The Philosophy of Investor Relations

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THE PHILOSOPHY OF INVESTOR RELATIONS

INVESTOR RELATIONS PHILOSOPHY

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1. Business and Economics : Personal Finance - Financial Planning
2. Business and Economics : Personal Finance - Investment 3.

ISBN: 978-9918-0-0378-5

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To Victoria: I am what I am because you are by my side.
To Aitana: Soulmate and companion.

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"Your chances of survival are about one in a thousand. So here's what you do. You forget the thousand, and you concentrate on the one."

– Doctor Who.

"You don't need a weatherman to know which way the wind blows."

– Bob Dylan, 'Subterranean Homesick Blues'.

Intro: Did IR need a philosophy?

According to the official classification of professions in the United States, Investor Relations is a sub-branch of Public Relations. One specialization amongst many. However, for those who work in it and have been on all sides of the communications world, from the press to the rooms where IPOs are decided, IR is much more than that.

Although the discipline as we know it today was only born in the 1950s, after World War II, the reality is that seventy years later, it is still one of the least known areas in the world of financial markets. Investor Relations is in its infancy, but growing at full speed.

In daily stock market news, the life of Wall Street and the City, and La Défense and any other financial center, you hear much more about other players, than you do about us.

Newspapers are full of the exploits of the soldiers of the market. Of brokers, investment mavens, hedge funds, and big law firms. But in the shadows, in a more strategic place, close to the benchmark CEOs and Boards of Directors, there is, more often than not, an Investor Relations specialist that almost no one has heard of. Nor they need to.

IR departments are usually small, but their influence is immense. They are responsible for thinking about what a company's story is based on, its numbers, and the writing of its Equity Story: The Gilgamesh epic of each company, large or small, that we create to attract the attention of shareholders. And identify those investors, large or small, who may be interested in acquiring a company's securities or debt, and betting on it. For its growth, its expansion, or its future.

IR experts are those who can build stories based on numbers. A mix between troubadours, tulip sellers, Venetian accountants, and communication executives.

At the end of the day, life in the financial markets is about stories and how they make us feel. And those stories are written by specialists, many of them brilliant minds, who can contextualize where no one else can. Who can write, but also understand the numbers and what lies behind them.

I have been near the markets for years - almost twenty. First, as a foreign correspondent, then as a financial journalist and in the world of corporate communications. And throughout these years, I have probably achieved some successes, helped take public a few companies, and conviced a few that the IR function is one of the most critical elements for a company's success, listed or not.

This book is not a textbook, nor is it an instructions manual. In the world of Investor Relations - with a capital letter - there is already a reference text. It is one of the best market communication books ever written, and its author is my friend, Anne Guimard, whom IR Magazine called a "legend". It is titled *Investor Relations: Principles and International Best Practices of Financial Communications.* It is the book that any professional in the discipline and any CEO seriously considering going public, or already doing so, should get their hands on.

While the text in your hands drinks heavily from Guimard's book, it also drinks from many other people and places. I learnt a true lot from Gary Davies, the former CEO of the UK's Investor Relations Society and my mentor in this business, as well as from the conversations with colleagues, from battles in the stock market trenches, and many readings in flights. Jet lag is a good travel companion to reflect on. And for better or worse, IR people put in a lot of miles on planes.

What you will find in this book is my vision and how some understand a part of economics that, even today, is still but a tiny Gallic village that nobody pays much attention to, but which is critical to the proper functioning of the markets.

I believe that the CEOs of today's companies have a commitment not only to their profit and loss accounts and their investors, but also to transparency, sustainability, business ethics, and society. Many of my reflections in this book may seem controversial, probably because they are. In any case just bear with me.

I firmly believe that companies need to get serious about communicating without sweeteners. Twenty or thirty years of excesses have led us to a world where Cold War sabers are once again being rattled, investors are losing money in the arms of digital currencies that they do not understand, inflation is running amok and transparency seems to interest to anyone.

In philosophical terms, I believe that the proper functioning of markets requires a correct flow of information to all market players under fair conditions. I agree this sounds like a utopia, and I acknowledge that some will always enjoy competitive advantages. And it is good that this is so. But in essence, I want to see a market where the leading echelons world opt for communication as a critical instrument to improve the marketplace. And so much for my utopian side.

I have dedicated almost two years to this book. Because I found a gap in my native language, Spanish, in what has to do with information about the field of relations. While the bulk of my work is in the United States and the United Kingdom, I would like to see Investor Relations advance as a discipline in Central Asia or Latin America, and the emerging markets, where I spend half of my life.

Life in the markets is full of successes, challenges, and a ridiculous amount of sleepless nights. I write somewhere that nowadays the epic only exists the battlefields and the floor of the stock market, even if exchanges are now just museums, and no one seems to have set foot in them for decades.

Deep down, there is inside of me a journalist that moved to the stock market world trying to identify and tell stories meant to be epic. Someone who, much later, had the honor to lead the IR team of Lleida. net when it became the first Spanish company to go the OTC route in decades, and became the success story of the European stock market in the midst of the Covid-19 pandemic.

It is precisely Sisco Sapena, Lleida.net's CEO, who is one of the main protagonists of this whole story. I already thanked him on New Year's Eve of 2021, for allowing me to do my life's work. *Remember Andorra* is our insider joke.

This book would not have been possible without the support and strength of my brother Pavel Gómez del Castillo. The man introduced me to the world of ‘cufflink shirts’, as he calls it, after a lifetime being a defence editor. When the letters began to blend together after many, many months, he took over the job of converting hundreds of notes and pages into a seemingly coherent text. Pavel is one of the best press officers of his generation, but, above all, he is one of the purest human beings I know.

My friends, Salvador Leal, communications director of BIVA, the Mexican Institutional Stock Exchange, and Fernando Pérez Borrajo, CEO of Aunoa, helped me improve this text with their ever accurate comments.

Max Richardson, my friend from London, was always by my side, through thick and thin, to help me grow in my understanding of international communications. He has gone through the English version of this book, made sure all the Oxford commas were in the right place, taken care of my daughter while in England, shared many books, stories, beers and glasses of wine looking down the river. Max is simply another level, and I am happy to call him my friend.

And good old Jonathan Dickson, VP of OTC in Europe, has gone out of his way to help me promote my vision beyond Europe. To all of them, thank you!

I have carved pages of this book many times and in many places. It began as an intellectual exercise amid confinement in the first wave of that pandemic we shall not forget, and I continued writing it in fits and starts in all the countries I have lived in since then. On Republic Street in Valletta drinking large amounts of coffees, in Rome at night while Aitana slept, in London coming out of Coleman Street, and in the house I share with my wife in the mountains of Almaty. God has given me a good life, or at least one full of ever new places. If anything defines me, it is that I have been able to lead a good life.

Hugely grateful to my family, like most human beings, I guess. My daughter Aitana has made sense of everything since she was born on an Autumn Equinox in Mexico City. She and her step-brother Alen are destined to be great.

The most important part of this vital puzzle is my wife, Victoria. Without her, I would not be even a shadow of what I am. The rest, there is no need to tell it in writing. She knows it already.

Almaty.
February 2022.

01.

Investor Relations explained to a 14-year-old girl.

And what exactly do you do for a living, Dad? My daughter Aitana asked me this question in a pizzeria in Rome, on one of the trips around Europe that we have taken together every summer since she was just a child. How to explain to a 14-year-old girl what IR is? How can I explain to anyone who is not involved in the day-to-day business of the market what Investor Relations is? The perhaps most simplistic explanation that I had to pull out of my sleeve that serves me better and better: *Investor Relations is what allows people who do business to communicate, and the world you see to exist as it is.*

We might not realize it, but there would be no industrial society without a system that organizes the two-way communication that occurs between companies that are listed or want to be listed, and those who support them with their money.

Nor would there be a digital society. Nor would the market economy function properly. Nor would the Gross Domestic Product grow. Nor would you be reading this book, nor would any light bulb be shining on you. And you would not have a phone, a

Kindle, or a tablet with which to read it if you prefer to do so in digital format.

At the end of the day, everything that is produced, bought, sold, created, or transported is possible because someone had the courage to finance it. By a company, by a bank, by a corporation, or by an individual who made a lot of money buying and selling cloth on the banks of the Tigris many thousands of years ago.

Investor Relations is the process through which we convince someone with money to finance what we do, or what we want to do. We can make it more sophisticated - we're going to make it *much more sophisticated* - but I want you to remember this idea. *Investor Relations is words in exchange for money.*

Without reaching out for money in exchange for a narrative, a track record, or a promise of returns, and without that someone else being completely convinced, the world as we know it would not exist. Decisions are always made as a consequence of a story and the emotions that story causes.

The process of explaining to those with capital why they should bet on a *empresa,* an enterprise (in the most encyclopedic sense of the word: "*start something difficult*") is as old as economics, and an integral part of the capital markets since the Amsterdam Stock Exchange was founded and the Dutch East India Company began trading.

The difference between a project changing the history of our time or remaining the dream of an inventor, film director, or biochemist looking for a cure for multiple sclerosis, cyclothymia, or cancer, is a communication process.

We know the names of Steve Jobs, Marconi, or Thomas Alba Edison, not only because they had great ideas, but also because financial communication worked for them.

Even for Christopher Columbus, financial communications worked; in the end, what Columbus went to ask the Catholic Monarchs for, was precisely that, money. Hadn't you ever thought that the Conquest of America was the result of a pitch for a Series C in a financing round?

Communication with the markets is the process by which an institution or company that is in a moment of financial intensity (i.e. looking for money to grow, restructure debts, or expand) addresses the market to ask it to invest in it. The communication of financial positions affects all companies. Listed, or not.

And the fact is that, necessarily, all market players must engage the market if they aspire to have the slightest success in the future. Some will seek to disseminate their information massively, to a broad group of people known as shareholders, or in a more limited way, to specialized investors, investment funds, or their closest family, that they also want to invest. But the is the same.

Governments may want to sell debt bonds, listed companies may want to place a new equity issue, and startups may want to raise money from angel investors. They all communicate with the same goal: To secure the confidence of these investors so that they do what they didn't know they wanted to do yet, *put their hand in their pocket and bet on them.*

This is the simplistic and basic explanation of what IR is that I deduced to explain it to my daughter on a trip through Europe, together hand in hand.

02.

What is and what is not Investor Relations?

Outside the English-speaking world, there are still many doubts about what Investor Relations is. Perhaps because the development of the discipline is still very recent in places like Latin America, or the countries of the former Soviet Union, or maybe because it has evolved so rapidly in recent decades; a result of the technological explosion of the last thirty years. It's not unusual to get a few blank stares when explaining what I do for a living. So before we get into deciphering the best ways to identify investors and how to reach them, I think it's important to start by defining more accurately what Investor Relations is.

One explanation that I really like is that Investor Relations is the *two-way communication process between a company and the financial markets,* in which companies convey the relevant information that will allow investors to make an informed judgment about the fair value of their shares, and decide whether or not to invest in them.

The current form of the Investor Relations discipline was conceived in 1953 in the U.S.A., when Ralph Cordiner, president of General Electric, commissioned the creation of a department whose mission would be to manage all types of communication with shareholders. The guy was a visionary, let's face it.

IR is a solid industry in the Anglo-Saxon world, and in all those areas where the main financial centres are located. In the UK, there is an Investor Relations Society, where I trained, and some of the brightest minds in the industry meet. The United States has a National Investor Relations Institute, which is a titanic force. Everything has yet to be built in other territories, such as Spain, or Latin America. And here we are.

Investor Relations can also be defined by elimination. Anything that involves painting information, lying in a presentation, a press release, or in any type of communication to the market to inflate a share price is not Investor Relations. It is market manipulation, and it is also a crime in most mature markets.

Using insider information to buy or sell stocks to profit, or save yourself from stock market hecatombs is cheating. Period. It is called Market Abuse and has been regulated since the Great Depression in the United States. In the European Union, the Market Abuse Regulation makes the rules of the game crystal clear, as do the Disclosure Guidance and Transparency Rules in the United Kingdom, whose compliance is supervised by the Financial Conduct Authority (FCA), Britain's regulatory body. Note: in the British Isles, the term Financial *Conduct* is used to define a very powerful body capable of fining and condemning those who break the rules of accepted behaviour. The rules of the game.

Unlike Public Relations, Corporate Communications, Social Communications, or whatever you want to call it, IR is not about seducing anyone to buy. It's not about selling shampoo, cryptocurrencies, or NFT through Tik Tok posts. We have enough of that already.

