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magazine

THE GLOBAL VOICE OF
INVESTOR RELATIONS

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285
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Big Pharma to the rescue

As the world waits for a Covid-19 vaccine, IR is under the spotlight

COVID-19
CORONAVIRUS
VACCINE

COVID-19
CORONAVIRUS
VACCINE

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IR Magazine's Global
Roadshow Report 2020*

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Regulation
The uncertain future of Mifid II

Technology
Navigating Covid-19 cyber-crime

Trading
How the US trading landscape is changing

Editor's note

Reasons to be cheerful



Everyone wakes up every morning to a world that must keep turning. And because the world can't stop, neither can we. Because the things we make help make the world go round. So with every turn, **we'll keep building a world that works.**

Building a world that works

Reasons to be cheerful

Goodbye to 2020

It's been a tough year but, as it draws to a close and we all pile into holiday parties on Zoom, it's time to look ahead to next year. And that brings a number of reasons to be cheerful.

All reasonable people hope that at some point in 2021 we will have some form of functional Covid-19 vaccine that will be safe, mass-produced and widely distributed at low cost. That's certainly the focus of the world's leading pharmaceutical companies, which have been working tirelessly to break records for the speed at which such an essential treatment can be developed, tested and distributed. And for the IR professionals at these



companies, the fundamentals of investor relations – transparency, frequent communication, availability to the investment community – are probably more acute than ever before. One piece of inaccurate news about a vaccine can lead to massive trading spikes, and managing the message is an important task, as Garnet Roach reports in our [cover feature](#).

For many European small-cap issuers, the prospect of a Covid-19 treatment isn't the only reason to feel cheerful. In more traditional capital markets news, European regulators are assessing [the impact Mifid II has had on small and micro-cap firms](#) and – as Tim Human writes – that calls into question the future of the legislation that upended many aspects of sell-side corporate access and research.

In the US, the capital markets observers that have concerned themselves with what they deem to be

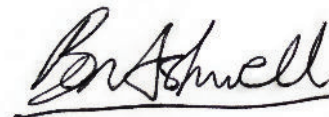
excessive short-termism are celebrating the launch of a number of different stock exchanges and trading venues – including the Long-Term Stock Exchange and EQX, both of which will attempt to incentivize long-termism by both issuers and investors. In this issue we profile the [new entrants to the trading landscape in our North America regional focus](#).

Speaking of celebrating, *IR Magazine* was delighted to host its awards for the US, Europe and Canada in the last few months. I personally found these virtual events to be engaging, fun and uplifting. In this issue, we profile many of the [winners from around the world in a series of video interviews](#).

And if that isn't enough reasons to be cheerful, perhaps it's also time to take stock of what we've lived through this year. I'll admit there were times in March and April when the world felt oppressively bleak. I'm eternally

grateful to our many friends, family members, partners and readers who have supported us, kept us on an even keel and helped us stay sane. I'll be toasting you with a glass of mulled wine this holiday season.

As ever, please do get in touch with questions, comments or suggestions, and I hope we can get together in person again in the New Year!



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Careers

Money talks





Your IR partner in
a world of change.

Careers

Money talks

Why doesn't IR command a higher salary? *Garnet Roach investigates*

IR professionals are out on the road – physically or virtually – they market to new investors and maintain the shareholder base with hundreds of investor meetings a year. They are the eyes and ears of the C-suite on the Street and an essential element of defense should an activist shareholder or short-seller show up on the register. So why don't IR roles command a higher salary?

This conversation might be less about salary and compensation and more about proving the *value* of IR – but

where IR is valued, it is often better compensated (budgets allowing).

So what are IR professionals earning? According to the *IR Magazine Global IR Salary & Careers Report 2020*, the global median salary range for IR heads is \$150,000-\$199,999 and \$75,000-\$99,999 for IR officers. But that has remained unchanged since 2017 and there are a number of variants behind the median.

Larger market-cap companies tend to offer higher salaries, for example, and

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“ If you want to be highly compensated, you have to be viewed as a senior business executive leader in the organization as much as you are an IR officer ”

IR professionals in North America are paid the most globally: 41 percent of IR heads in the region take home between \$250,000 and \$349,000 before a bonus, and 39 percent of IROs fall into the \$150,000-\$199,999 pay bracket.

Those in Asia are paid significantly less: 55 percent of IR heads there take home \$100,000-\$149,000, while 58 percent of the region's IR officers have a salary of less than \$50,000.

