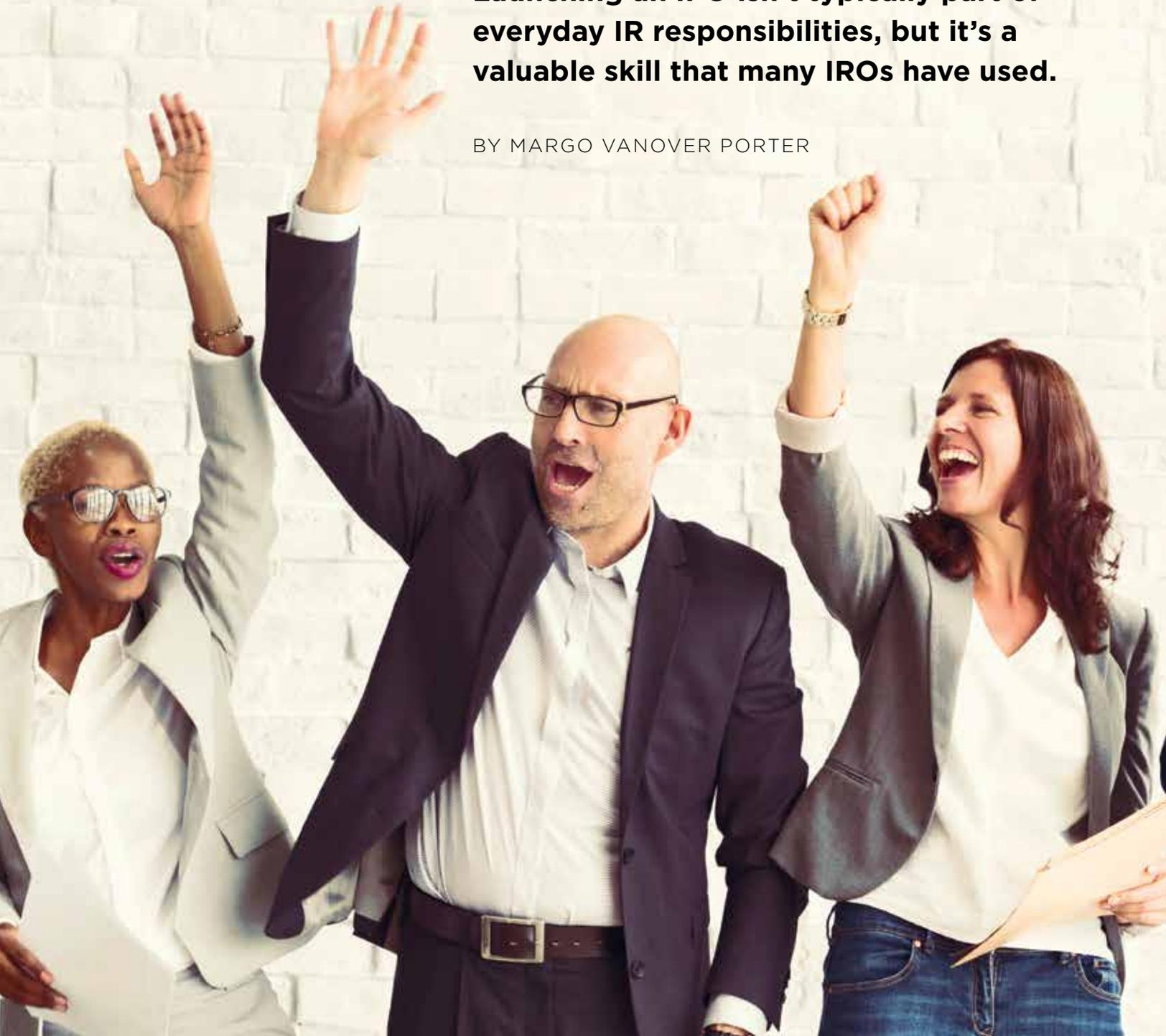


# Telling the **IPO** Story

**Launching an IPO isn't typically part of everyday IR responsibilities, but it's a valuable skill that many IROs have used.**

BY MARGO VANOVER PORTER



It's not often that IROs are called on to launch IPOs for their companies, since most have been public for years.

But any number of circumstances can arise where IROs need these skills and the perspective of colleagues who have gone through the process. Spinoffs from larger public companies may launch an IPO or IROs may find themselves working for a company preparing to launch an IPO at some point during their career.

*IR Update* interviewed several IROs and other executives about their IPO experiences and how the communications strategy used often carries over into post-IPO investor relations work.