It is about providing data to the markets so that investors can get to know a company in-depth, understand its strategy and make informed judgements.

In general, professionals in the discipline must strive to provide the different players in the stock market game with a clear, honest, and accurate picture of a company's past performance and future prospects.

I insist, Investor Relations does not and should not serve to inflate the price of a stock. We communicate transparently and honestly the fundamentals of a company and its strategies so that the market recognizes the fair share price. The word "fair" is full of nuances, but I would say that it is the price set by the consensus of analysts covering a stock. To put it another way, what a company should be worth if we look at it objectively.

And unlike Benedetti's crowded solitude, Investor Relations is an undisciplined discipline. A discipline that can bring together under one roof the best of financial knowledge, the workings of markets, communication, marketing, and the laws that make the rules of the game, to provide relevant data and a narrative to explain it.

Those who work in this business, in internal IR departments and external advisors, are *pontiffs* - in the Latin sense of the word. Their job is to *build bridges* between the shores where listed companies are located and those where investors are camped, making transportation possible. And they are the promoters, communicators, and advocates of the values of the companies they represent, be they stocks, bonds, derivatives, or hybrid products.

I also believe that professionals in the discipline are guardians, in a certain sense, of one of the basic premises of capitalism, in general, and of financial markets, in particular. That which indicates that all market players must have equal access to relevant information to make investment decisions.

I have heard financiers sometimes criticize me vociferously for daring to consider Investor Relations as more of an art than an exact science. While for many years, the discipline was reserved for CFOs armed with Excel spreadsheets with thousands of cells, the subject has evolved significantly in recent times to become something that combines analytical work with tools imported from PR, Communications, Marketing, and tech.

In the world of listed companies, stocks are known, and bought and sold based according to quantitative and qualitative criteria. Both by analyzing ratios and metrics, the history and economic narrative underlying a company's story. Emotions drive valuations more than charts.

For the foreseeable future, companies with a powerful narrative, supported by the most objective data possible, will achieve shareholder recognition, fetch their fair price, and grow as their epic grows.

I have seen it happen with my own eyes.

Anne Guimard wrote that IR should be seen as a profit center, not as a cost centre doing administrative tasks. A good market service strategy can benefit a company and its managers spectacularly. Financially and in terms of prestige. Good Investor Relations is, let's face it, a profitable investment — a way of generating wealth for companies.

When the person responsible for communicating with the markets is close to the business leaders and can contribute to a corporation's strategy, the entire company benefits. Never underestimate the pride felt by the employee of a company that is admired and respected by the media, society, and investors.

03.

What we learned from the stock market during the pandemic.

A personal note about the moment when the pandemic began. On March 12, 2020, I was in London negotiating the sale of my first financial communications company. What a thing. On March 14, two days later, Europe began to confine its population, and a few months later, I didn't even have a financial communications company. The company that was going to buy me, had lost half of its business and half of its employees.

I remember that Fleet Street, Coleman Street, and Bank Street were becoming empty on the way to the meetings, and everything was becoming strange. Emails would be sent out: "If you have been to China or Vietnam, don't come to the meeting." A few weeks later, they no longer said China or Vietnam. The problem was now everyone's problem.

I think my brother Fernando called me and said, "I don't know where in the world you are, but please come home. They are going to close everything". Or something along those lines. I cancelled a thousand meetings that weren't going to happen anyway, locked myself at home, and started trying to pour water out of the boat. Like millions and millions of people. We all went through the same thing.

On that day, everyone's plans changed. At that time, some of us began to think that things were not going to be as we had known them for the last two or three generations, and although many naysayers refused to accept reality, the truth is that things have changed, for good. Also, in the field of relations between companies and shareholders.

In just a few weeks, while we all watched in amazement at what was happening on the healthcare front and applauded the work of the healthcare workers, the business world began to crumble. Within days, salaries were cut, benefits were taken away, commerce came to a standstill, stores began to pull the shutters, we all began to telecommute, and the stock markets seemed to crumble for a few infinite weeks. Everything started to go online. More than ever, everything seemed like, if it wasn't online, it wasn't there.

However, many companies seemed to grow, improve, and endure.

The stock market would soon plummet in a scenario that seemed somewhat apocalyptic. Then it rebounded... and we rebounded with it. Or thanks to it. Because suddenly, the whole conversation was about one question: What we had to do to answer investors' questions, calm the waters, and try to lift the value of our companies in the short-term. Because at the time, it had to be in the short-term.

My main client at the time, a technology company that Americans call Lleida, which had been flat for years, went from a small company listed on the Spanish alternative market - barely a penny stock - to becoming the biggest success story in the European stock market and being in the top five of the world's biggest stock market risers. A 940 percent increase in just three months!

Lleida, whose real name is Lleida.net, is dedicated to an industry that has become fundamental amid confinement: The electronic signing of contracts and electronic notification of communications. The reason why a stock that barely traded at €0.57 not too long ago, approached the €14 mark in just a few months, and then went public in New York on OTC Markets, had directly to do with transparency.

In this business, innovation is necessary as markets are defined by haste, robotraders, flash boys, and multilateral trading platforms supported by massive digital infrastructures. Today's stock exchanges are more technology companies than markets.

Lleida.net's success was due to the growth of SaaS during those times, but also due to the fact that we decided to digitize 100% of all our communications with shareholders immediately. We also tried to be as transparent as possible, with more than 80 regulatory communications and dozens of digital meetings between Sisco Sapena and Arrate Usandizaga, the CEO and CFO of the company, with funds and stakeholders, but also with all the small shareholders who needed an explanation, some certainty, or simply to chat about what mattered to them, which was their portfolio.

At the end of the day, in those dark months of 2020, the companies that had prepared themselves to create more innovative and aggressive communication models, earned the best returns in the industry.

Many things have changed forever, including the way publicly traded companies will have to conceptualize their investor relations programs.

Those of us who observe the markets have learned that, as a result of Covid-19, companies must make it a priority in the short-term to implement Investor Relations programs that generate confidence in the market.

Investors are constantly on the lookout for companies that offer clear answers to specific questions, such as how much cash they have to face in the short-term.

Faced with Covid-19, investors expected IR efforts that could provide specific, rapid, and timely information on these questions. These answers would provide real value, build their confidence, and help them make decisions.

According to a paper by the UK's Financial Reporting Lab, there are five questions that investors have consistently asked about listed companies since the pandemic began. They are still valid and perfectly topical: (1) How much liquidity a company has? (2) How much cash it can accumulate in the short term? (3) What it can do to manage its near-term expense levels? (4) What actions it can take to ensure its viability? (5) How it plans to protect its key assets for the foreseeable future?

As you can see, it's all about the short-term. We live in a world of short-termism where the privilege of looking long is reserved for a very special type of investor and those with a sometimes astonishing amount of cold blood.

The first lesson we learned during the pandemic was that there is nothing more important than maintaining ongoing contact with investors. Even if the outlook is not the best, or precisely because the outlook is not the best, it is more valuable than ever for the investor relations areas of listed companies to consistently and coherently address the markets to provide clarity and guidance.

Secondly, as leaders of the economy, companies must be the voice of reason and provide transparency without hiding any data, even the most negative.

And finally, it is critical to keep the market updated (always in accordance with the respective regulatory guidelines, I will repeat this a thousand times!) with information that justifies the fair price of a security, trying to put quantitative information above subjective valuations. Let investors be the ones to make value judgments.

In today's world, investors (both institutional and retail) are focused on making short-term decisions. In this context, there is nothing more important than communicating regularly and creating faster communication channels. Technology makes this possible.

The objective is clear: We need to maintain investor confidence in times of a crisis. As long as we provide value in our communications, market players will continue to look to us for advice and guidance.

The moment all listed companies speed up their processes to communicate directly with investors, their market performance will improve immediately. I genuinely believe that.

04.

Markets are only distorted by communication gaps.

Here is my only theoretical contribution to the discipline and a maxim I have clung to professionally since I started.

I call it the 'gap theory', and it's mine. You don't have to use it, if you don't like it.

The gap theory states that the difference between the market price of a stock and its fair price, according to the analysts' consensus, is nothing more than a divergence in communication.

If the sender of a message is the company and the receiver is the investors, the difference between those two prices is the one that results from launching the right message through the proper channels in a specific context.

Suppose the market has access to good information, disseminated by the company constantly, transparently, and solidly. In that case, it will accelerate the price of a company to where analysts say it should go up. Or it will stop declines in times of fall.

All things being equal, a company with a consistent IR plan and an effective team to execute it, performs better than one that does not. IR is a management function that brings value and tangible financial benefits to publicly traded companies, as well as to private companies seeking investors.

Value is tangible and not ethereal. It all boils down to an idea; a good investor communication strategy closes the gap between the market price of a stock and the fair price according to market expectations. It allows access to capital more effectively and quickly and builds a retail investor base that protects the company from hostile takeovers.

It is not just that an investor can choose between the shares of one company or another company, but between different types of securities and financial products. The equity investor can also invest in debt, derivatives, real estate and real estate products, private equity, buy art or jewelry, or simply open a coffee shop.

All are legitimate and valid vehicles for increasing wealth levels and returns. Stakeholders must be aware that IR techniques, processes and procedures, must maintain and improve investor interest, balancing the logical demands of short-term profitability and long-term expectations.

As in the rest of the world's communication processes, there is an art to achieving the swing, the change of opinion in a purchasing process. But the real art is, in fact, that this interest is maintained over time. In practice, when investors begin to get to know a company in depth and recognize its expectations, a positive dynamic develops between investors and stocks, and it is reasonable to expect an increase in liquidity levels.

In addition, a well-managed IR program should allow for the formation of retail and institutional defense armies to defend the stock under challenging times and help it grow in good times.

In the post-Covid-19 world, the market is going to be full of opportunities. Even if there are drum rolls on both sides of the former Zero Curtain, supply chains are in tatters, ships are stopped in the Suez Canal, and no one understands why cryptocurrencies are going up or down.

And remember divergences between the market price of a security and its target price result from a distortion in the communication process.

And all this, which sounds very good theoretically, faces the darker reality of the Digital Age. There are as many types of investors as there are people. And there are types of investors who are not people. They are robots, or they are sets of people in a forum. The meme stock phenomenon, with the Gamestop, AMC, and Blackberry stock market earthquakes, proved that the collective unconscious behaves as a single unit, as soon as someone gives it a chance to organize itself. I don't know if you have tried to enter the famous Reddit forum, WallStreetBets. Still, it is an absolute chaotic jumble of information, impossible to understand and read for one who is no longer a digital native, but a Reddit native. At first glance, it doesn't make sense, like when two artificial intelligence platforms talk to each other and create their own language. But the reality is that they exist.

There have not been so many communication gaps since almost the end of the 18th century. It is not that the market is less rational than ever. It is that within the new levels of chaos, new patterns of order must be identified. *Ordo Ab Chao*, as the ancients used to say. Order from Chaos.

That is why I am obsessed with providing the companies I work for with tools to understand how the collective conscience behaves in relation to their actions in real time. Not only to understand what is said about a company, or how, but also what feelings information provokes in the market. Because that, nowadays, can be measured.

In the world of 21st-century investor relations, rather than putting up fences around the field, striving to understand that new phenomena of market communication is preferable. Not just between markets, but also between market players who do not necessarily have the slightest knowledge of fundamentals or long-term strategies.

This is not magic. It is simply an art — that of building bridges.

05.

No company reaches investors without a narrative.

If we leave governments aside, whose debt issues sometimes resemble quantum physics, the big leagues of financial communication are reserved for listed companies.

CEOs and CFOs of listed companies must understand that when a company communicates its position and moments of financial intensity coherently and consistently, the stock price rises and approaches what analysts believe to be its fair price. It's that simple.

I would define financial communication as the task of presenting the financial aspects of a business in such a clear and technically correct manner that a sophisticated investor (that's the official term) decides to trust him with his money.

Let me put it another way: Financial communication is not the communication of financial things. This discipline is much more sophisticated than sending press releases to unresponsive and unintentional emails. It is the communication of the financial aspects of a business or industry. In essence, what we call Investor Relations is the practical application of this philosophy, which requires a story. And what makes the discipline of relationships so tricky, and why there are so few of us.

It still surprises me, in the year 2022, in which I am writing these lines, that for many listed companies around the world, the discipline of IR is still a kind of metaphysical entelechy that should not be taken too seriously.

Many prefer to substitute a consistent and clear strategy for the eventual press release or market announcement, trying to divert attention, to hide under two stones, a fact that they thought no one was going to look at and ends up coming to public light.