‘There are a number of different factors that affect compensation,’ explains Smooch Repovich Reynolds,

managing partner at ZRG Partners, with length of time in the role, career path into IR and any additional responsibilities all playing a part. But investor relations isn't something people specifically train for.

‘This profession is still a combination of many different backgrounds,’ explains Repovich Reynolds. ‘People don't go to college or university and say, *I want to study IR*. They fall into it at some point in their career.’

This doesn't go unnoticed by management and is something Steve

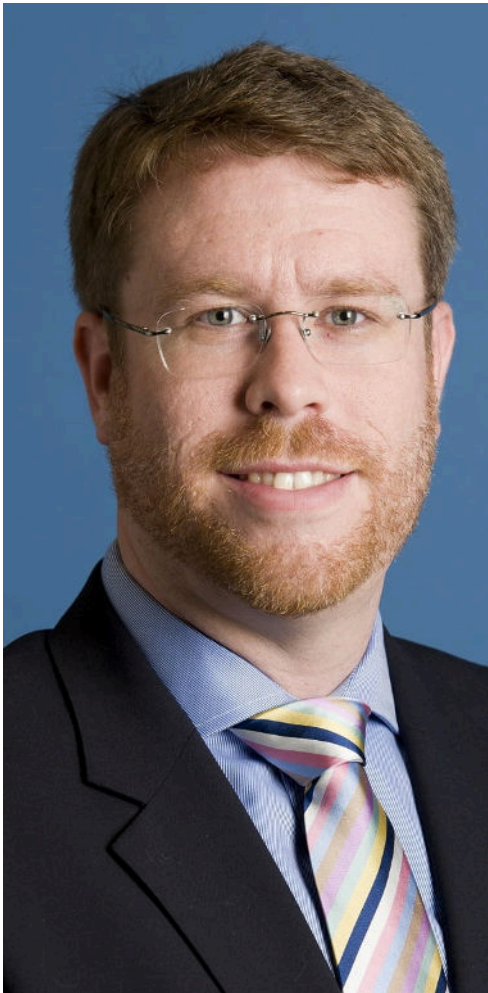
Rubis, a former sell-sider turned IR professional, says can limit compensation. ‘Many executives view IR as a utility position,’ he notes. ‘Many companies see it as rotational, a training ground for a higher-level finance job. But viewing IR as rotational limits its perceived value as a value-add contributor to the C-suite.’

He adds that at some firms, the value of IR is recognized only once an activist or short-seller shows up in the stock: ‘The definition of good investor relations can be more subjective than one might realize.’

A young profession

Aside from the personal specifics of an IRO's career path or the company he or she works for, Repovich Reynolds also notes the youthfulness of IR as a profession. ‘If you think about a chief general counsel, for example, that profession has been around for more than 100 years,’ she says. ‘IR – as a formal, bona fide profession – has been around for just 35 years.’

But while IR's relative newness might impact compensation today, it also means the role is still evolving: from one that was closer to PR and



Steve Rubis, former sell-sider turned IR professional

communications to one focused on finance and now moving toward a greater focus on strategy. What this means in turn is that compensation is also evolving.

IR professionals need to think outside of IR, says Repovich Reynolds. 'It's human nature to check off a list, right?' she says. *'I have 10 responsibilities and if I do those 10 responsibilities then I should either be promoted or get paid more.* But what people miss is that if you want to be highly compensated, you have to be viewed as a senior business executive leader in the organization as much as you are an IR officer.'

So how do you do this? Adding new areas of expertise and responsibility is the route many are taking, adding finance, treasury, ESG, strategy or corporate responsibility to the IR role. 'When you bundle areas of responsibility, it drives compensation

up,' says Repovich Reynolds. In fact, the *IR Magazine Salary & Careers Report 2020* shows that 70 percent of investor relations professionals also hold non-IR responsibilities. Corporate communications is the most common additional duty at 36 percent, but just under a quarter have responsibility for corporate strategy as well as IR.

The value of IR

You want to highlight the work you're doing, says Rubis, advising IR professionals to build and track their own departmental statistics.

'If you can track what you're doing, then you know how much you're interacting with the sell side and the buy side,' he says. But you also need to let others know – and he advises those in IR to look at what the corporate governance team is doing.

