

INVESTOR RELATIONS

INSIGHT



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Bridging the Gap Between Companies and Capital



In our 17th issue of IR Insight, we speak with Jason Paltrowitz, Founder and Principal of Crossbridge Advisors, to explore the realities of attracting long-term capital in today's global markets. From the challenges of cross-border investment and declining research coverage to the misconceptions surrounding U.S. listings and valuation premiums, Jason offers a candid view of what makes companies truly investable. He also shares practical insights on how boards and investor relations teams can reduce barriers to ownership, strengthen investor engagement, and position their companies for long-term success in the public markets.

What are the biggest strategic mistakes boards make when thinking about public markets today?

The biggest mistake is thinking the IPO or the market on which you IPO is the most important consideration or is in and of itself a strategy. Boards can spend months discussing where to list and very little time asking who should own their shares, why those investors would buy them and what might prevent them from doing so. Often the financial incentives of advisors might not align with the long term interests of the company so decisions are made without adequate discussion, planning or forethought.

I also think boards confuse completing a transaction with building a successful public company. They budget for the listing but underestimate the

ongoing work around research, disclosure, investor engagement and trading access. The strategy should explain how being public supports the business and how investors will participate in its growth.

What separates companies that attract long-term capital from those that remain undervalued and overlooked?

The companies that do this well make themselves easy to understand, credible to evaluate, practical to own and, possibly of greatest importance, consistent in their delivery. They explain how the business makes money, how management allocates capital and what shareholders should reasonably expect. Then they build trust by delivering against those expectations and being candid when things change.

They also understand which investors fit their business. A smaller industrial company should not spend all its time chasing funds that cannot realistically own its shares. Success requires matching the opportunity to the right audience and maintaining that relationship over time. As the business grows/changes those audiences and opportunities might change – it is incumbent on the board, the management team and the IR team to, in parallel, consistently be realigning efforts against those shifts. And boards need to be willing to ask whether a valuation discount reflects poor visibility or legitimate concerns about performance, governance or strategy.

How much truth is there in the belief that a U.S. listing leads to a higher valuation?

There can be truth in it – but in my experience for foreign private issuers, it is rare. Furthermore, the significant increased expense (cost, time, risk) in achieving a US listing, can very quickly nullify any upside impact. But any benefit are conditional. A U.S. listing can make sense where there is a relevant investor base, strong sector expertise and a clear business reason for being there. What concerns me is treating the valuation of large American companies as evidence that an international company will receive the same treatment simply by changing its trading venue.

The company still needs to earn investor attention, establish credibility and support a functioning market in its shares. It also needs to weigh the ongoing costs and obligations against realistic benefits. As an example, many foreign US listed companies are still viewed as non-US. This impacts valuation, index inclusion, potential ownership, etc. The first question should be which U.S. investors the company wants to reach. They can then assess whether a full listing, a depositary receipt program, a direct OTC listing, or better access to the existing market is the right route.

How has the relationship between issuers and investors changed over the last two decades?

From my perspective, issuers have more ways to reach investors directly, but they also have to take more responsibility for that relationship. You cannot assume that an exchange, a bank or a research analyst will consistently explain your business to the market for you. Furthermore, regulation has significantly impacted the research industry and technology has made it more difficult to be confident in the accuracy of everything published.

Working across depositary receipts, custody and issuer services taught me that communication and infrastructure are closely connected. An investor can understand the opportunity and still struggle to act on it. Equally, perfectly functioning trading access does very little if nobody understands why they should own the company. The issuer needs to pay attention to both, even when third parties operate much of the infrastructure.

What does it take for an international company to become investable and relevant to U.S. institutional investors?

First, it needs to fit the investor's mandate. "U.S. institutional investors" is an enormous category, covering funds with very different size, liquidity, geography and ownership requirements. A company may be an excellent investment and still be unsuitable for a particular institution.

Then it needs to pass both an investment test and an operational test. Investors need a compelling business case, credible governance and information they can compare with other opportunities. They also need confidence that they can build a meaningful position, hold it through their existing arrangements and eventually sell it, a presentation alone cannot resolve a custody restriction or insufficient available shares.

What should best-in-class IR teams be doing differently today?

