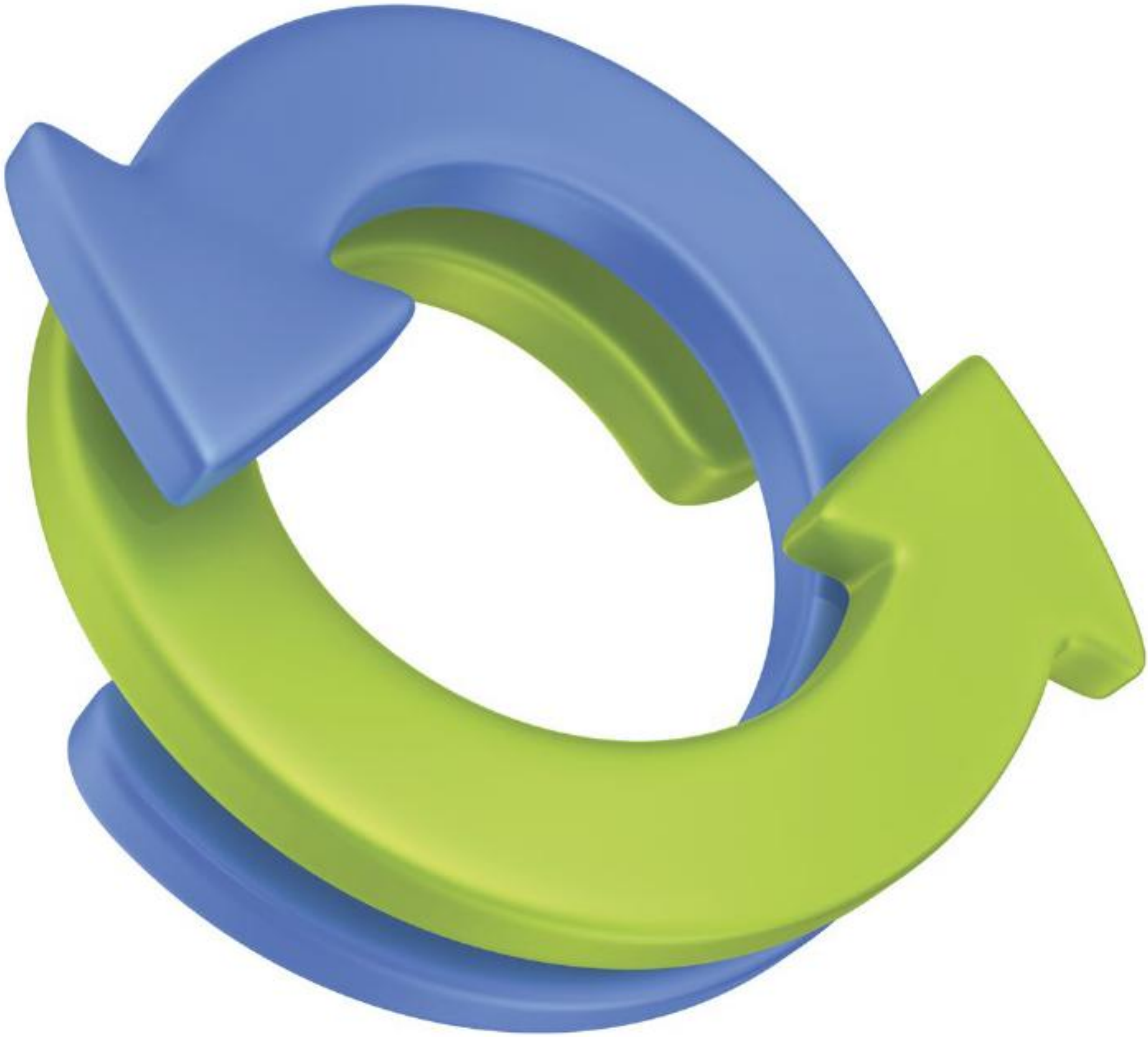
FEATURE

STAY IN THE GAME

Companies that stop communicating can easily be forgotten when sentiment turns, therefore it is vital that miners have an IR strategy that works through the cycle, writes **Tony Featherstone**.