The reality is that only a solid relationship department, close to the management and the board of a company, with a coherent and consistent program and a powerful message, can be the differentiating factor for a listed company; making investors trust not only in the company, but also in the people. And not only do they trust with their money, which is the highest degree of confidence in times of capitalism, but they bet on it, invest in it, and consequently, liquidity levels increase, and the share price is strengthened.

The stock market world is, above all, a world of communication. Of very sophisticated and very specialized communication, but it is nonetheless a world of communication.

As in all other scenarios in life, in the world of stock market communication and relationships, there is a sender (the company), a receiver (the funds, the shareholders, the retailers), a context (the market), and a message.

For better or worse, there is always a message. Keeping silent is also conveying a message. Saying something and thinking about how to control a narrative is best.

That this message is solid and that a company allocates sufficient resources to make it known that it will be the critical element that makes the company stronger or weaker in the marketplace, will increase confidence levels.

06.

To militarily occupy the minds of shareholders.

When a company goes public, it has to make a significant financial and structural effort. Almost mentally. Going public is a different sport, no matter the size of a company. There are shareholders and regulatory obligations. You have to report properly on everything the company does, and be available. The rewards can be immense, but the level of engagement is different. In the world of the stock market, there is more planning and much more of a battle.

Organizing an IPO is similar to organizing a military campaign, in which there are dozens of battalions, each of them specialized in a specific aspect. Please forgive the military metaphor.

But as Winston Churchill understood well in the middle of World War II, when he appointed Brendan Bracken as Minister of Information, as important as fighting, is communicating how you fight. Bracken would later found The Banker magazine and resurrect the Financial Times. The newspaper's headquarters at 10 Cannon Street, just yards from St. Paul's Cathedral, is called Bracken House. Bracken was the master of this. As Churchill wrote, "the empires of the future will be empires of the mind." Another visionary, tattooed on my right arm.

And stock market life is all about planning campaigns, stockpiling ammunition, and taking positions. Not on the battlefields, but in the minds of investors. In the short, medium, and long term.

I have always said that for a company to be known and recognized, it takes at least 18 months of consistent work. From there, everything is a little easier. It doesn't matter if the company is a local business, or a multinational technology company. Investors, consumers, and market players need a reasonable amount of time to assume, understand and comprehend a company's strategy and its fundamentals.

No stock market campaign will do well in the long run and will not be stable if one does not take communication seriously. Even the blissful Bitcoin and cryptocurrencies that now dominate the more bizarre side of our economic conversation, took years to go from being an obscure paper by Satoshi Nakamoto (whether or not he is a real person), to occupying the media.

My experience has taught me that the men and women who succeed in these battles always have a team by their side, usually discreetly, working on designing the perfect Equity Story. This economic narrative integrates the financial data with the company's strategy and coordinates the distribution of the message.

In essence, the stock market is not (only) the space where small parts of a company are bought and sold. It is where messages are conveyed to those who want to participate in today's economic narrative.

Let me get strategic, as in this whole section (professional deformation from my years as a foreign correspondent). Clausewitz said that the objective of any campaign is to take possession of the center of gravity of a conflict. In capitalism, the center of gravity is not in money, nor capital flows, nor financing. It is in the minds of shareholders. Being listed on the stock exchange is a daily struggle to maintain a position in shareholders' minds. To position yourself solidly there and stay there.

When the center of gravity of the conflict is controlled, shareholders' minds hardly move from there. Abbot Laboratories has been in the S&P500 since 1964, Altria since 1957, agricultural company ADM since 1980, railroad corporation CSX since 1967, and telecom Verizon since 1983.

Consider what it can mean to have an audience that listens to your message, attentively, for 40 or 50 years. To have year after year after year, a group of investors betting on the way you and your team do your job. That they trust the way you manage the company, recruit the next generation of leaders, pay dividends, innovate, create, and grow. Consider what it can mean to be in the conversation of a family year after year and contribute to the wealth of others.

All this results from the work, prudence and safe company management, the work on the fundamentals, the work of the R&D, production, human resources, and financial departments. But it is also the result of establishing a good relationship with investors and the markets and communicating the company's performance intelligently and seriously.

When a listed company creates the right message and distributes it rationally, companies are stronger, can defend themselves against potential hostile attacks, and will have greater liquidity and access to cheap, long-term financing. The market will trust them. And what makes this possible is not the sales department, not the marketing department, but the minds of investors.

After centuries of commercial activity in the context of modern liberal capitalism; the success of financial communication depends largely on its impact on the most irrational loopholes that evolution maintains in the human mind.

In a world that revolves around the effort to attract investors' eyes, ears, minds, and hearts, we can all agree that Investor Relations is a discipline that brings value. Because once the shareholder's mind is occupied, it is very difficult to lose that position. Just ask Berkshire Hathaway, or General Electric, who invented the first Investor Relations department, in 1953.

07.

The cornerstone of communication with investors is the Equity Story.

As an Asia correspondent for EFE - the world's leading Spanish-language news agency - I had the opportunity to cover truly gigantic listed companies. The opening of the Hong Kong Stock Exchange, the red chips of Shanghai and Shenzhen, and the movements of the Nikkei and Tokyo were real opportunities to see where the world was heading each day. As the sun rises in the East and sets in the West.

But the stock market is not all about microchips, multi-million dollar income statements, or companies with valuations in the trillions. In my work as an IR expert, I have done a lot of work with companies listed on alternative markets, with market valuations of less than a hundred million dollars, or launching for the first time on the stock exchange.

In those markets, I have been able to experience firsthand how far the courage of some entrepreneurs can go. And how the most important thing - by far - is the economic narrative, as Shiller said. The most relevant thing in the day-to-day life of a listed company is its story. Its Equity Story. The one that allows consolidating its position and the one that gives many shareholders certainty, guarantees, and returns in terms of profitability.

Behind any successful company in terms of market success are two key factors. First, of course, there are bombproof fundamentals. It is very difficult for an institutional investor to become part of a company's capital with excessive debt levels and uncontrolled volatility. However, there are funds for everything, and there are those who are addicted to junk bonds.

Secondly, I believe that the market story is the key factor for a company to achieve its full potential on the stock market and reach its target price. One based on data and business plans, numbers, and ratios, but also on an epic of its own, on a hero's journey that explains how a company and its founders have got to where they are.

The Equity Story is how IR experts present the corporate image of a company to the markets as we want it to be perceived. It is the way we present the narrative, the story behind the company's bloodstream.

A publicly traded company (or an unlisted company that wants to be somebody someday in the markets) needs a narrative. If you have to keep anything from this book, please keep this.

This economic narrative allows us to give context to the graphs and curves and understand why the decisions are made. This narrative clarifies that behind any action is a group of professionals who think, create, innovate, build, produce, deliver and make rational economic decisions about their owners: Their shareholders.

Nobel Prize-winning economist Robert J. Shiller, one of the leading thinkers on the complicated world we live in, writes that an essential part of market movements has to do with the stories we tell ourselves about the economy and the extent to which we believe them. (Note: If you haven't read his essential *Narrative Economics*, stop reading this book and run to that one asap. Then come back.) Imagine what a coffee-table conversation between Shiller and Jung would have been like.

An important part of good IR is how we build the company's history and how we sustain it in a coherent and consistent manner over time. And this, which seems so logical, has not always been the case. Until recently, IR was the unassailable fiefdom of CFOs and controllers. In recent years, the industry has recognized the value of having journalists and communications experts on IR teams.

To some extent, the investor is in a zero-sum game every day. Every investment he makes in a company takes away operating resources that he can no longer use to invest in something else or in another company. In the financial markets, there is a constant struggle to capture the capital available for investment to attract investors' eyes, hearts, and attention. In the plentiful ocean of investors in which listed companies fish, having a clear investment proposition that is consistently communicated is more key than ever to attracting the attention of market players. Indeed, a vital objective of any listed company is to deliver significant long-term market returns to its shareholders. Financial and profitability, of course, but not only that. Many shareholders bet on companies and stay with them for years to come, because they are part of a story.

The economic history of companies must be clear and consistent with their past performance. And all their communication must be compatible with a way of understanding the future world.

IR, we said at some point, is a two-way communication process between the issuers of securities and the shareholder community. In every investor meeting, Investors Day results in a presentation, or press release, the recipient of the message, the context, the noise, and the story's consistency in all these scenarios must be taken into account. Regardless of the size of the listed company, the IR manager must develop a communications strategy that resonates in the minds, hearts, pockets, and investment strategies of those he or she wants to attract to the company.

Suppose your company doesn't have a consistent, solidly communicated Equity Story. In that case, there's no way investors will ever find out what your company is about, or why they should bet on it. And therefore, they won't.

08.

Investor Relations is more important than Media Relations.

Here are some acronyms and abbreviations:

PR: *Public* Relations

IR: *Investor* Relations.

On some pages, I have explained to them that for those who categorize the world of work, they say that IR is a subdivision of Media Relations. They don't have a clue!

In the day-to-day running of a listed company, the narrative that must govern a company's communication is not that of the product or services nor the excessive eagerness to appear on social networks, or in the media. The narrative that must govern the communication of a listed company is the one that has the investor as the message receiver.

The most important thing in a company listed on the markets is to protect the share price. I know what the *haters* will say. But I say it and repeat it whenever I can. In a listed company, the communications department must be subordinate to the strategic approaches of the IR department. And never the other way round. In any case.

I have spent my whole life interacting with the media on all sides of the table, the journalism side and the side of the gentlemen in cufflinked shirts. I have always explained to anyone who would listen to me that strategic communication (and financial communication is always strategic) does not consist of sending out press releases. And I have written several thousand of those.

Decisions that communication (with investors, or with the media) is a managerial function that can become critical in the life or death of a company. Communication crises can volatilize (or eviscerate, according to the Saxons) billions in stock market value during one session. And good management can bring wealth and market glory to its managers.

Increasingly, companies are turning to their IR managers to manage relations with specialized media. There are also many cases in which the Director of Communications of a listed company becomes the IR person. In the end, both disciplines have a common goal: To communicate a company's value position to the public, within regulatory limits, according to a clear set of ethical values.

Investor Relations focus on building and communicating messages to the investment community: Institutional investors, shareholders in general, analysts, stock exchanges, or regulators. It is a regulated function, subject to very strict laws and overseen by very powerful agencies.

They are responsible for communicating to the market the fair value of a company and its actions. On the other hand, corporate communications deals with relations with the general public. Both are potent allies when their respective strategies, methods, tools, and techniques are aligned.

Transparency and reputation are the long-term assets of your professionals. The proper functioning of these two in tandem creates companies with strong public profiles, and even more so, if they are accompanied by the image of a visionary, committed, and successful CEO. A good communication structure will always be helpful for several corporate objectives, such as defending the company's shares to activist investors, communicating the company's fair value to the market, or attracting new shareholders.

That's why, in your daily communication with the markets, you need to put yourself in the hands of specialists who could have come out of the renaissance. Professionals who understand numbers, know how to read balance sheets, understand market dynamics, and how to write, which is the most challenging thing of all.

There is a crucial difference between Corporate Communications and Investor Relations; the latter is regulated by law, not by a single law, but by a plethora of laws, which change from country to country, and are intended to protect investors. If Elizabeth Holmes was convicted in the United States, it was not because Theranos' star toy, the Edison, did not work. It is because she told investors that it worked to get them to give her their money. She is on trial for lying in writing in a funding round.

In communication with investors, there can be no mirrors or artifices.

In the traditional communication world, nothing really happens when press releases are inflated. Everybody does it, right? People say that a new product will be revolutionary or disruptive when it's probably not going to be either one or the other. But the capital markets' laws, the stock exchanges' regulations, and other legal instruments clearly detail how and in what way information can and cannot be transmitted to the financial markets.

In a reasonably liberal capitalist environment such as ours, and as a consequence of the abuses seen in the real estate boom that was the precursor to the credit crunch, things got serious. Financial regulators (the SEC in the United States, the FCA in the United Kingdom, and ESMA in the European Union) are very tough on any attempt to misinform, influence with negative or false information, and conceal information when it is directed toward investors. When a regulator identifies what it defines as "market manipulation" or "market abuse," you can end up in jail for a very unpleasant period of years and it can end the careers of CEOs, CFOs, and senior managers. We don't want that to happen, do we?

Firstly, the law, in spirit, tries to protect transparency in communication when a company wants to tell something (or hide something) to the market. And secondly, it wants to ensure that all stakeholders receive the information equally, at the same time, and through the same channels so that everyone has the same opportunities. It is a massive mistake for a manager to tell his wife or friends in a bar that tomorrow company X will make a purchase of another company or announce dividends and that this will result in a stock purchase.