'In the proxy filings, the corporate governance team highlights the

percentage of investors it met with during proxy season,' he points out. 'The IR team should be pushing to do the same – IR should be saying, *Look at our program: we had this many investor meetings and met with X percent of the shareholder base throughout the year.* IR should be showing off those numbers and fighting for that information to be in the proxy.'

The way IR is viewed – and compensated – varies from company to company, of course. One of the things Rubis says surprised him when he made the transition into IR was 'the amount of prep work involved', and he believes companies where that preparation and detail is appreciated will place a premium on IR. 'There are organizations that value prep and process very much. Those companies are likely to pay more,' he says.

Then there's the sector influence. Repovich Reynolds notes that biotech/

life sciences (where IR professionals are expected to have either an MD degree or a PhD in the sciences) and financial services (specifically roles in asset management) command higher



Smooch Repovich Reynolds, ZRG Partners

compensation. What you did before IR – studying for a pharmaceuticals PhD, for example – can have a big influence on your career path, which is where sell-side comparisons might come up.

The sell-side influence

When *IR Magazine* looked at career paths for the *Global IR Salary & Careers Report 2020*, it found that ‘there is little difference between IR heads and IROs with regards to coming from a corporate or capital markets background. The main differences lie in more IROs coming from corporate finance and more IR heads having previously worked on the sell side.’

So perhaps the idea that IR is somewhat under-compensated comes from the fact that it is a sometime career path for former sell-siders – who are more likely to take an IR head position and who bring with them the glow of potential wealth.

There’s a lot more to it than money, however: compensation simply isn’t the real driver behind a career in investor relations. Rubis says he has found the work-life balance to be far more attractive in IR than on the sell side, with tenure rather than sometimes short-lived merit helping to build compensation over time instead of the rush for wealth seen on the sell side.

It is also increasingly about cultural fit, something Repovich Reynolds describes as having become a real priority. ‘There has been a dramatic increase in the last five years of candidates wanting to ensure that the cultural fit and alignment with the CEO, CFO and management team are as close to perfect as possible,’ she says.

‘If the cultural fit is right and the person brings the right experience, I have to tell you that compensation will work itself out.’

A portrait of a middle-aged man with short, light brown hair, wearing a dark blue suit jacket over a white collared shirt. He is looking directly at the camera with a slight smile. The background is a blurred office interior with large windows and bright lights.

Careers

Six-month review



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Careers

Six month-review

David Lloyd-Seed, director of IR and external communications, GVC Group

David Lloyd-Seed has served in senior IR roles at O2, Severn Trent and Dixons Retail. He has also worked for communications advisory firms and was chairman of the UK's IR Society. He began his career in corporate broking

Six months into your new position, what has the job been like?

It's been quite a whirlwind: I started on March 2, we had full-year results on March 5, followed by a UK and US roadshow – in the middle of which we

all got sent home. It's at times like this that IR really comes to the fore and is very much in the spotlight internally as well as externally, so it's been a really interesting challenge.

We've had quite a bit of comms to manage, helping investors understand the impact of Covid-19 on our business. We've also had new chairman and CEO appointments. Plus, in the gaming sector, regulation is always evolving. I think we have condensed more than two years' worth of announcements into six months.

This has been a high-touch period for investor interaction. We've done considerably more than 300 interactions in the last six months plus a lot of virtual conferences. Traditionally when you come into a business, you spend time meeting people and getting under the hood. Obviously that's not been as possible as it would normally be, but it feels like



David Lloyd-Seed, GVC Group

things are settling down a bit now, which is giving me more time to think about how we embed proper IR structures, processes and strategies for a FTSE 100 company.

It's all been made a lot easier by a great team and a great bunch of colleagues who have helped me settle in very quickly.

What does your typical day look like?

No one's day looks anywhere near normal at the moment. One thing I have enjoyed is not getting on a train just after 6.00 am every morning.

But I do miss the decompression time between office and home – the pull of the office is there more permanently when your work desk is in the home. I also miss the human interaction. As comms people, we can of course use video or phone, but nothing beats that face-to-face interaction with investors when you are trying to talk to them about your story.

That aside, the day is no different from what it would be in the office, filled with a mixture of internal and external meetings. The former

could be around quarterly reviews, Q3 results, ongoing strategic planning. But a good chunk of my time is taken up talking to analysts and investors.

What elements of your career background do you think have helped you most in this job so far?

It comes down to the experiences I've had – management change, regulation, crisis, straightforward comms – that prepare you for starting a new position at a time like this. Over the years, your antennae become more sensitive to issues that are relevant, and your instincts sharpen in dealing with them.