When David Tasker asked stockbrokers about their information needs in 2009, the message was loud and clear: resource companies that were heavily promoted in the boom and went to ground in the bust risked permanently damaging their reputation. Tasker, national director of investor relations (IR) at Professional Public Relations, wanted to understand how the market viewed resource companies after the Global Financial Crisis (GFC).

"The one thing that concerned brokers most was junior resource companies that built relationships in the bull market and disappeared when the going got tough."

This pattern is playing out today for too many junior mining companies, say IR experts. Lower commodity prices and a bear market in resource stocks have forced more companies to preserve cash. Investor relations, a discretionary cost, is easy to cut. Some mining companies argue it makes little sense investing in IR when the market does not want to hear their story. Or that their CEO's time is better spent running the business than promoting it at roadshows and conferences.

"Stopping your IR strategy in a down market is very short-sighted," says Tasker.

"A better approach is telling key people you need to reduce the IR spend, so will no longer see them every few months. Instead, you update them on the company's progress every six months and maintain some presence. Companies can still do a lot of IR when funds are tight."

Nobody can begrudge junior explorers reducing costly IR programs when their next capital raising is uncertain and their cash is dwindling. But companies that stop communicating can be forgotten when sentiment turns.

"We had a small client that went from a market darling to a micro-cap explorer in a short period," says Tasker. "The company could easily have gone to ground, but the CEO made a point of updating all the small-cap funds on its share register every quarter. Although this company was completely off the market's register, the investors appreciated this and will remember the CEO when the cycle eventually turns."

Tasker says emerging resource companies should have a 12-month IR plan, clear deliverables every six months, and key performance indicators (KPI) to measure the strategy. "The IR KPI might be to increase engagement with key stakeholders, have at least one broking firm research the company, or lift trading volume by a certain amount. There must be measureable goals so the company can track its return on investment from every dollar spent on IR."

He says mining companies should plan their IR strategy around project milestones. "For example, you might plan a roadshow overseas after a critical piece of news, or conduct a site tour when there is something to show analysts."

LONG TERM VISION

Cannings Purple managing director, Warrick Hazeldine, says mining companies need a long-term IR approach. "Once you disappear from the minds of investors you are off the radar when sentiment changes, and it can take a long time to rebuild your market profile. We have a saying: 'when you need a friend in the market, it's usually too late to make one.' The CEO needs to focus on building sustainable relationships in all market conditions."

Hazeldine says Sirius Resources typifies the benefits of IR consistency during tough markets. "Sirius was struggling in 2012, but it had an excellent ore body and a CEO, Mark Bennett, who was very engaged with IR and built strong relationships with investors."

> *"MINING COMPANIES SHOULD PLAN THEIR IR STRATEGY AROUND PROJECT MILESTONES."*

When Sirius, a Cannings Purple client, completed its definitive feasibility study in 2014, a Q&A-style video for digital channels and a one-page infographic accompanied the ASX announcement. "Sirius understood the value of good IR when it was a much smaller company and provided clear, consistent information," says Hazeldine.

Sirius has become one of Australia's great exploration successes. The Perth-based company agreed to a $1.8 billion cash-and-shares takeover by Independence Group in May 2015. It was worth $8 million before announcing a nickel discovery at its Nova project in July 2012.

Hazeldine says more takeovers in the resource sector are a good sign. "There's a lot of positive sentiment towards larger Australian gold stocks and our clients, such as Evolution Mining and Gold Road Resources, are having success raising fresh capital. Nickel, too, is improving. We're starting to see more interest from resource funds in Europe and Asia, and family offices in Australia, looking to invest in the sector again and go counter-cyclical."

Although there are glimmers of hope, the challenge for many explorers is maintaining their market presence on a lower IR spend, or doing more IR in-house. That means having a clear IR strategy and being ruthless about the channels to reach investors, and communication frequency.