But it is also irregular to hide that a company has lost a large contract from the market. That's why companies with any kind of interaction with investors have teams that know every prism and nuance of the rules and codes of conduct that govern communication with investors. Failure to do so is as dangerous as not having insurance or a lawyer, or simply not having fire extinguishers in a factory or office.

When a discipline as critical as communications is as regulated as this one, IR takes on a new level of importance. Besides handling media and market liaisons, IR specialists become gatekeepers of what can and cannot be said and how. They also become indispensable (and sometimes unpleasant) devil's advocates, who have the authority and ability to tell a CEO and CFO what they can or cannot say or do.

When Elon Musk posted that tweet saying he had raised private funding to underwrite Tesla's insurance at $420 a share, which turned out not to be accurate, American regulators prevented him from continuing to sit on a Board of Directors. The British FCA monitors the good conduct of those who play the game and publishes the full names of those who flout the rules. It's a sort of 21st-century witch burning that seems to only bother those affected.

Markets do not regulate themselves naturally. There is no lie more commonly believed than that. In essence, communication with investors is regulated because no one doubts at this point that the goal of bringing light to the financial markets is not only key but necessary for the good of all. Any mechanisms that can be put in place to avoid a crisis like the financial crash that ravaged the world a decade ago are imperative.

That is why I defend, to any CEO, CFO, Director of Communications, Editor-in-Chief, or market journalist, that IR in a listed company is more important than any Corporate Communications department. And furthermore, I defend that my discipline must be very close to the CEO in the organizational chart and professionally under his orders.

Some company directors have tried to burn me at the stake when they have heard me insist that they must align themselves with the strategy designed by the IR directors. But I am convinced that when the company's narrative line is in the hands of those who create the stories in front of the markets, everything is more solid, and the journey is infinitely longer.

And in the end, we are driven only by our convictions.

09.

The best IRs are always communication specialists.

Here's an anecdote: Years ago, I shared a failed business venture with a renowned CFO. Together we set up what aspired to be Spain's first financial communications company. It was called Bracken, after Brendan Bracken, the Minister of Information in Winston Churchill's wartime government, aspreviously mentioned. A legendary guy who I personally find fascinating. The guy who inspired Orwell to create the figure of Big Brother. I managed to buy some of his handwritten letters, even though he had most of his papers burned at the end of his life in 1958.

From my CFO, a good friend despite everything, I heard over and over again the phrase: "Investor Relations is for financiers, not journalists. You can't do Investor Relations if you are not a financier." And I'm sorry, maestro, but I don't agree with you at all!

It seems to me an old, old approach, more typical of sixties offices with secretaries in miniskirts, smell of stale tobacco, Barcelona chairs, and fake Picasso paintings. Such a world is doomed to extinction.

Because of how the economic world behaves in the 21st century, we need another kind of lateral thinking.

I don't believe in fiefdoms, the Middle Ages are over. The guy who led nothing less than the air rescue of West Berlin in 1948 came from the world of marketing and was the inventor of soap operas. We must convince ourselves that the transmission of financial stories to the markets is not the prerogative of financiers. Sometimes a publicist can organize the best airlifts.

I am proud to have thought of and directed the strategy that resulted in the biggest stock market rise in Europe in the year of the pandemic, as I mentioned earlier. Clearly, past profits do not guarantee future returns, but let me keep that little professional medal for myself.

And excuse me if I defend to the hilt, once again, that Investor Relations is a communications discipline, and that those of us who know how to execute it best are financial journalists and not financial people with pretensions. Bernays, the founder of the Public Relations discipline and nephew of Sigmund Freud, the first to apply the theories of the subconscious to communication, would have agreed with me.

It is a blessing when you meet a CEO who understands his role and influence and understands that what you say is important, but also how you say it. When you think about a financial communication campaign or a campaign to investors, if you want it to be successful and aimed at qualified audiences, you have to transmit specific values in addition to information. In my opinion, investors are closest to a company when they perceive that it respects them, tells them the truth, stands by them through thick and thin, and, above all, listens to them.

Investor Relations is a department of idea generation, but also of clarification, explaining to shareholders, funds, analysts, and markets in general, what makes a company valuable and what makes a company unique. And that, told to the most sophisticated and educated audiences, who often put their money and other people's money on the line every day, has incalculable power.

Make no mistake: An IR manager, if he, she, (or they) knows how to operate the media, is a one- campaign aide on the same level as Michel Ney in the Tyrol campaign. Perception is reality, and perception helps to achieve a company's results. Don't make the mistake, I beg you, of not paying attention to those who communicate with the most intelligent audiences. You wouldn't leave an interview with the BBC in the hands of the accountant, would you?

10.

Investors respond to emotions, and our job is to dose them.

I once shared a train ride after an Investors Day with a Swiss investment fund manager. The train was late, and the ride was long. Still, like Daniel Dravot and Peachey Carnehan on that Indian railroad in *The Man Who Would be King*, that trip allowed two men to face each other, share ideas and projects, and talk about each of the people who managed the divisions of the company I represented at the time.

What interested this person, whose name I will not disclose, was how, if I may say so, each of the company's managers he was representing was breathing. He invested, and a lot. And I think he made a lot of money, but he did not tell me that, nor does it belong in this book. Noblesse oblige.

The technology specialists in my little world, the stock market, have developed sophisticated computer programs that aim to automate everything. Quantitative factors and qualitative factors, sustainability, and corporate governance aspects.

That's all well and good to keep the flame going, but it doesn't go any further. That requires face-to-face conversations. It is very difficult to rate the future dreams of visionary CEOs. Not least because it takes years for dreams and visions to become tangible realities.

A stock market forum – where stock positions are shared minute by minute, and CEOs are considered monomyths – is much like a sports forum. There is passion, emotion, anger, rage, and love. Not for nothing has it been said that 93% of asset allocation decisions are made for non-rational reasons.

My daughter, who is a teenage chess wonder – apart from my pride and joy – plays without having a board in front of her. It has been well studied that chess grandmasters do not rationalize their decisions on the board. Markets are not rational either. The opposite of rationality is not irrationality, but emotionality and the ability to visualize possible worlds.

Investments in the transoceanic explorations, the Dutch and British East India companies, on railroads, or on the film industry were not absolutely rational and safe decisions. They still are not today.

And that does not detract from the fact that they continue to attract capital in a framework of glamour and spectacle, especially in Hollywood. Beyond balance sheets, perfectly painted to look perfect, those investments had a narrative behind them. A vision. The ability to imagine is what makes financial markets human. Ideas, shaped through hours of work and neural connections with our depressions and hypomania, domestic dramas, and joys, make those financial markets possible.

In the long run, robotraders cannot feel emotions. And intraday investors enter the stock market like those who enter a casino. The important thing is the adrenaline more than the result All without glamour, and often in pajamas. And the stories we tell ourselves to justify that adrenaline. In the short-term, intratraders can make money, but reflection and imagination beat all indices in the long term.

I repeat that Investor Relations, according to the definitions, is the two-way process between investors and issuers, following the market rules, to value a stock, a bond, or any financial instrument. That is the textbook definition. But there is another: The one that describes Investor Relations as the committed and consistent action of repeatedly delivering a message to the right audience to communicate forcefully, consistently, transparently, and robustly that something is worth what it is worth.

Especially if it is more than the market thinks it is worth.

11.

**In our times,
the epic only occurs
in war and the stock
market.**

I am fascinated by the hidden learnings in psychoanalysis. Jung once recounted: “The meeting of two people is like the contact of two chemicals: if there is any reaction, both are transformed.” That is life, but it is also the stock market. Let’s stop conceptualizing financial markets as accounting notes, zeros and ones, and regulatory goo. Financial market activity is a human activity that brings together greed and fear, expectations of a better future, and the mental images of triumph and success. That is why, in the era we live in, epics occur almost exclusively in the field of war and the stock market.

Characters like Bill Gates, Steve Jobs, Zuckerberg, Elizabeth Holmes, Adam Neumann, Lee Iaccoca, and George Soros, do not fascinate us so much for their companies’ history of failure and success. We all know that Facebook was created in a Harvard dorm room, Steve Jobs came back from being laid off to rebuild Apple and change the world, Tesla died in ignominy, and Indiana Jones set out to find the Ark of the Covenant.

Stock market players are betting on belief.

While companies have to be transparent and respect the rules of the market to the hilt, the fight for investors' trust is a battle for the mind in which some ancestral fears and archetypes have defined the human species since the inception of its struggle for survival.

At the moment I am writing this paragraph, I have just opened Bloomberg, as I do every morning at half past six (I sleep less than I would like to). An obscure article refers to the FUD effect generated by China's decision to ban cryptocurrency transactions: "Fear, uncertainty and doubt' rises with regulatory scrutiny," reads the subtitle. Fear, uncertainty, and doubt. Because, in the end, investors live pending the uncertain future of what could happen. The great fortunes are in the hands of those who know how to create and tell the future. At the heart of the journey of the managers of a listed company is the hero's journey, as Campbell, or the great legends of the Greek epic would have said. There is a call to adventure, a threshold, antagonists and enemies, a transformation, and a return. There is something of a voyage to Ithaca in all this. There are siren songs, twelve trials, and a triumphant return.

That's why I feel angry about the hundreds of listed companies with very low levels of liquidity. When you go through the complex process of going public (which is not hard, but it is complex), you would assume that those in charge would have set themselves the goal of telling the story of what they do. What actually happens is that all the players involved do not have that level of commitment, to their company or those who bet on it to work, to build an epic.

Fears and doubts are consubstantial to the human species and to life. And they are consubstantial to the life of the markets. That is why I come back to the same point: When companies communicate with their investors and systematically relate to them, beyond raising the price of a share, what is then provoked, is the attenuation of doubts and fears.

12.

IR helps investors to do their homework.

Money is fearful and conservative. It takes risks when it is clear that there is water under the bridge. As human beings, we are all afraid of death and poverty. And in any investor's mind, with two fingers on the pulse is the downside, the possible fall.

This is why non-specialized investors run away from stocks when they go down and run back to them when they seem to go up, or their friends tell them they are going up, or they think they read that the media says they are going up.

Hence the mania for tulips, dotcoms, the credit crunch of the early 2000s, and the 40% drop in the stock market in the days just before the pandemic and the nervous tsunami with which 2022 began. The stock market is the thermometer of capitalism. Sometimes the temperature goes up, and sometimes it goes down. But no long-term strategy involves diving into the Mariana Trench and climbing Everest in the same week. What a burnout!

In general, non-specialized investors tend to unwind positions (including the one you have in your company's shares, my dear CEO), as soon as things get complicated. And they will rush to buy your company's shares as soon as they become popular in the market. It is clear that the long-term market is not driven or influenced by small investors, with their savings, but by the big funds. And the funds, with few exceptions and summer periods when managers go on vacation and leave the interns with vague instructions (true story), bet on another type of investment. Especially in those funds that manage the pension funds of large groups and those that, like my friend Pablo Cano, do so according to strict sustainability criteria.

But Jung also said: "People will do anything, no matter how absurd, to avoid facing their own souls." That is why it is so vital for listed companies to be able to communicate their investments, not only look sound (I don't say safe, because the only sure thing is death and taxes), but also that there is a management team behind them working all God-given hours for the long-term profitability possible.

I know quite a few companies, solidly managed according to unambiguous industrial, productive and financial criteria, that see their shares plummet when there are doubts about them. Doubt and fear are sometimes the results of manipulation. And to protect oneself against manipulation, which is nothing more than the most rational irrationality of the market, it is necessary to have a clearly established personality.

Just because markets are difficult to understand does not mean they are cryptic or impossible. There is no secret world order, and there is no Illuminati!

While investors must do their homework, companies must make it easier for them to do it. And to that end, any IR strategy must include communicating transparently - as transparently as possible - all information that can affect the share price, its environmental and corporate governance policy, and the pillars of its strategy.

13.

Going public is not the most complicated thing in the world.

In some cases and under some circumstances, it's even quite easy. Eight to twelve weeks and a few thousand dollars.

I know that many of you who read these pages manage or have clout and influence in publicly traded companies. But let me tell you something for the benefit of those who have never been through the process: Going public is not the most complicated thing in the world.

When you are in this business, and you participate in IPO processes in some form or another every year, the first thing you do is confront false beliefs that have been pushed, over the years, by the wrong interests. One of them is that going public is impossible. That it is an infinite process. That it is reserved for large companies. And that it is expensive.