It's also the companies I've worked for. Dixons and O2 were both consumer-facing businesses – that helps you get an ingrained understanding of consumer behavior and how it affects the company. Severn Trent, as a heavily regulated utility, gave me insight into how regulators and governments think about business.

Having built and rebuilt various IR functions before, it gives you a good sense of what's really necessary and what gets in the way.

What has been the biggest challenge in the role so far? And what has been your highlight?

Covid does overshadow everything and answers both parts of the question. The challenge has been dealing with the sheer intensity of Covid in terms of the news flow and the high touch with investors, while also trying to get up to speed on the new company. It really has been a baptism of fire. But that's also been the highlight, because it's been really rewarding. It's a great time to stretch yourself. I've always said I wanted a job that would challenge me, and it's certainly done that!

15 questions with

Mikhail Borovikov has served as IRO at Russian mining company Nor Nickel since 2013



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15 questions with



NORNICKEL

Mikhail Borovikov has served as the IRO at Russian mining company Nornickel since 2013

1. HOW LONG HAVE YOU BEEN IN IR?

I started my IR career in 2007 at Vimpelcom, one of Russia's largest telecom companies. I have also been director of IR at Euroset and Novorossiysk Commercial Sea Port.

2. WHAT DID YOU DO BEFORE IR?

I worked as an interpreter and translator for RTS Exchange, a major Russian stock exchange at that time.

3. WHAT ARE YOUR QUALIFICATIONS?

I am a linguist and philologist, so I am interested in the development of languages. I graduated from Moscow State University, specializing in English and Portuguese.

4. HOW IS YOUR TEAM SET UP?

We have a fairly small IR team. I have two direct reports and an assistant.

5. HOW MANY ROADSHOWS AND INVESTOR CONFERENCES DO YOU TAKE PART IN EACH YEAR?

Before the Covid-19 outbreak, we usually did three to five roadshows and attended 15-16 conferences.

6. DO YOU EVER HOLD INVESTOR OR CAPITAL MARKETS DAYS?

Yes, every year in November we hold a capital markets day in London.

7. DO YOU USE SOCIAL MEDIA AS PART OF YOUR IR PROGRAM?

Not much, to be honest. Of course, we have corporate accounts on Facebook, Instagram and so on, but I can't say that they are important instruments for communication with investors.

8. DO YOU RECEIVE SUPPORT FROM ANY EXTERNAL IR FIRMS?

Usually we do everything internally, but use support from IR firms for special events and projects, like capital markets day preparations.

9. WHAT IS THE MOST POPULAR QUESTION FROM ANALYSTS AND INVESTORS RIGHT NOW?

Questions about environmental issues and sustainability of dividends.

10. IS ESG A FOCAL POINT FOR INVESTORS AND, IF SO, WHICH ASPECT IS MOST SCRUTINIZED?

It's definitely top of investors' agenda, especially for our company. We are a metals and mining business that is considered to be not that environmentally friendly. We have also had a serious environmental incident recently, so for the last two months I have personally spent more than 50 percent of my working hours on Zoom calls with investors and analysts dedicated to ESG issues (diesel spills, carbon and sulfur dioxide emissions).

11. WHAT'S BEEN THE BIGGEST CHALLENGE OF YOUR IR CAREER?

One of the biggest challenges was managing IR in 2014-2015 when the

West imposed sanctions against Russia and everyone feared the sanctions would snowball. We managed to minimize the negative effect on our market cap by thorough work on diversification of the investor base, and outflows were comparatively small.

12. WHAT'S YOUR FAVORITE THING ABOUT IR?

It provides you with the opportunity to travel and meet a lot of interesting people with different backgrounds who can help you substantially improve your knowledge of how things are. For me personally, IR opened many doors I didn't know even existed before.

13. AND YOUR LEAST FAVORITE?

Preparation of financial reporting.

14. WHAT DO YOU ENJOY DOING OUTSIDE WORK?

Given that I travel a lot, I really enjoy spending time at home with my family. I also read a lot, especially about



Mikhail Borovikov, Nornickel

history. I enjoy skiing and playing squash – and video games that help to take my mind off problems and direct negative emotions outward.

15. IF YOU COULD PASS ON ONE IR LESSON, WHAT WOULD IT BE?

Try to be sincere with your shareholders. Don't lie, even when things are not great, because your reputation is the only thing that matters – much more so than temporary problems for your company's market cap.



