Radnor View

It’s murder on the dance floor

(So, you’d better not kill the groove…)

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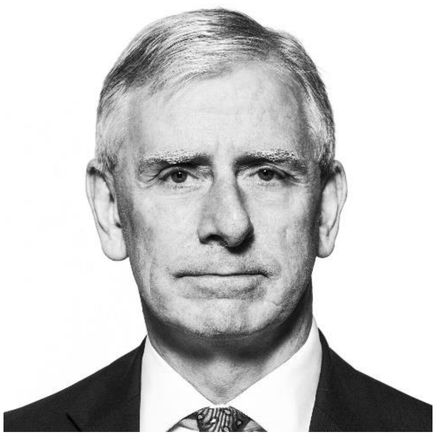

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After 25 years as a fund manager investing in UK Smaller Companies at Legal & General, it felt right to explore a new perspective on the markets, so I joined Radnor Capital Partners, the specialist capital markets and investor relations advisory business. It has now been a year since my arrival and feels an appropriate moment to reflect and think on the past year and where markets now sit.

As for much of my life, I arrived just as the party in the markets was finishing. Capital markets had been rampant in 2021 but war in Ukraine, on top of an inflation rate of over 5% at the start of 2022, meant that the metaphorical punchbowl had already been drained and the party was over. What has followed has been a “tricky” market for many, not least for Small and Mid-cap companies.

Twelve months later the party has been forgotten and replaced by a sustained period of navel gazing. Opening the FT, browsing the web or listening to industry commentators, there is a torrent of news around how London is failing as a capital market. Whether it be the attitude of regulators, governments, asset owners, or asset managers, there is a ground swell of opinion that the UK market is not as it once was and is not fulfilling its role.

This cycle of boom and bust is not new, but there has been a long term, gentle decline in the number of companies listed on the UK stockmarket. It is possible to identify numerous events and regulations that have negatively impacted this and we will all have our favourite scapegoats. It is much more difficult though to identify those events and regulations that have positively impacted markets. The last of these would appear to have happened with Big Bang and the “tell Sid” privatisation revolution.

What is clear is that there is no silver bullet to these issues. The solutions are almost certainly multi layered and many will take time to work. Market participants, regulators and government all need to shoulder some of the responsibility and work to continuously improve the situation.

Against this backdrop, here at Radnor, we are playing our part. We are helping clients, at least at a micro level, push back against these trends. **It is more important than ever** that quoted companies recognise that they are in a fight for capital with every other company. Moreover, the playing field is now increasingly global in nature. There is no right to capital or investor interest. As such companies need to ensure that they have on their best glad rags, get on the dance floor and sell themselves well to interested investors. It of course helps to know who those investors are; what type of fund or mandate they run; whether they interested in investing in a certain type of company; and how much money they manage.

Having identified the right investor are they getting the right message across? Companies and management teams know their strategies, how to execute and how to maximise returns. So, it is vital that they translate this into a message that both chimes with and can be clearly understood by the target audience. The message and equity story needs to be clear and consistent across all their communications, RNS, presentation, website, Report and Accounts etc. They also need to be consistent over time in what the management team wish to be measured against – the same objectives with the same KPIs.

Finally, honest investor feedback is critical for management. Of course, you cannot keep all investors happy all of the time but understanding why the story is not landing or why investors are not interested helps challenge management both around the message and, sometimes, around the strategy itself. The bland "too expensive", "not enough growth" "too illiquid", frequently masks a series of much subtler tones that the fund manager will only share with intermediaries trusted not to divulge that information beyond its intended recipient – management.

As part of the Radnor team, I am helping our clients navigate through this maze, attracting the necessary shareholders and capital, and ensuring they thrive both in this environment and those to come. After being propositioned for all those years as a fund manager, who would have thought I would end up advising companies on the art of courtship.

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