



HOW PUBLIC RELATIONS CAN SUPPORT MICROCAP AND SMALLCAP COMPANIES

A Q&A WITH PONDELWILKINSON'S ROGER PONDEL

While public companies of all sizes work hard to confront today's unprecedented communications demands in a volatile marketplace, microcap and smallcap companies must work even harder to get their messages out.

They have to compete for attention with bigger public companies, which by virtue of size alone, typically create more interest and news that commands wider attention. And many microcap and smallcap companies, with generally smaller corporate staffs, are just not able to put their best faces forward with messaging or use increasingly available communications tools.

SNN's Shelly Kraft recently sat down with veteran investor relations and public relations advisor Roger Pondel, CEO of PondelWilkinson Inc., to ask a few questions about the role public relations plays to support microcap and smallcap companies in the communications mix:

SK: To set the stage, what is public relations, and how does it differ from investor relations?

RP: For publicly traded companies, investor relations is a needed discipline for communicating with existing and prospective shareholders, while being sensitive to "materiality" and following the rules

of disclosure. Public relations, at times working in concert with IR, typically reaches many audiences beyond the investment community. The true value of PR is best explained by comparing it to advertising. For instance, with advertising is a company talks about itself; with public relations, someone else talking about the company, whether it is a feature story in a news outlet, podcast or even on social media. This third-party dialogue creates a value for publicly traded and privately owned companies in terms of credibility and awareness, which build buzz and interest, ultimately circling back to an equity's value proposition, and thereby generating interest among myriad audiences, including investors.

SK: Getting to the heart of the matter, how does PR differ for the microcap and smallcap company than it does for bigger-cap companies?

RP: Perhaps one of the biggest differences is that larger companies typically generate more organic news. For the microcap and smallcap company,

there needs to be much more proactivity. That's why a basic understanding of journalism and what constitutes news is imperative. Providing natural fodder for the media and more opportunities to get information out is a key component of performing public relations for smaller companies. PR professionals are trained to identify hidden nuggets of news and to develop ideas to create news and attention. PR pros also are knowledgeable in identifying and grabbing the attention of journalists, since they repeatedly serve as business news resources and know who to contact and how to do so. That all said, there is more to public relations than working with the news media, and that's usually where creativity and communications skillsets come in vs. the more left-brain centric investor relations mindset.

SK: Why should microcap and smallcap companies consider using public relations in the first place?

RP: Public relations as a business discipline provides the microcap and smallcap company with a competitive edge, a boost, in getting its story out. It's not really enough to prepare a press release on earnings or a new contract, distribute it via a wire service and hope for the best. Applying a public relations approach can help move that story beyond hope and enable it to get more traction. It also can help with marketing a company's products and services, reaching customers and prospective customers. Investors really like that. Public relations also fortifies investor relations. For example, a CEO presenting at an investor conference certainly is taking advantage of an important forum that represents a critical tool of investor relations. But taking the essence of that presentation and getting it beyond the meeting room with the help of a public relations pro can pay bigger benefits and provide tangible ROI.

SK: Should microcap and smallcap companies planning an IPO consider public relations before they start the process?

RP: I would answer that with an emphatic YES. Especially for microcap and smallcap companies, which aren't usually that well known in the first place, public relations can help a company gain notoriety, and with that, credibility. Both are important attributes when the investment banks approach prospective investors. Establishing a steady flow of news well in advance of filing the S1 and registering for an IPO also is critical. It will allow a continuation

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of news flow during the often long quiet period, which technically starts when earnest discussions begin with the bankers and lasts 25 days beyond the time a company begins public trading. But the left hand needs to know what the right hand is doing, meaning that PR must work hand-in-hand with IR ahead of an IPO. What to announce, when to announce it, and assuring that there will be no forward-looking statements in the CEO's quote are imperatives that cannot be overlooked. Here's where the public relations and investor relations folks must be 100 percent aligned.

SK: How does a PR firm manage client expectations? In other words, what should a client expect from his PR firm?