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Inaccurate news reports



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Inaccurate news reports

What to do if an inaccurate or misleading story is published about your company

In this regular article, we ask IR professionals how they would respond to a specific operational issue. This time we asked people what they would do if misleading or inaccurate information about their company appeared in the media

Erik Randerson, vice president of investor relations at Revolve

I won't hesitate to request a correction when I see inaccurate information published on my employer. My experience is that outlets truly want to get it right and when presented with the facts will update their articles accordingly. For instance, a recent article on my employer, Revolve, referenced inaccurate metrics. The journalist (who I knew from a prior life) appreciated me setting him straight and updated the article immediately.

Most of my experience requesting corrections has involved quarterly earnings reports, which is understandable considering that earnings reports can be

confusing – and given that journalists tend to be busy people who often don't have a financial background.

My advice to other IR professionals is to reach out immediately to request a correction because one inaccurate story on earnings can easily lead to several others. For example, in the earnings cycle just before I joined Revolve, the company had a complicated post-IPO accounting situation that led some journalists to incorrectly report that Revolve had recorded a large net loss for the quarter (when, in fact, the company's quarterly net income was at record levels).

Unfortunately, because no one from the company reached out to journalists to seek corrections, the inaccurate 'company reports a Q2 net loss' headline became the narrative online. I believe it is critically important for IROs to always be proactive in addressing inaccurate information and situations like these that can affect the market perception of their company.



ESG and the earnings call

Closing the short-term/long-term gap

Advertisement feature

ESG and the earnings call

Closing the short-term/long-term gap

The following are highlights taken from a recent BNY Mellon-hosted webinar with Anthony Di Meo, senior director of investor relations at Becton Dickinson and Company, and Brian Tomlinson, director of research at the Chief Executives for Corporate Purpose's (CECP) CEO Investor Forum, entitled 'ESG and the earnings call: Integrating long-term thinking into short-term discussions'.

In recent years, companies have increasingly made public statements about how ESG issues intersect with their business strategy, and the impacts of their ESG efforts to contribute to a better world. With parallel trends such as stakeholder capitalism and the impact of Covid-19 taking hold, the topic has come to influence investor expectations as well.

Investors want companies to offer more than just public statements and free-standing ESG reports, however. Beyond high-level, long-term, unquantifiable goals, they want to see how ESG ties into the company's bottom line and share value.

Quarterly versus long-term views

Communicating ESG outcomes and connecting them to company financials is one way in which ESG matters play an increasing role in quarterly earnings calls. The trick for senior leadership and investor relations teams is balancing the disclosure requirements of a short-term quarterly report with the company's longer-term ESG disclosure goals.

IR challenges

The norms for communicating quarterly results have solidified over time, with clear accounting and regulatory standards for what to communicate. With ESG, it's a different matter: standards are still emerging. A

recent report by the [NYU Stern Center for Sustainable Business](#) and CECP's CEO Investor Forum highlights a potential emerging consensus. But it is still the case that analysts do not all fully understand what to ask or how to approach the topic. IR teams must understand investor expectations for clear, meaningful and quantifiable ties between ESG and more traditional quarterly metrics.

It may take close internal collaboration within the C-suite and across the business in order to craft a complete and authentic story and explain the material impact of the company's ESG efforts as effectively as explaining more traditional cost-cutting or growth initiatives.

How to close the gap

Investor relations teams can help make ESG a meaningful, valued theme in quarterly earnings calls by following these six simple guidelines.

1. Be structured, not reactive

We expect analyst and investor interest in ESG to continue to increase. Meeting this demand takes diligent planning. Companies should create clear and detailed plans for how and when to introduce ESG into their quarterly disclosures and earnings calls.

It requires significant cross-functional work and executive buy-in to develop and align the right metrics and messaging to tie the company's overall value story together.

2. Craft the right messages

Given the lack of standards and evolving understanding of the role and impact of ESG issues, developing simple and straightforward consistent

messages is helpful. Convoluted stories and elaborate cause-and-effect explanations can be confusing and may raise more questions than they answer. Rely on the communications expertise of your IR team and IR advisers.

For example, human capital-intensive companies can talk about community workforce training initiatives. Resource-intensive companies can talk about efforts to limit or replace their natural resource use. These approaches make it clear that addressing ESG concerns generates value and is not just corporate philanthropy in disguise.