Every day of my professional career, Monday through Friday, and more than one Saturday, I see the same thing. I'll be having coffee with the CEO of a private company that needs to finance its growth or with the founder of a technology startup that wants to grow fast, attack markets, and make money in the process. I ask him: "Why don't we take the company public?

The reaction is always the same. First, a dumbfounded look on their face. Second, a fixed, thoughtful look. And finally, the question: How can we go public?

Yes, going public is possible, and at this point in history, it is more accessible than ever and less burdensome than ever.

Let's look at the data. At the end of April 2018, the Alternative Investment Market (AIM) in London had 941 listed companies, which totaled, according to official data from the London Stock Exchange, a combined capitalization of more than £108bn. An extraordinary amount, which at that time was equivalent to no more and no less than 15.5% of the Spanish stock exchange's total capitalization, and is greater than the total capitalization of many Latin American stock exchanges. On Euronext, an index called "Access" included more than 200 companies in the early stages of their development, not to mention the tens of thousands of small companies listed on OTC and up to 50 companies listed on the Spanish MAB.

If these companies do it, it is indeed possible.

The UK's second largest stock exchange, the Aquis Stock Exchange, allows companies with less than £700,000 market value to float and has reasonably accessible regulatory requirements. Euronext, in Amsterdam, Paris, Oslo, and Lisbon, has dramatically relaxed its criteria for floating in the Growth segment.

Stock markets are a financial reality of our time.

And alternative markets are a necessary space for smaller companies, but with often unique value propositions, to make them known to investors worldwide, increasing their reputation and obtaining funding and liquidity to expand.

In countries such as Spain, Austria, Italy, and Greece, even though the spotlight is usually focused on the benchmark blue chips, there are courageous companies that, in addition to achieving great things and innovating at levels that are unusual in their country, have made the bold decision to go public.

Despite its low liquidity, as of June 2017, BME Growth (then called MAB) had registered 130 capital increases since its launch and had increased the financing of its companies by more than €1.3bn. But the AIM in London, with its success stories such as ASOS and Boohoo, moves more than £100bn a year. Some companies listed there expect to raise £6bn from this market by 2022. Since its founding in 1995, more than 3,600 small and medium-sized companies, many international, have taken a stake in the market.

Euronext has two alternative markets (Euronext Access and Euronext Growth), which aim to pave the way for smaller companies that want to access investment and capital. They grew by more than 29% during 2017 to capitalize on more than $1.38bn. The problem for companies listed on the alternatives is that they often do not achieve sufficient visibility from the market or analysts.

Going public is a process that requires a professional IR team to help the company's management coordinate the different battalions of professionals involved in this effort. These include sponsors, corporate advisors, auditors, lawyers, and the stock exchanges themselves. Complex, but by no means titanic.

I have done it several times.

14.

Reasons for going public.

It is worth questioning the logic: Why go public? Why would a CEO with his own private company, which has grown well in his local market, decide to make the leap to a more complicated life in the public eye? Of course, when a company goes public, it has a better chance to grow, and by grow, I mean bill and hire. But it also has more possibilities to transcend. Because going public brings knowledge and recognition.

Companies may turn to the capital markets at a particular point in their history to finance their expansion, build their corporate reputation, or enable existing shareholders to sell their shares at the best possible price.

Provided that it provides and maintains a clear and consistent understanding of its activities and strategies along with the context in which it operates, the company will be able to achieve the following: Raise capital in the financial markets to help finance its development, through the issuance of shares and, in a second stage, through the issuance of bonds.

Increase the valuation and financially reward the initial work of the founders: In general, listed companies enjoy a higher valuation. Analysts and market specialists agree that valuation multiples indicate whether they are successful. Market prices take into account transparency, clearly presented businesses and strategies, as well as applying other more strictly financial stock selection and valuation criteria.

Increase liquidity: In general, the shares of a listed company are much more liquid, and it is much easier for investors, institutions, founders, owners, and venture capital professionals to enter and exit companies without despairing about the lack of movement.

Increase the company's visibility and reputation: Customers and suppliers feel more confident dealing with a company whose credibility is enhanced by strict regulatory compliance and regular publication of audited financial statements. Listed companies are more likely to appear in the media, win better contracts, and grow faster.

Attract and retain employees: Visibility makes it possible to attract and retain talented personnel, who would otherwise be unreachable and offer them attractive compensation. This compensation can take the form of equity-based compensation or be indexed to share price performance or a combination of both.

Retain shareholder power: An IPO is a much more profitable option for founders and companies than a simple venture capital round. It raises similar amounts of money without diluting shareholder power and opens access to a market of financial instruments that allows access to money quickly and securely.

And considering that in the third decade of the 21st century, the options for going public are easy, fast, and very accessible, it is worth taking the plunge. Above all, venture capital is no longer everything because in the long run (and in the short run), companies have to seek more visibility in the markets than ever before, and above all, because there are options.

OTC in New York, Aquis in London, SIX in Zurich, and Euronext across Europe, offer reasonably easy routes to listing, accessing investors, and getting your story heard.

And besides, I say this from experience, ringing the bell is an unforgettable experience.

15.

In Europe, the rules of the game are called MiFID II (and they take up 7,000 pages).

If Adam Smith were to raise his head today, he would have to take an ibuprofen. Because when the European Union published the MiFID II directive, which defines the rules of the sport, it did so in the form of a 7,000-page document.

It is somewhat paradoxical that, while investment firms in Europe's leading financial markets were using every last second to take advantage of the regulations in force before MiFID II came into force, ESMA, the European market regulator, took a vacation from December 23, 2017, until January 3, 2018, and announced it on its website with great fanfare, with an image of gifts and Christmas trees. It seemed to say: "You will manage, you will read, or we hope you have read, studied, learned, and prepared to apply the 7,000 pages". This is how things are done in the European Union.

Since eight European stock exchanges met in Madrid in 1999 to look for ways to harmonize their processes, much has happened. But the world almost had to collapse in 2008 for someone to seriously consider defending the interests of the little guys. As the saying goes, "you can't put gates in the field", but that is precisely what happened in Europe.

If you live in the Eurozone, if you invest in Europe, or participate in European markets in one way or another, the second part of the new Markets in Financial Instruments Directive (MiFID II) was born to change everyone's life. MiFID II, developed over the years and clearly included by the British, before Brexit and Dominic Cummings, aims to make the markets more transparent for everyone. Institutions must report most of the purchases and sales to regulators, brokers have to synchronize their clocks and time-stamps, and managers must keep a record of their investment conversations for at least five years. This sounds like a daunting effort, and it indeed is if you don't know how to do it.

There have been too many years of incomprehensible commissions, conflicts of interest, and dark pools. It has become clear that, deep down, we are allergic to opaque products as a society. This is exemplified today by the chatter around blockchain technology and the rise of bitcoin, which already fulfills Clarke's third law: Any sufficiently advanced technology is indistinguishable from magic.

Together, we have realized the importance of providing a level playing field. Because if there is one thing that should not be gambled with, it is the ability of investors and savers to make informed, intelligent, and clear decisions.

The new European directive regulates the markets, but it has also served to calm the collective psychology of the masses referred to by Robert J. Shiller (I have told you about him before), to put the European Union back at the intellectual head of the world markets. It was about time. ESMA can now ban or restrict financial products when it deems necessary. It will finally be clear who pays the analysts who recommend buy-side purchases, and the pressure selling of incomprehensible products that may be detrimental to the least prepared participants has been diluted.

Even though none of the continental stock exchanges, not even Euronext, is among the top five markets by market capitalization in the world (the capitalization of New York, London, Tokyo, Shanghai, and Shenzhen individually exceeds the European index), the influence of the EU in defining the rules of the game at an international level has become key and evident. This makes the job of IR managers easier when they have to play in New York or outside Europe, because they have resources that others do not.

MiFID II also applies outside Europe, and international managers working with clients within the European Union or making transactions linked to EU markets will have to abide by the rules of the game in Brussels, including London. With some of the world's most advanced market regulation legislation, Europe is once again proving to be the recipe for global stability and growth.

MiFID II, in its infinite 7,000 pages, shows that Europe is still at the forefront of economic thinking, and puts its finger on a particular aspect of our economic model: The markets need to be more transparent. To protect the investments and future bets of smaller savers, those who do not trade assets behind boardrooms, and who are alien to high-frequency trading, demand, above all, transparency. Those of us in IR must be clear that, under European regulation, retailers must be at the center of our thinking.

The rules regulate who is or is not a PDMR (Persons Discharging Managerial Responsibilities) and require that all market-related communications (including telephone calls or e-mails) be traceable, and that it be known who has had access to market information, on what date, and that a log of this interaction be kept. It regulates when a press release can be sent, through which channels, and to which recipients. It regulates what can and cannot be said and how. Because in the end, communications to the market move the share price and affect a company's valuation and the fortunes of its major shareholders.

The European Union's Market Abuse Regulation is the linchpin in all of this. And it applies to almost everyone, everywhere.

16.

In the Americas, OTC is the next frontier for European listed companies.

Being listed on Wall Street as a European company is much easier than it seems. For more dynamic, early-stage, or high-growth companies, having access to U.S. investors can make a big competitive difference.

Wall Street is the heart of global finance. Its regulatory system offers all the legal guarantees, an absolute level of transparency, and access to many other types of investors, which makes it less risk-averse and more dynamic. Many technology companies and startups in the critical growth phase need this, especially as a less dilutive alternative to venture capital.

And above all, being listed on the North American markets offers the highest level of global visibility for any company with even the slightest international vocation.

Going public in the United States has been dramatically simplified in recent years. Any company listed on most European markets (including Madrid's Mercado Continuo, or Euronext) can cross-list on

OTC Markets with almost no additional reporting obligations and after an efficient and fast process.

OTC Markets is, among other things, the first choice in the United States for companies that want to make the leap into the financial markets. It is a modern trading platform and gateway for thousands of companies to the North American investment market. And it is, in fact, the first port of call for European companies that want to dual-list there.

Founded in 1913, 12,000 companies are listed on OTC: Financial, energy, and pharmaceutical companies. From Spain, France, Germany, Kazakhstan, South Africa, and many other corners of the world. Bigger and smaller. Giants like Adidas, Roche, or Axa, and small companies that have just been born.

OTC is the largest market in the world in terms of the number of listed companies, and it offers an international presence on a path that others in Spain have already taken. Look at Lleida.net, which began its stock market journey in 2015 on the MAB and is now listed in Madrid, Paris, and Wall Street, or Repsol, whose shares have been traded OTC for years.

And although many do not know it, different financial instruments of almost 80 Spanish companies (including Siemens, AENA, Telefónica, and Ferrovial), are regularly traded on the stock exchange in the United States through OTC. 80 Spanish, 195 French, 223 German, and even 15 Portuguese.

There is another interesting fact that many issuers do not take into account. U.S. retail investors can only invest in U.S.-listed securities through equities, or more complex instruments.

As cases such as Lleida.net in 2020 (in which I as deeply involved, as I said) have shown, being listed in the United States allows for global recognition and higher levels of liquidity. It represents a magnet for funds, retailers, analysts, financial media, and the best showcase for large corporations.

Historically, in a market like Spain, going public was something of a Herculean task, reserved for Greek tragedies and the times of Homer. Listing was done by the vast companies after a titanic and interminable process. A reality that not only corresponds to the Spanish stock market, but to a good part of the European stock markets. Not to mention the costs of the process and the reporting and investor information requirements.

We are not saying that having a presence in local markets is not important. We are arguing that, given the ability to access international markets, issuers should consider cross-listing strategies and increase their exposure to investors of many types, sizes, markets, and countries.

In 2022, in a global environment where everything affects us all, ringing the bell is no longer the consequence of a harrypotteresque potion that seems impossible and within reach of few. There are processes to convert a private company into a listed company optimally, efficiently, and even cheaply.

After 107 years of history, OTC has become a public venture capital, a space where financing rounds can be executed faster, on better terms, and with greater global reach, than in local private markets.

In both its OTCQX and OTCQB indexes, OTC represents the right conduit to cross the pond, get on the road to recognition in the United States, and eventually even jump to Nasdaq. Because in the world that has resulted from the pandemic, having access to U.S. investors can make a big difference.

17.

There is no IR without a transparency committee (even if that means little sleep).

When the work of investor relations specialists is successful, it is because they have a deep understanding of the company they represent, the industry in which they work, the investors who interact with their shares, and deep care not to cross the ethical and regulatory boundaries of the industry. Mature markets such as those of the United States and Western Europe, have made a cornerstone of the rule that to ensure the optimal functioning of markets, it is necessary to guarantee all investors equal access to information that can alter the price of a share.