The strongest IR teams should help management understand how investors make decisions and where the company is losing their interest or confidence. That means moving beyond counting meetings and examining what those meetings reveal. Are investors questioning the strategy, struggling with the financial disclosures or finding the stock too difficult to trade?

IR also needs a stronger connection to the board, finance team and operational providers supporting the shares. It cannot be held solely responsible for valuation or liquidity when the underlying issues may involve capital allocation, concentrated ownership or market access. I would measure IR on the quality of investor targeting, understanding and feedback, alongside progress in addressing identifiable barriers to ownership.

Has passive investing and declining research coverage made it harder for companies to tell their story?

For companies outside the main areas of investor attention, I think the challenge is greater. A passive fund generally buys according to its mandate and index rules, so a better investor presentation is not going to change that decision. Companies need to understand where active investment decisions are still being made and how to reach those investors.

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“A company can be available to trade and still be almost invisible to investors”

What is interesting is that in the last couple of years, I think there has been a slight rebound in active investing. This represents a unique opportunity for companies and IR teams to re-evaluate, what for many had been, a defeatist attitude.

Research matters because it gives investors a basis for evaluating the business, its competitors and its risks. My work with European Equity Research Partners reflects that belief. But research needs analytical independence, clear disclosure and effective distribution to be useful. Publishing a report is only the beginning. The information needs to reach the systems and channels investors actually use, and the analysis needs to remain current as the business develops.

What can leaders do today to make their stock more investable without changing the underlying business?

Start by looking at the company through the eyes of an investor who has never heard of it. Can that person find current financial information, understand the ownership structure, compare performance over time and identify how to buy the shares? For an international investor, are the materials available in clear English, and are trading and custody arrangements understandable?

Then ask existing shareholders, prospective investors and brokers where the obstacles are. The answers may point to inconsistent data, limited research, confusing disclosures, wide trading spreads or difficulties accessing the shares. Some improvements are straightforward, while others require coordination with market participants. None guarantees a higher valuation, but each can reduce avoidable friction between interest in the business and investment in it.

How do you expect cross-border investment and liquidity to evolve over the next five years?

I expect information to travel more easily across borders, while the practical barriers to ownership will come down unevenly. Technology can improve discovery and processing, but differences in custody, tax, currency and market rules still require institutions to work together. I am more interested in solutions that make an actual investment easier than announcements about new trading platforms. For 30 years, people have predicted

Global Shares. Exchanges were going to consolidate to the point that there would be regional Hubs for trading. None of those things have come to complete fruition. There is still a tremendous amount of friction in the clearing, settling, taxing, etc of securities around the world and, as it relates to exchanges, rather than a hub system, I think we are seeing more of a network model. This requires companies to understand those impacts when looking at liquidity, cross-listing, etc.

I also expect companies and exchanges to face greater pressure to demonstrate what happens after a listing. The important questions will include whether investors can access the market reliably, whether intermediaries have a commercial reason to support it and whether trading interest can be sustained.

What view have you changed your mind about during your career?

Earlier in my career, I probably gave more weight to the idea that opening access to a market would naturally bring investors with it. When you work on the mechanisms that connect markets, it is easy to see removing those barriers as the decisive step.

I still believe access matters, but I have learned that it needs to be supported by understanding, trust and a reason to act. A company can be available to trade and still be almost invisible to investors. That is central to the Crossbridge approach. We look at everything that needs to work between an investor first discovering a company and becoming a committed shareholder.

Meet the expert

Jason Paltrowitz is Founder and Principal of Crossbridge Advisors, an independent strategic advisory firm helping companies and exchanges improve international investor access, liquidity, and visibility. He is also a Principal of European Equity Research Partners (EERP), which provides issuer-sponsored equity research. He also serves as a NED and Advisory Board Member for several companies.

Previously, Jason served as a NED and then as Executive Vice President at OTC Markets Group, where he built and led its global Corporate Services business. He also held senior leadership roles at J.P. Morgan and led the Global Capital Markets team within BNY Mellon's depositary receipts business. An experienced public speaker and media commentator, Jason speaks at international conferences and appears on outlets including Bloomberg Asharq. His commentary focuses on global capital markets, cross-border investing and the practical challenges of connecting companies with investors.



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