3. Offer meaningful, relevant data

Issuers must develop a clear understanding of financially material ESG issues.

Disclosure data must indicate short and long-term value on both ESG and financial impacts to the business. Keep

Do's and don'ts when considering quarterly ESG disclosures

Do:

- Be specific about material ESG impacts to your business
- Create a clear and authentic story about your goals and strategies
- Plan and implement robust internal practices and repeatable processes
- Roll out your ESG content over time
- Apply tried-and-true IR best practices for managing communications and relationships.

Don't:

- Underestimate the level of buy-in and co-ordination required
- Fall into the 'greenwashing trap' of articulating vague or superficial ESG goals
- Assume your investors are fully conversant in ESG concerns
- Overlook costs of failing to address ESG matters in your overall assessment
- Forget how IR formats intersect (investor days, separate themed calls, roadshows and guidance).

in mind that a sober ESG mindset means balancing the risks and opportunities embedded in material ESG issues.

4. Align ESG closely to the company's long-term strategy

Investors and analysts should already understand your company's long-term

strategy and value creation story. For example, investors would welcome the news that a company has reduced its carbon footprint by 5 percent, quarter over quarter. A better quarterly story would show how the company's cost savings from, for example, fuel innovation strengthens its position among its peers.

5. Take a phased, intentional approach

Introducing substantive ESG content to quarterly calls out of context could create surprise and confusion, and may suggest a strategic pivot by management. The better approach introduces ESG content sequentially. Companies may introduce a free-standing sustainability report first, including specific ESG risks and impacts that specify the ROI of efforts to address issues that materially affect the business, in human capital and operations achievements, for example.

Adopting a sequential strategy to address ESG topics in quarterly calls makes sense organically, without creating distractions.

6. Pro tip: Prime the analysts

IR teams can use the careful management and co-ordination of quarterly calls to their advantage when introducing ESG developments. Sharing ESG-related questions with analysts in advance helps shape the Q&A discussion and encourages them to include ESG topics in the discussion.

Ultimately, beyond merely meeting external demand and tactically improving your IR efforts, addressing ESG considerations can help break down the risks of short-termism in a quarter-to-quarter investor mindset. Closing the gap now makes good sense for your business, both today and over the long haul.

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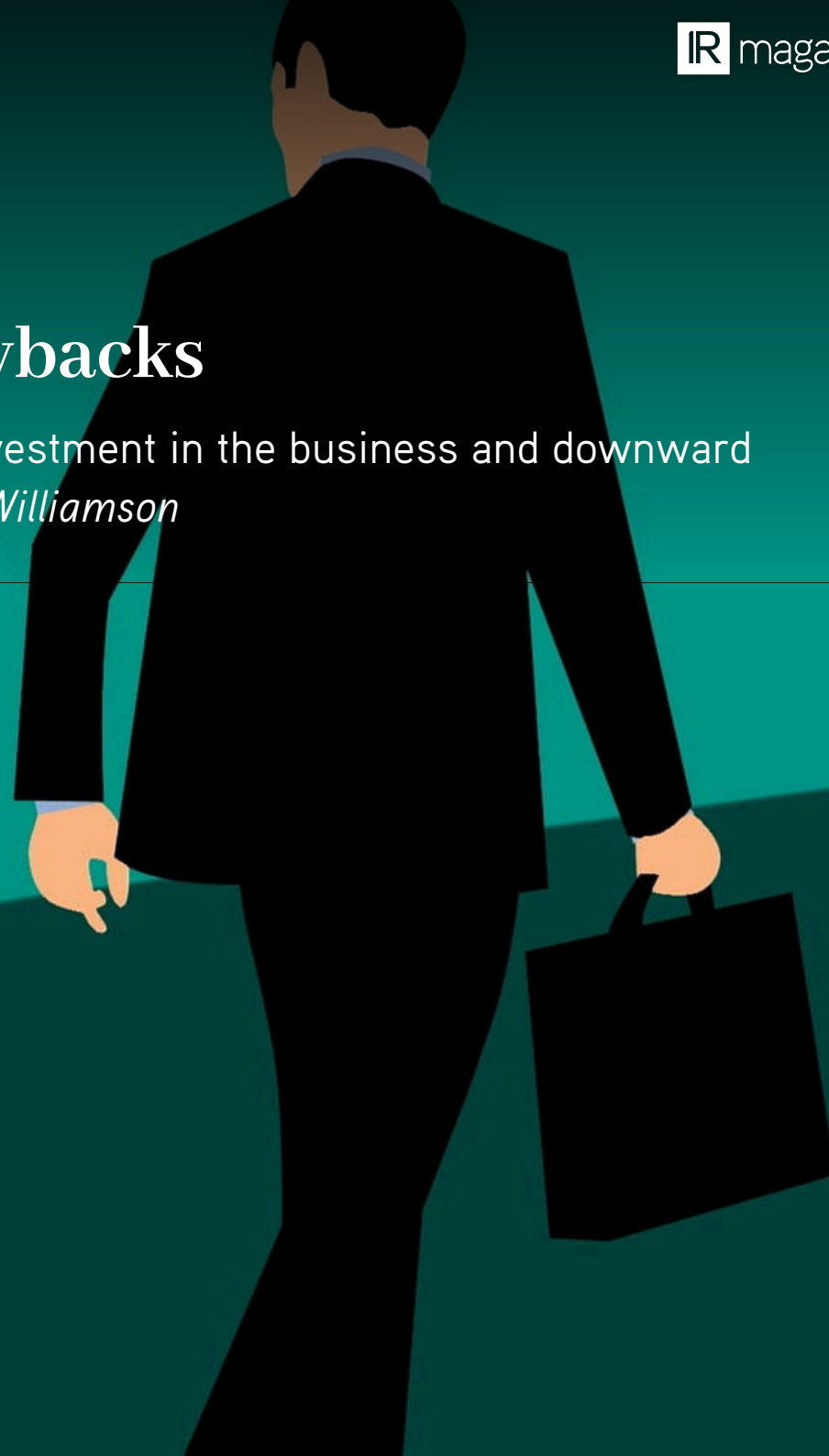
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Comment