Listed companies have to put locks in place to prevent information from leaking out for their own sake. They need to keep a confidential information log. They must also have a Disclosure Committee, and a committee in charge of reaching a consensus on what information should be made public and how. Because, when a company decides to delay the communication to the market of a relevant event that may affect the share price (which it can do for reasons of trade secrets, or company strategy), it must explain why, and document what has delayed it. Not knowing is not an excuse.

The Disclosure Committee of the listed company must act as part of a safeguard process to prevent a company from violating any rules relating to market abuse, insider trading, or misinformation. It analyzes all future information to be disclosed to the market, i.e., all information that may result in a price change or price-sensitive information.

The CFO, Controller, stockbroker, or nominated adviser (NoMad) in the case of AIM-listed companies, and the IR on duty, are usually involved in deliberations on what information should be disclosed to the market and at what time. The CEO is present on the committee in smaller companies. The most active CEOs, and most aware of their position in the market, are an active part of this committee.

The United Kingdom even has the Disclosure Guidance and Transparency Rules that I have already mentioned. A sort of manual for the clueless, which clearly explains when and how information should be disseminated to the markets.

In principle, any information that may affect the value of a company or its share price must be communicated immediately before or after trading hours. And it must be communicated immediately after market close to two national newspapers, two news agencies, or to an information distributor, which in the City is called RIS (Regulatory Information Service). The information must be communicated to the market through a regulatory announcement, which may be “Urgent,” “High,” “Medium,” or “Low,” through the appropriate market channels.

This committee aims to ensure that a company informs the market properly, in accordance with the rules, and in a legitimate way to defend its position in the market. The committee must discuss when it is legitimate to delay the disclosure of information and take responsibility if its decision becomes a matter of market abuse or misinformation. I repeat, liability, legal and reputational. Suppose the company does not take the job of communicating information in time seriously. In that case, the company will end up being accused of a lack of transparency and the value of all affected. And investors are not usually very happy about that.

A few years ago, Woolfson Microelectronics delayed for days the disclosure of the loss of a large customer that accounted for a large percentage of its turnover (one that makes computers with a little apple on the logo). After consulting its Relationship Advisor, the decision was made not to disclose the information to the market, and a false market was created. The company was fined £140,000 for this decision, which is not a bad bill.

There are many ways to organize a transparency or disclosure committee. More or less informal, with more or less regular meetings.

At one of the companies I have worked for in recent years, one of the best performers on the European stock market, the committee met almost every day at eleven o'clock at night during the pandemic. When investors needed more and better information, our mission was always to be ahead of their needs, even if that meant very little sleep.

18.

Financial communication is more sophisticated than political communication.

For some years, I worked in political communication, at a certain level, in different countries. Both investor and political communications aim to change perception and invite a consumer to change their behavior and make a choice. The underlying principle seems to be the same. However, political communication and economical communication could not be more different.

I have been reporting on financial markets since I was 22 and have seen quite a few things. I still remember the first time I stepped onto the now empty and cold trading floor of the Hong Kong Stock Exchange, on which thousands of market players were nevertheless interacting.

However, even if stock exchanges are no longer art galleries, or have been transformed into Fortnum & Mason (go and see the old Exchange building in London, which is beautiful), even if most markets are now ones and zeros in multilateral trading platforms (what a name), there is nothing like entering a stock exchange building to feel what this industry is all about.

The main difference between economic and political communications is mainly the knowledge required from those who consume it.

Political communication is broad, seemingly simple, and aimed at everyone. In general, to everyone. Society seems addicted to political communication and consumes it without filters. With their obsession with statistics, Saxon societies compare politics to baseball or soccer. Rallies and television appearances with voiceovers aimed at the deepest part of our gray hemisphere, but neither help those who receive it, nor allow them to make practical decisions about their immediate universe. Politics is, above all, emotional communication. It has become a mixture of spectacle and mass control systems. Edward Bernays said, almost a century ago, that “men are rarely aware of the real reasons which motivate their actions.”

Anyone with access to a television, a radio, or even a newspaper (if anyone buys those anymore) can get the impression that they understand the messages sent to them by political actors. It does not require too much intellectual preparation to receive it. We all have our own opinions on pensions, immigration, or the Independence of Catalonia. They are opinions mediated more by the opinion we heard as children at the kitchen table, or in a group of friends, than by actual knowledge. Few have read the political programs of the parties.

Political communications are a popular discipline but, to a certain extent, useless for those who receive its messages. Economic communication is much less popular. It is much more cryptic. But, to the eye that can see it, it is much more useful. Economic communication – and what about financial communication – has the same power of influence that the copyists in the monasteries of the Middle Ages had. He who can consume, understand, and take action on the economic information flowing around him, which is present but seems much more hidden, can change their world and modify their universe.

The world produces massive amounts of

economic communication every second. Countless digital platforms, prestigious print media, detailed analysis, and investment recommendations are accessible at the click of a button and within reach of almost everyone in the Digital Age. However, like a sort of Oracle of Delphi, or the Library of Alexandria, the hidden secrets of the economic pages and stock market analysis forums are only available to those who can see them and are prepared to understand them.

Financial earthquakes only make the news when the victims pile up everywhere on the hillsides and in city centers. Until then, the vast majority lived happily between the chronicles of soccer matches, the Christmas lottery, and, once again, the permanent political circus that serves as a smokescreen and filler of news space.

The importance of economic and financial information lies in the fact that, without it, the actors of capitalism would not be able to make decisions. And in the civilization in which we live, almost all of us (less North Korea, Cuba, and some nations lost in post-communist nostalgia) are economic actors.

We live in times of extreme financial illiteracy. Despite all the resources at our disposal, most of us grow up and are educated without being aware of the only aspect of reality that will accompany us from birth to death: money. The presence of money in our lives, and I say this without symbolic or emotional charge, is a reality.

Someone once told me that the best gift you can give a child is a subscription to the Wall Street Journal. Confronting them with economic reality before maturity can serve, if not to make better decisions, at least not to let them be fooled.

19.

America's top analyst drives race cars.

My friend Theodore O'Neill is a race car enthusiast. He was also voted several times by the Wall Street Journal and Institutional Investor as the best stock analyst in the United States. We work together a lot, and he has taught me how to get to know and understand the way American investors think and make decisions.

Analysts are one of the key audiences in this whole movie. As necessary as the investment funds themselves, the retailers use their digital channels, the rating agencies, the media, and the stock exchanges.

Communicating with analysts is critical to getting to know why a stock is priced the way it is. Getting an analyst to cover your stock is like getting the Hollywood Reporter to publish a review of your latest film. It means that your company is strong enough to be studied, analyzed, and scrutinized at the highest level by some of the most brilliant and brainiest people. It takes effort, a little know-how, and being able to explain your company to experts who, in many cases, know the industry better than anyone else.

When an analyst covers a company, that is a sign of market validation. Good analysts, like my friend Theo, have established procedures so that what they think about companies is widely known through FactSet or Bloomberg terminals. Without a company having at least one analysis of its stock, it is virtually impossible for anyone to invest in it.

What happens is that analysts are few, companies are many, and analyzing them costs time, effort, and money. As Guimard says, one way to measure a listed company's success is precisely how many analysts closely follow what it does and how it does it. Part of IR work's success is getting analysts to listen to you.

Historically, the role of sell-side analysts had been to provide investors (both institutional and private) with insight into new developments in the industry, uncovering compelling market propositions and helping brokerage sales desks attract increasing numbers of existing and new client funds. The analysts were not only in a research role, but also in a marketing role. Their findings helped the big names in the financial services industry gain a foothold in the financial media. It also allowed them to organize events for investors and attract clients.

A few years ago, the European Union had the brilliant idea of prohibiting financial or banking entities that market securities, from preparing reports and giving them away to investors. That is one of the most significant premises of MiFID II, the Markets in Financial Instruments Directive, a brick with hundreds of pages full of goodwill to defend the interests of shareholders and investors. The aim was supposed to level the playing field. But the reality is very different. When the European Union decided everyone had to pay for their own analysis, it widened the gap between prominent investors and investors without resources. When it came into force, hundreds of companies almost stopped being analyzed.

According to research by Cass Business School published in mid-2019, analysis on more than 300 European companies of all sizes ground to a halt in a few months. Many management companies had to bear the costs of developing analysis. Smaller stocks were left unanalyzed and small investors were left at the expense of not knowing what was going on with the stocks they were most interested in (beyond four Internet forums, whose quality, surprisingly, is more than remarkable). It must be that the collective conscience adapted to stock market investment yields extraordinary results.

So is the European body of law. In your favor, I spent a few years living in Malaysia studying for a Masters in Regional Integration and contrasting the European and Asian integration systems. I still don't know which one seems more cumbersome to me. MiFID II has changed the work of Relationship departments, but it has also given rise to creativity and new approaches. Many companies have had to turn to independent investors to hedge their shares. This requires effort and money, but it also allows them to differentiate themselves from the rest of the competition in the market. Some of them are extraordinarily bright professionals whose work is key.

Sell-side analysts are one of the key audiences for the IR manager when presenting a company's market proposition. Essentially, the CEO who wants exposure and impact must identify an analyst and hire them. In my case, clearly, the good one is Theo.

If, in the consumer world, the maxim is used that "if you don't communicate, you don't exist," in the stock market, it is clear that "if you are not analyzed, you don't exist." A company needs a clear strategy to make a good impact with investors, including the circulation of analysts' reports through Dow Jones, or FactSet and general media coverage. Sound analysis defends an entire market position and disseminates it throughout the market.

It is taken for granted that listed companies with little or no analysis or guidance on their prospects or future performance have a more challenging time attracting capital. Until regulatory changes were introduced, sell-side analysis was the only analysis available to them in the market for many companies-especially small-cap companies. Today there is less analysis, but those that remain are more cost-effective and are gaining more significant interest in the market because they are one of the few sources of valuable and actionable information available to buy-side analysts and institutional investors.

20.

Calendars drive uncertainty out of the market.

One of the most exciting ways to get to know investor sentiment, and to convince them of the virtues and future of our plans, is to bring them together. Recurring events and benchmark dates are continuously repeated, setting the tempo of the relationship between listed companies and shareholders. However it is done, being able to prepare ahead of time is a tremendously powerful way for investors to know what to expect. The market does not like uncertainty.

I like to work with my clients based on an annual calendar that sets the pace for Investor Relations. When results are presented, when are we going to take investors out to lunch?

A short game is the best way to win a match. Quite a sports metaphor, from someone who has never played any sport other than chess, but you will forgive me. I have a habit of recommending that my clients be the first to present results, before they get lost in the tsunami of presentations from all those who are late. Because a company without analysts is like a movie without critics. Less risky investors, pension funds, for example, would not dare to enter a company without it having passed through the filter of an analyst.

Ritual, choreography, especially in Saxon markets, sets the tempo for financial storytelling. Investor Relations should consist of events, digital meetings, or conferences, as the right moments to convey the company's global position, as a way of communicating to the markets, not only what the company does, but what the company is like.

What plans do you have, and what dreams do you invite to participate.

21.

Throw a party: Investors Days.

On occasion, I like to organize Investors Days for my clients. Visits to the factories, the facilities, and meetings with management and the core team. And I like to invite analysts, to listen to them and to listen to us. My most legendary client, Sisco Sapena, invites investors and analysts to his hometown of Lleida, in northeastern Spain, near Barcelona, to eat the typical snails of his land and to fall in love with the company and management. A robot can't understand that nuance. The world of the stock market has critical moments. Half-yearly and annual results presentations are like the beginning or the end of the soccer league, or the NBA playoffs. The moment when the market's attention is focused on a company. The human factor, giving the key market players, the real market influencers, access to CEOs and CFOs, in the end, is priceless.

Analysts write very thoughtful and strategic papers after identifying patterns in a company's behavior. Many of them specialize in a specific sector. Some telecom or microcap investors who work in the market know more about the industry than many professionals and investors who rely on their judgment. It is true that there are quantitative analyses that create robots, such as those published every morning by Morningstar, but those get lost in the nuances. A good analyst (both sell-side and buy-side) is the closest thing to an academic in finance.

As with auditors, analysts must be treated with independence and exquisite care. To deceive an analyst, apart from being a crime, is to deceive oneself. It is cheating a psychoanalyst in a consultation. IR officers must establish a stable and solid relationship with analysts (both sell-side and buy-side), taking into account the ethical pillars of the job - competence, compliance, confidentiality, integrity, transparency, objectivity, and reputation - to communicate the company's strategy and help them with the financial models underpinning their research.

