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CFO JOURNAL

Companies Zoom In on Small Shareholders Amid Retail Trading Frenzy

'We want to let them ask us anything,' a CFO of an online car-parts seller said of its individual investors



Chip maker Qualcomm uses Twitter to share its results, using the social-media platform as a way to reach small shareholders.

PHOTO: ALY SONG/REUTERS

By [Nina Trentmann](#)

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The recent surge of small investors into some companies' stocks is pushing investor relations departments to seek ways of engaging with their new shareholders.

Shares of videogame retailer [GameStop Corp.](#), movie-theater chain [AMC Entertainment Holdings Inc.](#) and other companies skyrocketed in late January when individual investors bought their stocks in a social-media-fueled frenzy. Certain companies, including AMC, [took advantage of the surge](#) in demand for their stock and sold new shares and cut their debt loads.

Since then, many individual investors have sold their shares, often at a loss, though GameStop and stocks of some other companies saw a resurgence last week. Regulators

are looking into what caused the frenzy in January and whether market participants played by the rules. It is unclear whether major policy changes are on the horizon.

The retail mania is prompting companies to get a better understanding of their shareholders and how they can connect with them. They are reaching out to individual investors through special events, podcasts, social-media channels and charts, while also keeping the lines of communication open for institutional investors.

AMC and GameStop didn't respond to a request for comment.

CarParts.com Inc., a Torrance, Calif.-based auto-parts seller, in late January saw its stock price rise more than 53%. The shares rose further in early February before giving up some of the gains, and were trading at \$18.05 on Friday, up from below \$13 before the rally. The company, which is largely owned by institutions, plans to host a separate event for small investors in the spring, Chief Operating and Financial Officer David Meniane said.



David Meniane, operating and finance chief at CarParts.com.

PHOTO: CARPARTS.COM

“We want to let them ask us anything,” Mr. Meniane said, adding that retail investors weren't seen as a group that could move the stock market until recently. “That has changed, and it is great,” Mr. Meniane said. CarParts.com wants to be approachable for all investors, he said.

Kimberly Esterkin, an investor relations professional, said she is advising her clients to engage with retail shareholders. “You’ve got to be willing to take their questions; you’ve got to be responsive,” she said, especially since they often are investing their own funds.

For some of her clients, as much as 50% of daily trading volume is driven by individual investors, said Ms. Esterkin, a managing director at Addo Investor Relations, a strategic communications and advisory firm in Los Angeles. “I have been noticing this surge since last March,” Ms. Esterkin said, adding that work from home during the pandemic and commission-free trading platforms have added to the demand for stocks.

OTC Markets Group Inc., an operator of stock-trading platforms that largely caters to trading in small and midsize companies, said it is adapting to growing interest from individual investors.

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PREVIEW

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Share-trading volumes on OTC Markets’ platforms were up more than fourfold in January from the same period last year, according to Jason Paltrowitz, executive vice president for corporate services at the company. In February, the volume of traded shares surged to 1.58 trillion, up from 86.49 billion during the same month last year, OTC Markets said.

“We have seen significant increases in participation from retail investors, but also more outreach from companies,” Mr. Paltrowitz said. The market operator is offering companies the chance to participate in video and podcast series as well as virtual conferences for investors.

Individual investors sometimes can be less knowledgeable about a company or the perils of the stock market in general, investor relations experts said, making it necessary for their clients to provide educational materials and adjust marketing strategies to speak to these groups.

Many of these new investors rely on recommendations from people in their social or online networks and follow finance and investing sites like Seeking Alpha, Investing.com or NerdWallet.

“We are building influencer strategies, working selectively with some of these influencers to inform and educate the growing pool of capital represented by retail investors,” said Rachel Carroll, president and managing partner at Edison Group, an investor relations company.



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Akash Palkhiwala, chief financial officer of Qualcomm.

PHOTO: QUALCOMM INC.

VIQ Solutions Inc., a provider of audio- and video-capturing services whose shares trade on one of OTC Markets' platforms, in recent years has focused on providing easily understandable investor handouts and instructing small shareholders where to find them.

“Retail investors like to write about their experience with a company in their networks or on social media,” said Sebastien Pare, VIQ’s chief executive.

Mr. Pare said he has noticed shorter holding periods of his company’s stock in recent months among small investors. “There is an early flip once a little profit has been made,” he said. VIQ’s shareholder base is split half and half between retail and institutional investors, according to Mr. Pare.

Even CFOs at big companies whose shares are mostly held by institutions recognize that shareholder interactions are changing. Akash Palkhiwala, the finance chief of chip maker [Qualcomm Inc.](#), said the company is communicating actively with its shareholders.

“Social media is another way to get to retail investors,” in addition to conventional means of investor communications like earnings events and press coverage, Mr. Palkhiwala said. Qualcomm, for example, is using Twitter to share its results with followers. “Hopefully that gives us some more exposure to them,” he added.

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