### The Biggest IPO Ever

When it went public March 19, 2008, Visa set records as the largest U.S. IPO in stock market history. "We were very fortunate:

We had a fantastic story, a solid management team, and strategy that will stand the test of time," says Jack Carsky, senior vice president, global investor relations, Visa Inc. "We have slides today in our presentation deck that haven't changed in nine years because our strategy and core business haven't changed."

Carsky joined Visa in August of 2007 and brought on board Victoria Hyde-Dunn as director of investor relations in December of the same year.

"When Vic and I got here, we were in the process of putting together the syndicate," recalls Carsky, who had the advantage of knowing many of the folks on the financial side of the space. "We had our leads but hadn't made firm decisions on listing. Once we chose the NYSE and picked a specialist unit, what it was called back then, we were heavily involved in the teach-ins."

The company sponsored four teach-ins, the first two for syndicate members and the subsequent two for sell-side analysts.

In his opinion, the communication principles for an IPO are no different than those of an everyday IR program. "You have to have a cogent story you can back up," he says. "You do not want management coming off as a used-car salesman. You're defining your credibility at that point in time. Pity the poor company that goes out and tries to sell an IPO with something that it isn't."

Nicole Noutsios, founder of NMN Advisors and president of the NIRI San Francisco chapter, agrees. "It is important that

you have a clear investor story with supporting metrics," she says. "There are times when companies try to be something they're not to get a premium valuation. They try to morph the company's business model into something different than what the long-term metrics and growth drivers can support. Over the long term, that can cause problems. For example, you can get sell-side analysts who, over time, may not fully understand the story."

Her IR firm, which has helped support a number of IPOs, has been hired as early as two-plus years before the event and as late as three months before the company went public. She prefers the former timing.

"It's very important to get an IRO on board well before the IPO," she insists. "The earlier a company hires the IRO, the more influential the IRO can be in shaping the messaging and IR strategy. The IPO is one day; however, the IRO is often part

of the team well past the IPO and will always be thinking long-term. They can ensure the messaging and metrics used will positively impact the company years into the future."

### Managing the Communication Process

Although he was brought in a year in advance of Twilio's IPO, Greg Kleiner had his hands full managing the communication process. "You're creating an S-1 from scratch," says the head of investor relations. "You're creating the metrics that will be shown externally. You need to be very careful about what you choose and consider the long-term implications of exposing X, Y, Z, beyond just the short-term implications. You're figuring out how to best describe the business."

In this case, Kleiner's role also involved ensuring the management team received the necessary training to deal with investor questions and accurately tell the story. "My management team had never been the lead executives at a public company before so there was a lot of education. Because you need to understand the roles, the players, and the implications of the statements you may make, we spent a lot of time crafting the overall messaging."

His standard operating procedure is to keep the CEO and CFO front and center with investors for the first year after an IPO to establish a relationship and rapport with investors. "Once you get past that, you can start swapping

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in other folks to give other perspectives and show the depth of your team,” he says.

“On the conference calls,” he adds, “it’s a different story. It’s pretty much CEO/CFO forever.”

He also ensured that the management team was visible to shareholders before they started the IPO process by attending several conferences. “If you tell investors you will do X and you do it, you build credibility in the minds of shareholders,” he says. “The more you can touch your ultimate buyer when you are a private company, the better.”

Because of the sheer size of the Visa IPO, which Carsky estimates at \$19.6 billion, he and Hyde-Dunn chose to divide the traveling management teams into three groups. “Our roadshow lasted almost five weeks,” he says, although one team, dedicated to major wire houses and retail brokers, only went on the road for about a week. “The two other teams basically allowed us to circumnavigate the globe—in some cases, overlapping so key investors could see both teams. Multiple teams gave us flexibility.”

Hyde-Dunn explains that the gold team included the CEO, global head of corporate strategy, global head of product, and Carsky. The blue team includes the president, chief operating officer, CFO, and herself. Both teams made presentations in New York and London.

“We wanted each team to have a good balance of operating and financial knowledge,” Carsky adds. “One individual on each team was the thought leader on future strategy and where the business was going. We also balanced the teams between historical Visa-ites and new members of management.”

### Advice Based on Experience

Once they decide to go public, companies must stay within the regulatory parameters, Carsky advises. “Those dictate what is said ahead of any IPO. Companies have a lot more latitude to talk long before they consider an IPO. When you start to go down that track, you are enjoined from speaking too freely.”