Hazeldine advises companies to workshop their messages and how they are delivered before embarking on an IR campaign. "It boils down to three questions: How does your company make money? What is your market positioning? Why would someone buy your shares today? If the CEO can't give clear answers, a lot more work is needed."

Presentation training, roadshow rehearsals, and "dry runs" of investment pitches can greatly improve communication, says Hazeldine. "If you don't get the pitch right, the time and money spent on roadshows and conferences can be wasted. Too many mining CEOs bury the best news at the bottom of their presentation and bore the audience."

CONTINUED COMMUNICATION

Bourse Communication CEO Rod North says CEOs of junior explorers often struggle to tell their story simply. "In nine out of 10 mining-company presentations, the information is the wrong way around: too much technical detail at the start and key information about the people involved buried at the back."

Getting early advice on the company's communication is money well spent, says North. "The CEO needs someone to scope up a background on the management team, put together a compelling PowerPoint presentation, ensure the company speaks in a language the market can understand, and gets it messages across in the right order."

The next step, say North, is finding a balance between marketing the company and overselling it. "Some CEOs tend to over-promote their company's position and lift market expectations too high. It's a fine line: you need to get the market excited to raise capital, but in a way that is accurate, balanced and consistent."

Identifying key market influencers is critical, says North. "The CEO should very early on know which analysts, brokers, fund managers and journalists are most important for the company, and set out to build long-term relationships with them. It's always better to have fewer relationships of higher quality, with people who understand the story from the beginning, than take a scattergun approach by sending press releases to everyone."

North says mining CEOs should decide how much time they will devote to IR and which channels or events provide the best return. "Many CEOs spend too much time trying to mine the market rather than mining the ground. You don't want the CEO on roadshows or at conferences every few weeks, or the company continually sending out announcements. It's better to focus on a few key communication events every year and do them well."

Maximising existing communication, such as quarterly reports, is a good start. "Often, a company update or executive summary is not included in the quarterly cash-flow statement and it becomes a very dry financial statement. This communication is a lot more effective if it is topped with a succinct executive summary explaining the company's progress that quarter and maps it against its milestones and timetable."

Improving the IR component of the website is another opportunity, says North. "Too many mining-company websites do not have a strong IR section. In this digital age, you have to provide information that is transparent, immediate and accessible to investors worldwide. If you don't, you are missing a huge opportunity to reach current and prospective investors."

Trade publications and investment newsletters that cover resource stocks are another useful IR channel, says North. "A lot of newsletters and mining magazines are well read by people in the industry and those who invest in it. These publications are especially important for exploration companies that are not researched by broking firms and need an independent endorsement of their story."

Social media is also under-utilised. North says junior mining companies must keep an eye on investment forums, such as Hot Copper, to understand how the market perceives them. "Yes, a lot of people post using pseudonyms (on stock forums) but some of the feedback can be useful from an IR perspective. Twitter, YouTube and other social media channels are cost-effective ways for mining companies to get their message out there."

NWR Communications managing director, Nathan Ryan, says mining IR begins with promoting the company's key people. "Investors follow people over projects in early-stage mining companies. You need to highlight the management team's background, previous successes, and how they have real 'skin in the game', to make the project work for shareholders. Not just options granted by the board, but shares they have paid for themselves."

Building the right share register at the start is critical, says Ryan. "You don't want too much 'loose stock' on the register that will sell out at the first problem. Some companies attract small-cap funds to the register, only to find they dump the stock if they have to meet investor redemptions. Ideally, in microcap companies, you want high-net-worth investors who understand the people and projects and are there for the long haul."

Ryan says site tours can be especially valuable for mining companies with offshore projects. "When you take analysts to the DRC (Democratic Republic of the Congo), for example, you can show them the project has access to sealed roads, or other infrastructure, and help them get a sense of the project." NWR clients, such as Perseus Mining and Tiger Resources, have significant mines in Africa.

He says a key IR challenge is providing news flow during the funding and permitting stage.

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