

Opinion

FROM THE CAPITAL

Putting the investment case

Look-alike investment presentations fail to capture audiences

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Resource-sector company presentations have come to look and sound remarkably similar. Regrettably few contain a genuine investment proposition for equity investors.

Most recount technical data with only an oblique reference to the impact on the value of the company. Many take overly long canvassing matters not critical to the investors they are addressing. Virtually none talk about portfolio positioning or the risk/return trade-off.

Recently, a industry managing director opened his presentation to a room of investors with an unusually strong sentence or two about what his company aimed to do and its major point of attraction for investors. He seemed to be setting the scene for a high-impact presentation.

He had achieved something that can be hard to do. He had immediately grabbed the attention of his audience. If he had said nothing more, he would have still made his point. The audience was left with the obvious question: "How?". They were ripe for the pitch. Then, he ruined the moment. He said: "But first let me show you the mandatory corporate overview slide."

Despite needing to compete for the attention of investors by demonstrating the superiority of their investment cases, executives are going out of their way to look the same. Even, as in this case, where it seemed to run against his better judgement, the presenter succumbed to the unseen force to conform.

The typical corporate overview slide is a rather crowded representation of the company comprising a share price chart, the names of directors, a list of the largest shareholders, the market capitalisation and probably one or two other fragments of financial information such as the amount of cash on hand.

Some presenters can end up trapped on the overview slide seemingly unable to make the transition to the next point.

When I did my own formal presentation training, those of us in the class were forced to adopt the pyramid approach which I have subsequently used in my corporate advisory work. This involves starting with a succinct statement of what the speaker wanted the audience to conclude. This might be something along the lines of: "Today, I want to



explain how ABC will double in value within 18 months." The audience itself moves onto the next step as it is subliminally prompted to ask: "Why, or how?"

One step down the pyramid deals with 'why'. Let's say there are three reasons: production is about to start, output will continue to grow over the subsequent two years and all the company's peers have been re-rated under the same circumstances.

Not too far in, the audience has been given all the answers.

The next step down the pyramid would focus on the first of these three points, namely, the start of production. On this, there might be four points to make: the plant is being assembled, skilled operators have been recruited, all required funding is in place and 100% of output has been contracted.

Similarly, and in turn, each of these points could then be expanded upon and the pyramid continues to build its broadening base.

This approach facilitates editing for the sometimes different time allowances for speakers. In the extreme, if a speaker only has 30 seconds, the tip of the pyramid is as far as he will go.

Ten minutes takes you further down. An hour would allow you to go all the way to the base with an extensive discussion of the business. If there is a fire drill 10 minutes into the presentation, the main point would have been made at least once.

The last few seconds of the presentation should be a reiteration of the tip of the pyramid. This will take an audience back to the starting point and, in doing so, emphasise

the clear-headed, ordered approach to the business strategy.

The dearly beloved mandatory corporate overview can be dispensed with. Anything on the slide that had been important would have been placed in a context relevant to the proposition investors were being asked to adopt.

The habitual meandering trip through cross-section diagrams, drilling results and multi-coloured geochemical diagrams can be given some order. They need to be linked logically to the opening statement. No obvious link will say something about their importance.

Just today, as I prepared to write these comments, I attended a presentation from one company executive who, as usual, took a few questions afterwards.

The first question was straightforward enough, but the answer was brimful of significance for the way his presentation had been structured.

In responding, this managing director said: "You know, that's funny because everyone always asks that question." Now, shouldn't that be telling him something? After 20-25 minutes, he had failed to address a question to which everyone wanted an answer.

He had spoken about what had been preoccupying him, but not about what an investor had considered important. His audiences were telling him in the nicest way possible that a critical piece of his pyramid had been omitted.

The typical managing director from a smaller resources company spends a considerable amount of time on the presentation circuit always hoping to uncover that one investor who might make a difference.

Whether presentations can ever be powerful enough to withstand the headwind of macroeconomic forces setting market prices is debatable. At least half of this effort is probably pointless. Unfortunately, we do not know which half so the routine continues.

In sizing up the benefit from the plethora of seminars, conferences, symposia and gatherings occurring every week in Australia, any industry executive can be sure of one thing. If his presentation looks pretty much like everyone else's, he has most likely failed to differentiate his proposition from the hundreds of others competing for the same investor headspace.

The time and effort will probably have been wasted. ▼