-creating potential as well as the relevant KPI's to measure progress. It also reflects the risks associated with the business. Information about the company's market environment as well as its organizational structure is of primary importance, which means attention should focus on factors that management can influence or even control. Other factors that a firm must contend with by virtue of its business concept and which it cannot influence directly are also important. Examples of major internal factors are corporate strategy, growth plans, acquisition criteria and strategic alliances as well as the unique selling points of the company's products and services. Examples of external factors are market data, the competitive situation, risks not directly related to operating activities and environmental factors.

Overdoing it Can Backfire

An IPO is a salesmen exercise. It is about selling shares to new shareholders. A management must be convinced about the company's strategy and prospects or it will not be able to convince new investors, which are sceptical by nature.

This goes along with a tendency to oversell. Nonetheless it is crucial that the equity story is firmly grounded in reality. Management will jeopardise its own credibility quickly if false expectations are created; high hopes and low share prices (shortly post IPO) are a common pair. Thus, when formulating the equity story, it is best to follow the classic rule of investor relations: Slightly under-promise, try to over-deliver. Hence, the intention must be to provide investors with a detailed picture of the firm's operating performance and strategy, with concise reasons why the company merits their investment. IPO candidates are well advised not to use all their ammunition during the IPO process and to save a few PR arrows in their quiver for the subsequent demands that will be placed on them as a public company.

The IPO process ends with the fixing of the issue price and the allocation of shares by the underwriting syndicate. There are various ways of setting the issue price, the most common being the book-building method where interested investors tell the underwriting syndicate how many shares they would be willing to buy at what price. The issue price and the number of shares that will be issued are based on the bids received and announced in press releases issued by the underwriting banks and the issuer. This also coincides with the first day of trading: the IPO has been completed!

"An IPO significantly changes a company's communications activities. Greater complexity with regard to information policies and the need to interact with a greater number of stakeholders and interested parties with differing interests make a professional, comprehensive approach imperative."

Communication Strategy – Phases and Measures

PHASE I PRE-IPO COMMUNICATION, PREPARATION	PHASE II SHARE MARKETING	PHASE III ONGOING IR
Objectives – Investment case is fine-tuned – Company introduced to Swiss Financial Community and media – Tools of Phase II ready	Objectives – Investment case is known by target groups – Awareness is there – Shares are allocated	Objectives – Credibility is built thanks to … … good news, over-delivering on promises … continuity and consistency
Measures – Introduction/awareness programme – Communications concept IPO/after IPO – Key messages, Q&A, rehearsals – Prepare IR database – Market monitoring – Prepare tools of phase II	Measures – Media one-to-ones – Press releases – News/analyst conference – Roadshow, presentations – Website – Factsheet – Market monitoring	Measures – Establish IR office – Annual/interim reports – Investor road shows – Concept ad-hoc publicity – Media relations – Update website – Market monitoring

Post-IPO Phase: Focus on Building Trust

Once listed, the company needs to establish its position on the trading floor. Building trust is a top priority and this requires a regular flow of information and active public relations – also during hard times. The SIX Swiss Exchange's listing regulations oblige companies to comply with certain requirements concerning financial disclosure, ad hoc publicity and other reporting guidelines, which include the publication of an annual and interim report and regular updates of the investor relations pages of the company's website. In addition, current and potential investors will be interested in group or one-on-one meetings. These new processes and procedures will have to be established and monitored closely to avoid sanctions by the stock exchange.

Practical Questions to Be Addressed During the Post-IPO Phase:

- Does the share price reflect the intrinsic value of the business? What can be done if the market and company management are too far apart in their assessment of the firm's true value?
- How can long-term oriented investors be attracted to the company?
- How does the company address the expectations of analysts and investors? How can these expectations be managed?
- What information qualifies for an ad hoc statement?
- When must a profit warning or upgrade be issued?
- How can I manage the investor relations and financial PR processes cost-effectively?
- How can a company resolve the conflict of interests between providing the greatest possible transparency for the financial market while not revealing too much information to competitors?

Conclusion:
Being Accurate is the Best Solution

Going public is a one-time experience. Careful planning and thoughtful execution is key to broaden a company's awareness and to enhance its reputation. In the run-up to the IPO, for the CEO and other top executives it is not just about what to say but, perhaps even more, what not to say. For the years to come they will be measured on the promises at the time of the share underwriting. This offers a great opportunity to demonstrate leadership via communications, both internally and externally. But is also means that management needs to get used to potential criticism by investors, analysts or media. Hard skin is required.

The aim of active public relations encompassing all stakeholders is to plant the business firmly in a steady environment that takes due consideration of the needs and interests of all stakeholders. From an investor's standpoint, determining the fair value of a company's stock is the key issue. Shareholders expect full transparency from the boardrooms regarding the current course of business and future prospects, upon which they base their estimation of the future direction of the share price. Hollow promises and unrealistic expectations will lead to excessive fluctuations in the company's stock price, as will overly cautious and conservative statements. Such extremes benefit primarily short-term-oriented investors seeking to profit from the high volatility. Therefore, company management has a great interest throughout the IPO process to convey a "true and fair" picture of the company's performance to internal and external target groups.