RP: Great question. Just as an investor relations professional cannot – or should not – automatically be held responsible for a stock's price, the PR professional should not automatically be expected to guarantee news coverage. On the IR side, it's up to the company to perform financially for enhanced valuation to occur. With regard to PR, it's up to the company to perform operationally, i.e., with a great story, to attract attention. Just as with IR, it is up to the practitioner to get in front of investors communicating the company's stellar financial performance, it is up to the PR pro to identify the right outlets and get the company covered. But PR is much more than press releases and news generation. Social media, speaking opportunities, email marketing, and website SEO are just a few of the many ways PR can help build awareness for a company.

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SK: What differentiates one PR firm from another?

RP: *In a word – experience – especially when it comes to doing public relations for microcap and smallcap companies, or for that matter, for publicly traded companies of any size. The PR firm and its key executives who are assigned to the account should understand certain concepts that are unique to the publicly traded company... knowledge of “materiality” and basic familiarity with disclosure rules, including Regulation FD. Differentiation also should be viewed in terms of the public relations objectives. If the goal is merely product promotion, for example, an emphasis on digital communications and product marketing is critical. However, if the objective is corporate in nature, there is much more involved, and a PR firm should have an active working knowledge of traditional mass and business media, in addition to social and other key marketing functions.*

SK: How should an issuer allocate a PR budget? Monthly, annually?

RP: *Unless the subject is crisis communications or specifically event-driven, such as a product introduction, practicing public relations is a process, with many building blocks along the way, starting with development and articulation of key messages. A good public relations firm regards itself as part of the management team. Just as a CEO would not consider hiring a key employee for a month, the same holds true when engaging a PR firm. For an ongoing program, budget planning for a year is best, with controls built into the contract should chemistry not work out or in an unlikely scenario of*

performance issues, either on behalf of the issuer or the PR firm. Our firm has been in the fortunate position of maintaining long client retention, with client and staff tenure averaging more than a decade. Our largest client today started with us as a classic microcap company more than 20 years ago, when it went public through a reverse merger. At that time, the company’s market cap was about \$30 million, with about the same in annual sales. Today, its market cap is nearly \$50 billion, with sales approaching \$6 billion. The company’s graduation from the ranks of microcap took time and patience, persistent hard work, consistent performance and transparency in communications throughout the journey.

SK: Does it make sense for a microcap or smallcap company to employ a full-time internal head of communications, blending both PR and IR disciplines?

RP: *I am admittedly biased, but my answer is probably not. For microcap companies in particular, and for most smallcap companies, there is typically not enough to do to warrant, or for a company to afford, a full-time internal public relations or investor relations position, let alone the ability to find a professional who is experienced and adept at both PR and IR. The benefits of engaging an outsourced firm – especially one that provides both PR and IR services – include access to highly experienced executives who have met many PR and IR challenges and who work day-to-day with client teams, journalists and investors. It also provides for easy collaboration under the same roof at the intersection of both disciplines.*

Roger Pondel is CEO of PondelWilkinson Inc., a full-service investor relations and strategic public relations firm that has earned a national reputation for innovative, aggressive, professional service. He can be reached at rpondel@pondel.com, or 310-279-5965.

About PondelWilkinson and Roger Pondel

PondelWilkinson Inc. *is a venerable name in strategic public relations and investor relations. Founded in 1968 and under present management since 1989, the firm has earned a national reputation for innovative, professional service, providing clients with focused expertise, sound strategic counsel and results-driven program execution. PondelWilkinson’s quality client roster includes emerging and established publicly traded, pre-public and privately owned companies in diverse sectors.*

Roger Pondel *and his team advise clients on day-to-day corporate public relations and investor relations strategies. Roger has been the architect of communications programs involving corporate transformations and restructurings, mergers and acquisitions, crises, litigation support and complex shareholder matters. Heading the firm since 1989, he previously was investor and public relations director of several publicly traded corporations. Early in his career, he was a reporter with the San Jose Mercury News.*

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