The change in the role of sell-side analysts has become an excellent opportunity for some small and micro caps with virtually no market presence to take a place on investors' desks. In the end, those of us who work with smaller companies cannot be productive, but have to take on hills as if we were

Indonesian guerrillas in the war against the British. Attack investors one by one. Attack analysts one by one. Until one generates a community of 150 key stakeholders, who will stand by us time and time again, trust and believe in us, our fundamentals, our strategy, and our personality, and will not let us down. Or at least they will try not to let us fall.

A dramatic example was a company I had contact with a few years ago. It made airplane fuselages, little nonsense. After three CEO changes in one year and a significant drop in its stock, this company decided not to have any analyst help. After a period of low trading levels and low investor interest, it practically evaporated.

22.

IR managers are the real squires of the CEOs.

How to deal with human error? In hypothetical theory, the same example is always given. In a meeting with institutional investors, the CFO of a company inadvertently throws out an incorrect date, or a faulty piece of information… and messes up. We are all human!

But of course, if a CFO says it, there must be a reason, right? CFOs are always supposed to know what they're talking about. There they are, next to them the IR Director, totally blank and generally dumbfounded, watching to see how they can get their company out of the mess. In principle, the textbook rule is always the same. Any figure given, in any context, whether a Facebook post, or a one-on-one meeting in a hotel lobby, must have been published beforehand through a market announcement, a Significant Event, or whatever each market wants to call it.

The IR officer is a kind of devil's advocate mixed with Jiminy Cricket. They must be familiar with the legislation that changes from country to country and know how and in what manner information concerning the company's performance, financial results, or future plans can be disclosed. There are rules for everything: Members of a Board of Directors cannot buy and sell in the 30 days before the presentation of results, information must not be made public during market hours... Regulatory announcements are the real lifeline of companies. All annual, half-yearly, or quarterly results, including financial statements, must be communicated to the market in the manner established by the relevant regulations.

The correct figure is always in the report. It is perfectly understandable that a CFO might make a mistake and give the wrong figure in a question and answer session. Again, we are all human. Shit happens! But the IR manager must always be there to correct it, with kid gloves, immediately, without damaging the CFOs reputation, or that of the company.

It's okay to send notes to the media apologizing or correcting information. After all, no one wants to invest in a company that does stupid things, unless it's called Tesla and publishes a report in which the

CEO calls himself Technoking. The fact is that, generally speaking, the business press and investment groups are not forgiving. Hence, maintaining a permanent, consistent, proactive attitude of light and transparency is important. The community forgives these mistakes when a company works consistently, productively, and openly. Because, at the end of the day, he who never says anything and never explains anything, does not make public mistakes. And most importantly, no one wants to do business with them.

23.

The Market Police: Investor Relations is a (fairly) regulated activity.

One of the things that fascinates me most about my job is that it is one of the very few spaces in which communication is regulated. Any attempt to mislead audiences is considered manipulation or market abuse. Even a market-liberal like me, a free-marketeer, can understand that codes in the business world ensure a level playing field, where the financial earthquakes that sweep the West from time to time, as a result of malpractice, are made more difficult.

Since its inception, the IR Society of the United Kingdom has been the most representative benchmark for the industry, alongside the Investor Relations Institute in the United States. That is why, when it presented its Code of Conduct in 2017, it lit a beacon to which all the world's markets looked to for a still-developing profession. The Code; a short, succinct, and straightforward document, is intended to guide the day-to-day work of the discipline's professionals in their ethical dilemmas. One of the key provisions of the Code is that IR managers must always act in good faith, with integrity, diligence, and honesty to bring confidence to the profession.

The Code states that IR managers who are found guilty of market abuse (i.e. market manipulation, insider trading, or information misuse) will be removed from the company. Which, in such a small environment, is no small thing. I know of some cases.

In the financial markets, there is a lot of talk about ethics. You would expect that to be more the province of philosophers, or high school teachers, yet it is vital. Before writing about numbers, I was a working journalist. I believe in the right to information and doing things right. Before writing about numbers and balance sheets, I covered conflicts from aircraft carriers in the middle of the Indian Ocean, interviewed the Prime Minister of Japan, and almost interviewed the dictator of Syria. Journalists step into the decorated offices where everything is decided and onto the streets where everything is paid for. Whatever the scenario, I have seen colleagues, friends, and colleagues give their all to inform the citizen. That is their ethic, even if the citizen then used the newspaper to wrap fish.

There are enough channels to do it properly, respecting disclosure and transparency standards and the rules set by the authorities. The American, European, and British ones are the strictest and clearest. These vary depending on the jurisdiction. Sometimes it is enough to send it to two news agencies or media outlets. In others, it must be done directly through the market or the regulator. And in others, the key piece is an entity called Regulatory Information Services, as mentioned above.

When it comes to ethics, IR experts should always keep in mind that they should never misuse information, nor communicate information that has not been adequately and fairly disclosed in advance to all market players. There is one case where this is more evident than ever: Price-sensitive information must be communicated to the market through regulatory announcements before reaching the media.

By sensitive information, I mean any information that, if made public, could affect the price of a share. And it is precisely that which requires the most attention. As long as the information provided by a listed company is truthful, and as long as no absurd games are played, everything will be fine.

24.

Transparency, and why Gordon Gekko was never right.

The temptation to be inconsistent always seems to be there. We all have an agenda and stakeholders breathing down our necks. The financial media employs some of the most experienced professionals worldwide, who can report in many ways on a company's position, results or earnings. Journalists and buy-side and sell-side analysts may profile a company's figures in a way that is not in the best interests of the company, or its image in the market. Like people, companies have bad moments when the stock goes down, a customer drops out, or a contract is lost. Keeping calm, temperance, and consistency in bad times will always bring the right returns.

Both financial journalists and specialists are free to analyze a company's results in their own way. Still, the narrative of a company's communications to its investors should not be changed by a single piece of negative information. Which, inevitably there is going to be, always. Or a comment on a forum from an investor who didn't get it right, or even from some clueless person. A strategy cannot be modified by what third parties say unless those third parties have a fundamental and almost controlling position. False markets should not be created, and information should not be misused.

I will never tire of explaining that transparency and objectivity in the relationship with the media and analysts is paramount. Not only because it is the ethical basis of our profession and of the managerial function that relationships are built on, but because it is the intelligent thing to do in the long run.

The great icons of capitalism of the eighties, real or fictitious, such as Gordon Gekko, were not right. That is why I believe and will always believe that when a company is listed on the stock exchange, the Corporate Communications area must be subordinate to the Investor Relations area. Some people will hate me for this opinion, and many already do, but everyone has their own principles. This is mine. I have no others. I have been a journalist and communications director for enough years to know that negative media moments are crucial to establishing close relationships with the media and counteracting that perception in the long-term. A CEO should never be afraid to give an interview, or submit to questions from minor shareholders, more prominent investors, or analysts.

Because whenever a company has a long-term strategy, things tend to work out well.

25.

The future of IR lies in total digitization.

Virtual Reality has obsessed me since I was a kid. *Someone will really invent it someday*, I remember thinking. So, I confess a guilty pleasure: I marvel at the infinite capacity to build worlds and the new kind of experiences offered by the Metaverse, ever since Neal Stephenson coined the word and Oculus made it accessible to creators, developers, and users. Palmer Luckey and Unai Extremo are two of the great geniuses of our era. History will put them in their place. Visionary geniuses, unless Oculus happens to go the same way as Betamax, or the Walkman.

In the last year and a half, in the mindst of a pandemic, I spent half of my life in virtual worlds, even holding meetings with investors within them. When establishing its narrative, the financial industry is one of the few worlds where humans and robots act on almost equal footing. Physicists and mathematicians, the so-called quants, work directly with traders generating models to automate decisions.

Today's education system – closer to the one invented by Bismarck for 19th century Prussia – is more geared to preparing executioners and soldiers who blindly follow orders, than to respond to a modern, digital society. To value our humanity, we should educate our children to make their own decisions in an ever-changing, increasingly robotic world in which machines and imperfect artificial intelligence will do much of the mechanical work and make many of the decisions.

When the international financial markets decided to put themselves in the hands of the machines, they handed over to a series of ones and zeros the keys to crises, panic attacks, and global crises. And since that was bringing them huge profits, who on earth cared. Robots should understand Asimov's three laws of robotics, but when the quants developed, in their amoral and unscrupulous world, their little machines, they skipped the first of Asimov's laws, that of "do no harm." Robots do not understand emotions, beliefs, and values. They understand ones and zeros, which is optimal, but it's a bit of a pain in the ass. It sounds very apocalyptic, as Umberto Eco would say, but robots cannot be convinced. They can only be programmed or tricked.

Robots don't really understand fundamentals, nor do they understand future strategies. As much as some major markets have taken it upon themselves to start creating rating systems, the reality is that those systems are imperfect. Humans will always be useless at trying to seduce, convince, and encourage a robot to join a tribe.

Thoughtful Investor Relations can be a way around a world where computers make the decisions they are programmed to make.

Clearly, you can strike directly at the heart of the beast. Play their game and write press releases designed to be absorbed by media bots and bounced into the feeds that investors read. You can package data, even qualitative data such as that about ESG, in a way that sucks in ratings.

Over the past five years, I have become extraordinarily effective at those dynamics, but I think they are insufficient. In the end, being an effective press officer is similar to being a good video game player. It's all patterns. I've come to realize that it's not worth it. In the long run, those patterns don't help a company achieve its fair price. Morningstar publishes a daily report looking at the hard data set and gives an investment recommendation. But that recommendation (buy, sell, overweight, hold) does not consider future factors. Only the historical, only the available data. Only factors that are not in the minds of those who are thinking about how to take their industry into tomorrow.

Depending on whom you ask, we could understand financial communication in two ways. The first, perhaps the most modern and attractive marketinian, impresses private equity funds and media alike. This is data-driven communication, launched solely to get a robotrader, or a listening or analysis system, to gobble up pieces of information without criteria. The other, more emotional, more decision-driven, and more human, is aimed at those who decide where the money is put. In the world of Investor Relations, things are still blatantly analog!

The audiences of listed companies have become very sophisticated, but so has the set of tools we professionals have at our fingertips. One measure of the success of the work of Investor Relations departments will be the growing interest of buy-side analysts in a company's shares and the number of funds invested in it.

The digital era has accelerated the way we access information, but it has also multiplied the amount of information available to the nth degree. Both for audiences who simply come across it and those who actively seek it out, as is often the case with market participants. Daniel Goldman said in his book, Focus, that information overload has reduced our attention span. Perhaps that is why we need to be increasingly bold in the way we can deliver our message to the markets. It has always seemed to me that strategic planning techniques in advertising add up when it comes to telling market stories.

However, this information is disseminated through a limited but growing number of channels. New digital channels and financial media are increasingly helpful in attracting the interest of new funds and, therefore, their buy-side analysts, even if they change daily. Even if they are Robin Hood-type apps, or Bloomberg's hyper-sophisticated screens.

Even today, I find it impressive that many listed companies, capable of spending millions of hours designing products, do not find the time to create a first-class website to convey a company's value proposition and financial health. Most analysts and fund managers make a website the port of call when initiating an investment. If I have learned anything over the years, it is that no one invests in a company that does not have an investor website. On those websites, it is critical to set aside a section to answer questions and address the needs of analysts and fund managers. That's a winning move.

At a time when any journalist receives 300 emails a day, 2,100 a week, and more than 20,000 a year, there is no choice but to use platforms such as PR Newswire or Globe Newswire to reach funds and the media.

Today there are services, and I use them, capable of sending information directly to more than 27,000 investment funds worldwide. Although it may seem impossible, such levers are essential to reach the portals of the Financial Times, Bloomberg, Marketwatch, or Seeking Alpha.

The use of technology in reporting has become best practice, and stock exchanges (LSE, Euronext, or Nasdaq) are also becoming technology companies to cater to a more demanding community that wants equal and fast access to information. Plus, it's easy.

Regulators in more mature markets have clear rules on what can and cannot be included on a page. An obscure rule, DTR 2.2, details the elements that a listed company's website must include and explains that results must be kept on that website for more than five years. Appropriate disclosure of price-sensitive information must always be made following market standards. It must be executed quickly and fairly, without delay, except in some legitimate cases. The disclosure must be made immediately after a material event has occurred and has to be communicated through a Regulatory Information Service (also known as a Primary Information Provider) to the market. In turn, the SIF will immediately distribute such information through financial media or news agencies such as Bloomberg, Thomson Reuters, or Dow Jones.