Other advice from IROs with IPO experience includes:

**Know when to push back.** “If you’ve been involved in this function for a long time, you can kind of keep the investment banks from running roughshod over management,” Carsky says. “It’s well understood that a company needs the investment banks to sell the IPO. The reality is they are fundamentally buying the IPO from you. You have to listen to what they have to say, but when you’re a company of our size you have the high-class problem of being able to push back.”

So he did, becoming insistent about who should have one-on-one meetings and who should be in group meetings. “We were very vocal in our views on where certain outside allocations should go. We were deferential to bankers when we needed to be ...but we tended to put outside allocations where we knew our stock would stick, much to the chagrin of much of the sales force of some of these banks. This process takes a certain amount of aggressiveness, married with diplomacy.”

**Establish an internal network.** “Legal becomes your best friend from an SEC and Reg FD perspective,” says Hyde-Dunn, a board member for the NIRI San Francisco chapter. “You also need to establish reliable contacts in corporate communication, finance, sales, product, marketing, and strategy. I work with colleagues across the globe when questions arise about the business, financials, competition, or marketplace. You can’t assume your CEO and CFO, especially if they are new to the organization, know all the answers. You have an opportunity to really add value if they can turn to you for the correct answer.”

She adds, however, that you need to own whatever answers you finally decide upon. “It’s great to have investment bankers, outside legal counsel and others advise you on

what you should say or disclose on financials, innovation, and strategy, but at the end of the day it’s your management team that owns the message. So be prepared to own any comments you make before or after the IPO. The last thing you want to do is damage your and your management team’s credibility with the street.”

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## WHAT HAPPENS POST IPO?

**W**hen the dust settles from the IPO, not a whole lot changes in the IR department, say those in the know.

“Everyone tries to reinvent investor relations, but it doesn’t change,” says Jack Carsky, senior vice president, global investor relations, Visa Inc. “IR involves creating a fundamental, cogent, strategic story delivered by managers who can establish and then nurture a high degree of consistency and clarity with the street.”

Victoria Hyde-Dunn, director, investor relations, Visa Inc. adds, “The day after our IPO, we were back in the office with business functioning as usual. The day-to-day tasks don’t change, but the level of attention to financial reporting and communications is amplified.”

Greg Kleiner, head of investor relations, points out that the IR function at Twilio did begin to broaden after the IPO process. “You have more and

more sell-side analysts covering you as the ownership cycles to public investors,” he says. “You have a much larger and more fluid shareholder base so the scope of what you’re doing expands. You have more people to answer to and more people to update. It gets more complicated as your market cap continues to grow and you have more constituencies to satisfy.”

Nicole Noutsios, the founder of NMN Advisors, adds that management teams who have never been public may face an adjustment because of the amount of time needed to support Wall Street post-IPO. “In addition to the earnings cycle, there is a level of marketing that executives need to support the IR function,” says the founder of NMN Advisors. “I often suggest that pre-IPO companies go through at least one mock earnings cycle to ensure the appropriate expectations are set prior to the first earnings call as a public company.”

**Simplify complicated stories.** When Noutsios was hired by a very technical, small-cap company, she made sure the sell-side analysts received education on the company and ecosystem, as well as making sure the communications were clear.

“It was an incredibly complicated story,” she says. “Because we invested the time with key stakeholders, after the company went public, there was a really strong understanding of the company story and long-term growth prospects. After spending a lot of time with our research analysts, they were great in communicating the story clearly and simply to investors.”

Kleiner echoes the keep-it-simple motto. “Try to make your story easy to digest. You live the company every day so there are things you don’t think twice about. Our story was a little different, and many investors were not familiar with our revenue model, which is usage based. Our revenue comes in hundreds of times a second across thousands of customers. We bill in increments of a penny or less, in some cases. People pay for what they consume, which is different than other software companies that are seat-based. Our revenue depends on how much a customer uses from moment to moment.”

When speaking to the buy side, he tried to ask himself, “Would this make sense to the average buy sider who may have some passing knowledge?”

**Be ready to prove your worth.** External hires may lack familiarity with the company and its executives, Carsky points out. “This is your opportunity to learn about the company and to understand the people you are representing so you better find out as much as you can about both. You have to earn your stripes. Sometimes you may have to barge your way into the room.”

Kleiner, who was new to Twilio but an old hand at advising companies about their investor relations activities, found his first few months on the job invigorating. “It was a tremendous opportunity to learn the moving parts of the business in a compressed time cycle,” he says. “You’re creating metrics, writing an S-1, debating language, and working with the lawyers during the leadup to the IPO. It’s exciting.” 

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