

What Sets IR Award Winners Apart

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Introduction

Investor relations is a crucial part of any high-performing public company. At small and micro-cap companies, IR is often under-resourced or given to individuals with multiple responsibilities. In this white paper, we will set out some IR best practices from the winners and nominees of the recent IR Magazine Awards – Small Cap. As the examples in this white paper will highlight, when the fundamentals of IR – telling a compelling story to the right investors – are upheld, the results can be extremely positive.

Telling the right story

When Patrick McKillop joined NAPCO Security Technologies as director of investor relations in 2016, he was the first full-time IR hire in the company's history. He quickly set out to refresh the company's investor slide deck. 'The presentation included many of the basic facts about the business, but it also included unnecessary and misplaced slides. In addition, the overall presentation was very drab and lacked *pop*,' he says.

He felt the company wasn't putting its best foot forward when it was appearing at investor conferences. A crucial part of McKillop's IR strategy at NAPCO was to increase the number of institutional-quality conferences attended, and he felt that improving the slide deck would help to move the company in the right direction. He knew the deck would be improved by adding high-resolution photography, and that sharp graphics would send a message to potential investors that the slide deck is important.

'It takes many edits and comments to get it together,' he explains. But once the overhaul was complete, McKillop didn't rest on his laurels. 'It's always a living document that is constantly being updated to better reflect where the company is in the execution of the story,' he says.

Since McKillop joined, the company has gained coverage from three sell-side analysts, increased the number of institutional investors in its register, and now participates in around 10 conferences and 10 non-deal roadshows per year.


NAPCO Security Technologies won the award for best investor relations by a micro-cap company at the recent IR Magazine Awards – Small Cap, in recognition of McKillop's IR strategy and the company's performance. Matthew Pfau, an analyst with William Blair who now covers NAPCO Security Technologies, adds: 'Patrick has done a great job of refining NAPCO's story and getting the company in front of investors.'

Masterminding the strategy

For AJ Krick, CFO at micro-cap company Smith-Midland, there was a similar journey. He took the reins as CFO in early 2018 and was tasked with masterminding an IR strategy. New to IR himself, he became a student of Smith-Midland's peers, looking closely at their investor deck and other IR materials. In the initial draft, Krick discussed the company's history, its plans for the future and why it was a good investment opportunity. He sought investor feedback, which he found to be invaluable.

'The feedback was that it was great to see what we've achieved, but investors want to know who is taking the company into the future,' Krick says. 'They wanted more insight into our senior management team, what the vision for the future of the company is and what our spending is like.'

The presentation now lives on the company's IR website, along with information about the company's corporate governance, stock performance, annual reports, SEC filings and press releases. Krick's efforts haven't gone



unnoticed, as Smith-Midland was nominated for best investor relations by a micro-cap company award at the IR Magazine Awards – Small Cap.

Cutting down the content

Jason Fooks, senior vice president of investor relations and marketing at Safehold, had a different challenge: to condense the investor deck and hone in on what was really interesting to investors. The company had recently worked with a communications firm to rebrand the company, and wanted to take a fresh look at its investor communications.

‘Rebranding offers a chance to shine a light on the company and so you have to use it to your benefit,’ Fooks said at the recent IR Magazine Forum – Small Cap. ‘It should be tied to a strategic shift, a meaningful announcement, an investor day or something that will be seen as a meaningful update.’

During the company’s rebrand, Fooks took a look at the investor deck with fresh eyes. From a 50-page presentation, he says he saved one page. The new deck is nine pages, which he uses to clearly articulate the investment opportunity in Safehold. Through the company’s rebrand, coupled with new investor materials, a new investor engagement strategy and clear messaging, the firm’s market cap has grown from \$350 mn to more than \$1 bn.

Fooks and his efforts were recognized with the best investor relations by a small-cap company trophy at the IR Magazine Awards – Small Cap.

Targeting the right investors

One of the important components of running an effective IR program at small and micro-cap companies is being realistic about where the company's story is, what the float is and which investors the company is most likely to attract. Investor targeting is most effective when it's leveraging business performance.

RMS Medical Products is a prime example of this. In 2018, the company reported record revenues, while also decreasing costs, and continued the solid momentum into 2019. The company recognized that it had a good story to tell and wanted to get in front of the right investors. This year it has increased its conference participation, attending several high-profile conferences, and made the most of one-to-one investor meetings, as well as presentations.

Beyond this, it has embraced digital tools to help tell the company story. During the last few years, the company has participated in OTCQX Virtual Investor Conferences, taken part in the OTCQX video series and built a robust social media plan using Twitter, Instagram, YouTube and Facebook.

Since 2017 the company saw an increase in trading volume and an impressive 500 percent increase in share price. It was recognized with the award for best investor relations by an OTC-traded company at the IR Magazine Awards – Small Cap and, in October 2019, it graduated to listing on Nasdaq.

Going direct

While it may not occur to many small or micro-cap companies to contact investors directly, two speakers at the recent IR Magazine Forum – Small Cap suggested that they would be very open to direct outreach from relevant IR teams.

Speaking at the event, Steven Hill, senior portfolio manager for small cap at Foresters Investment Management, said: 'I actually very rarely get calls from IR people at firms we don't know. I get a lot of calls from the sell side, but I would be very open to more calls directly from IR.' He added that he is surprised more companies don't look at their peers' investors and target them. In situations where he is invested in several companies in the same space, he finds it surprising that other companies in that field don't get in touch.

Also at the forum, James Harvey, international small-cap portfolio manager with Royce Funds, explained that technology tools could be useful for IR teams contacting investors. 'As much as I have an appreciation for the sell-side guys who help me out, their reach only goes so far,' he said. 'For me it's a requirement to meet with a company before investing in it, and I think technology could help companies identify the right investors.'

Conclusion

These examples demonstrate how influential an effective IR strategy can be at small and micro-cap companies. Crucially, in all of the examples, the IR professionals set themselves clear, achievable goals that reflected where their company was in its growth story. Good investor relations is being able to diagnose where your company is and where it would like to go, and to help bring management and investors together to achieve those goals.

With smart deployment of resources, a well-defined story and a commitment to transparency, IR professionals can make a significant difference to how their company stock is viewed by the investment community.

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