Companies are also expected to update their social media accounts to communicate information to the markets. Most large blue-chip companies have a relationship account on Twitter to interact with the investment community. Other companies broadcast their results through their YouTube or Facebook accounts, while specialized platforms such as Seeking Alpha have become relevant tools to inform the small investor community. These channels should never be used to disclose market information ahead of regulatory announcements per the market's rules. In my experience, regulatory announcements sent to the market generate an immediate reaction when a stock has a certain level of liquidity.

Any Urgent or High-Level regulatory announcement, especially regarding new business for a corporation, is accompanied (following proper procedures) by a press release to the financial media, which helps a stock grow toward its fair price as defined by analysts. The London Stock Exchange uses the Regulatory News Service to provide that service. Today's market reality demands immediate information and this, of course, has to be digital.

New digital technologies have enabled IR teams to be more successful than expected in targeting new investors or meeting fund demands in real-time. When used in the service of relationship efforts, the right technologies allow actions to be robust and management to be better understood and heard. It would seem strange that companies are not using their digital capabilities to accurately report results and expectations in a world where technology stocks are among the best performers globally.

The profession takes many things seriously, but not its need and opportunity to take the digital world by storm. More so, considering that it lives in a world where audiences are permanently hooked to information flows.

IR is a consequence of the market's obsession with progress. And always looking to the future must be an obsession of all teams that manage listed companies and talk to shareholders. Even if the meaning of life, the universe, and everything is, paradoxically, 42.

26.

The (necessary) obsession with sustainability.

At this point in the 21st century, listed companies that want to have a future need good practices. Beyond financial statements, balance sheets, and income statements, the 21st century demands Corporate Governance and Sustainability reports. ESG reporting, as they like to call it nowadays. Nothing is more cumbersome and laborious, but nothing is more valuable in the long-term. We are going through a historic moment, after 150 years of sometimes savage industrialization, when companies are expected to put people and the planet before profits.

I try to explain to my son Alen the tipping point we are at as a species. The world matters. I've lived a lot and seen a lot in a lot of places. Once, in the State of Mexicom I shared time and tobacco with the chief of one of the indigenous peoples, a tlatoani, in his temple. There, he explained to me, while drinking one of those pulques that make you go blind, how the river from which their trout were extracted was dying. That, for the first time since the industrial revolution, matters.

A good example is the problems facing cryptocurrencies today, beyond regulatory issues, the impact on the planet. No one in the long-term wants to bet on something that will destroy us all.

Someone very close to me has been working on environmental criteria for three decades. Most of that time, I've seen them preaching in the wilderness, but today, the factors of governance, sustainability, how the planet is affected, and who lives on it, are starting to matter. Indeed, we risk some trying to turn it into a gimmick, but I could name three or four fund managers who genuinely want to use their influence to improve the planet. They put pressure on companies to be more respectful and more transparent. So, today, a not unimportant part of the work of IR advisors goes beyond generating a good story about what you do, it's already about influencing what you do to win the investment community's support.

Decision-making factors are becoming broader and broader. The context for companies to communicate more than just numbers could not be more favorable. In recent years, markets, companies, and experts have developed many models to analyze whether or not a company is genuinely respectful of the world it lives in, or the community it is supposed to serve. Corporate governance metrics are observed as part of a real investment trend. In ESG investing, apart from environmental and social aspects, governance is the pillar institutional investors look at and about which companies might want to communicate.

The Clarity digital platform, for example, is a very sophisticated software that analyzes more than 200 metrics related to companies' ESG performance, many of which relate to corporate governance.

But so do the Nasdaq, the London Stock Exchange, and several European companies. I like to repeat the case of Norges Bank, which controls the Norwegian Sovereign Wealth Fund, and which merits a book in itself. Norges is widely known for investing based on ESG factors; many of them are related to the planet's future. Others are related to how companies do business regarding transparency and accountability.

If you want me to put my money on you, they say, start doing good things for the planet.

27.

Outro: To the CEOs with guts who have made it this far.

I want those CEOs, CFOs, and colleagues taking the time to read these lines to understand that this text is not a relationship manual. I believe in processes and have my own, but that is unimportant. What the discipline needs are Boards of Directors that bet and push for transparency in communication. Every discipline needs a champion, a driving force, a patron. Someone who marks a before and an after. Visionaries. And those visionaries are not us, the professionals of the discipline, but the CEOs and entrepreneurs with guts. They are the ones who, if they take the path I propose, will end up being vindicated, defended by investors large and small. They will see their position in the market, media, and life strengthened.

It is these titans that I want to convince with two fundamental premises. The first is material: If a company communicates directly with the archetypal principles of the market, its stock market value will eventually rise, as will the value of its treasury stock. But beyond this material function, this vision has a moral function. Communicating consistently, transparently, in the face of shareholders' wishes, fears and dreams is a responsibility. Having an IR structure, correctly addressing the economic world, and following the rules, is the right thing to do.

Businesses generate wealth, make fortunes and provide employment, but beyond that, they are the engine of the technical evolution of humankind. There would have been no steamship or transoceanic traffic without Walpole's financiers, nor power plants without Edison. But both needed to explain to the media what they were doing.

The world is a strange, changing world, and, as the late Alvin Toffler said, we are all afraid of the shock of the future. Companies fear going too fast, shareholders fear falling into a pit if they pick the wrong horse. Each company's responsibility is to tell how it generates value or destruction and how the world will improve because of its work without sensationalism, with honesty.

The rewards are enormous. When a company increases its stock market value, it has more access to cheap capital, better employees and customers, new investors, and more and better opportunities. And major shareholders have a greater chance of increasing their fortunes, which is no small thing, even if it bothers the statue of Marx and Engels in Berlin.

Be transparent, organized, and consistent in communicating with shareholders, and investment funds will bet on you. It's that simple. People fall in love with the stories behind the numbers, not just the numbers. The business world is divided into publicly traded companies and unlisted companies. And among the listed companies are those that communicate with the markets and those that do not. The latter, no one knows them, or trusts them. They are irrelevant or live in revolutions and roller coasters, which eventually end in deflagration or disappearance.

Communication bodies are like a mountain of snow. It grows when it snows but melts when it stands still. A company with an up-to-date communication strategy will always have a better reputation than one that does not communicate. It will be worth more, and more people will trust them. And in you, the people who run them.

Communicating is key. From Lee Iacocca in the days of Chrysler Corporation to Elon Musk in the current days of Space X, being present allows a CEO to communicate a vision. Good or bad, it's theirs. Companies with a vision are always able to find space in the expensive space of the newspaper pages.

A company with excellent and healthy relations will always have excellent relations with the media. It has to do with the company's culture, but it also has to do with the fact that companies with good Investor Relations have an excellent reputation. I will always advocate running as sophisticated an investor campaign as possible.

With clear, ambitious objectives, well-defined lists of the players who move the minds and consciences of investors, and defined tactics, from a press release, or a virtual meeting, to robot-oriented communication, where everything is thought through and well thought out. Public Relations experts of the last century, from the founder of this discipline, Edward Bernays, to Al Ries, believed that messages to the media should be communicated directly and straightforwardly. An authentic, fair, and transparent way that readers would understand. That maxim remains as true today as ever.

I started in this business for the sheer love of numbers. Somewhere along the way, you begin to identify patterns and tell stories through those patterns. How many bricks are in a cathedral? How many kilometers are between London and Almaty? How many people live in Mexico City? How many words are in that John Le Carré book I crammed in on a 13-hour flight between Amsterdam and Manila?

I started in this business because I was passionate about telling the stories behind the numbers. And the stories behind the numbers still excite me. Ever since Agencia EFE put me in charge of the Hong Kong office 18 years ago and I first stepped onto the empty trading floor of the most fundamental stock exchange in the Far East, I have not been able to stop looking back.

Behind every stock price, every balance sheet, every stock chart, there is a story. A story of success, overcoming obstacles, the brave and slightly crazed pioneers who bet on building the railroad, the visionary who decided that a camera could develop in real-time, that a car could drive itself, or a cure to treat malaria. Numbers, balance sheets, and share prices can tell those stories when someone with enough talent makes an effort to tell them.

Robert Shiller, whom you have already heard me quote several times on these pages, wrote that "when we sleep at night, narratives appear to us in the form of dreams. We do not dream with equations or geometrical figures, but they have human elements". Or, as the eleventh Doctor Who said, "we are all stories, in the end, just make it a good one, eh".

That vocation, to tell the world the stories behind the numbers and to help companies grow because of them - investors and retailers - is the mission I look forward to every time I start working with one of you.

Our job together - yours and ours - is to build and distribute solid stories behind the companies that build the world and present investors with the fundamentals behind companies.

My vision is that, through this work, the shares of listed companies reach the levels they deserve. That companies seeking funding see their projects and strategies become viable. And that funds add more and more people to their understanding of the world and the economy. We must work together to raise the reputation of those who create something worthwhile because reputation is the key to transcending the markets.

Today, many people behind companies listed on four continents are not only my clients, they are my friends. For years, I have wanted to know the market and understand how investors think. How the transfer of authority is executed, and how knowledge, recognition, and trust are triggered. Because behind the numbers and the quotes, there are people. And there are stories that, with the right ingredients, become stories worth telling.

We must focus on telling the stories behind the numbers must always look to the future, keeping in mind the rules of the game and regulatory requirements, and with the conviction that the free market works to its benefit when things are done right.

In a world of interests, fake news, and robotraders, we must work honestly, putting the human factor at the forefront of our recommendations and decisions. Every time a company goes public, when it publishes documents certifying its commitment to the planet, or defends its reputation and the rights of investors, markets, and the economy improves.

Rudyard Kipling once said: “When history is told in the form of stories, it is never forgotten”. Let’s make sure that your investment stories are never forgotten.

About Ramon Pedrosa-Lopez

Ramon Pedrosa Lopez is a specialist in investor relations and financial communications. He is the CEO and founder of Pedrosa, a company based in London - and with teams in Almaty, Madrid, Vancouver, and Hong Kong - whose objective is to define and execute IR strategies for Eurozone and Central Asian companies, seeking access to the U.S. financial markets.

Pedrosa is the only European Investor Relations company accredited as a market member by OTC Markets, one of the fastest-growing markets in the world. It is also a partner of Euronext and BIVA in Mexico.

Before founding Pedrosa, he was general manager of several media companies, foreign correspondent, and financial markets editor in China, when the country was growing at double digits. He worked as a journalist for Agencia EFE, the first Spanish-language media company in the world, as head of the Hong Kong and Kuala Lumpur offices. He was stationed in Tokyo, London, Jakarta, Seoul, and Mexico City, was present on the island of Sumatra, the first time Japan deployed troops since World War II, and flew over the Indian Ocean in a combat helicopter.

As a columnist, his articles have been published in the International Herald Tribune, the New York Times, Forbes, Times of Malta, Russia Beyond the Headlines, El País, and La Nación de Buenos Aires.

He trained as an IR expert at the Investor Relations Society in the United Kingdom. He is the ninth and the only non-British professional to have achieved his Diploma in Relations, its highest accreditation. He also holds the Certificate in Investor Relations from the same institution and the Advanced Investor Relations Course from Instituto BME, the Madrid Stock Exchange.

He studied for his Master's degree in Regional Integration at the University of Malaya in Kuala Lumpur and the Universidad Autónoma de Madrid. He holds a degree in Information Sciences from the

Universidad Cardenal-Herrera CEU in Spain, with periods at the University of Westminster in London and the University of Nancy II in France.

He has lived in some fifteen countries, in cities such as London, Valletta, Jakarta, and Hong Kong, where he was interim president of the Foreign Correspondents Club. He is deeply proud to hold Spanish and Mexican passports by naturalization and to be the father of his daughter Aitana.

Today, he flies every two months between Europe and Almaty, Kazakhstan, where his company operates in Central Asian markets.

He learned everything he knows about space-time from the twelfth Doctor Who, and still thinks Amy Winehouse is the greatest voice of all time. But that's for another book...

"Ramon Pedrosa's book offers a refreshing and thought-provoking perspective on the power of Investor Relations in the competition for capital. In addition to its expertise, the author's battle-tested and yet quick-witted voice makes reading this book both enjoyable and informative. Even the most skeptical senior executives and directors will be convinced by Pedrosa's perfectly clear argument that Investor Relations is a strategic value-driver that simply cannot be ignored."

- Anne Guimard

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