Take care when considering buybacks

Pressure to provide buybacks can also lead to underinvestment in the business and downward pressure on wages, write *Allen He* and *Sarah Keohane Williamson*





Comment

Take care when considering buybacks

Pressure to provide buybacks can also lead to underinvestment in the business and downward pressure on wages, write *Allen He* and *Sarah Keohane Williamson*

Buybacks have undergone a meteoric rise since the turn of the 21st century, overtaking dividends as the preferred means to return capital to shareholders in many countries. In 2019 alone, firms spent more than \$1.2 tn globally on buybacks. Buybacks are controversial, however, with academics, practitioners and politicians all maligning their use.

At its most basic level, buying back shares can be a technical capital-

allocation tool and an attractive alternative to dividends. Buybacks are more flexible than dividends for both companies and shareholders, can recycle excess cash to growth areas of the economy and provide tax advantages in certain jurisdictions.

But while buybacks can be an attractive method of returning cash to shareholders, care must be taken that they are not used to manipulate

earnings per share, hit quarterly targets or inflate compensation metrics. Pressure to provide buybacks can also lead to underinvestment in the business, downward pressure on wages exacerbating income inequality, or employee insider knowledge vis-à-vis selling their own shares.

When considering a buyback, it is critical to be able to tie the buyback program to the company's strategy and performance. Corporate boards can assess whether the buyback plan supports the overall capital allocation strategy. For an apples-to-apples comparison, expected buyback ROI can be compared with the discounted future ROI from other uses of cash – including investments in R&D, capital expenditure and M&A.

Actual buyback ROI can be tracked and evaluated to determine the success of the program. To avoid compensation gaming, plan structures can eliminate

the potential effects of buybacks, stripping out or minimizing links to earnings per share.

Finally, boards have started to recognize the need for resilience when the unexpected happens and the need to stress-test balance sheets when contemplating buybacks.

But the onus is not solely on companies; investors should encourage buybacks only when they actually create long-term value. Investors can evaluate whether buybacks are the most efficient use of capital in the long run and make their views known. In some countries, shareholders approve buybacks directly; in others, the board is responsible for that approval.

Regardless of location, however, shareholders have a strong say in the company's approach to buybacks through their votes, their engagement and their investment decisions.

Likewise, policymakers have a role to play in mitigating buybacks' potential harm. In many jurisdictions, buybacks receive preferential tax treatment, leading many shareholders to choose them over dividends. It is ironic that buybacks enjoy favorable tax treatment in the US while also being a practice that American policymakers frequently disparage. Leveling the tax treatment so that shareholders are truly indifferent would solve this problem.

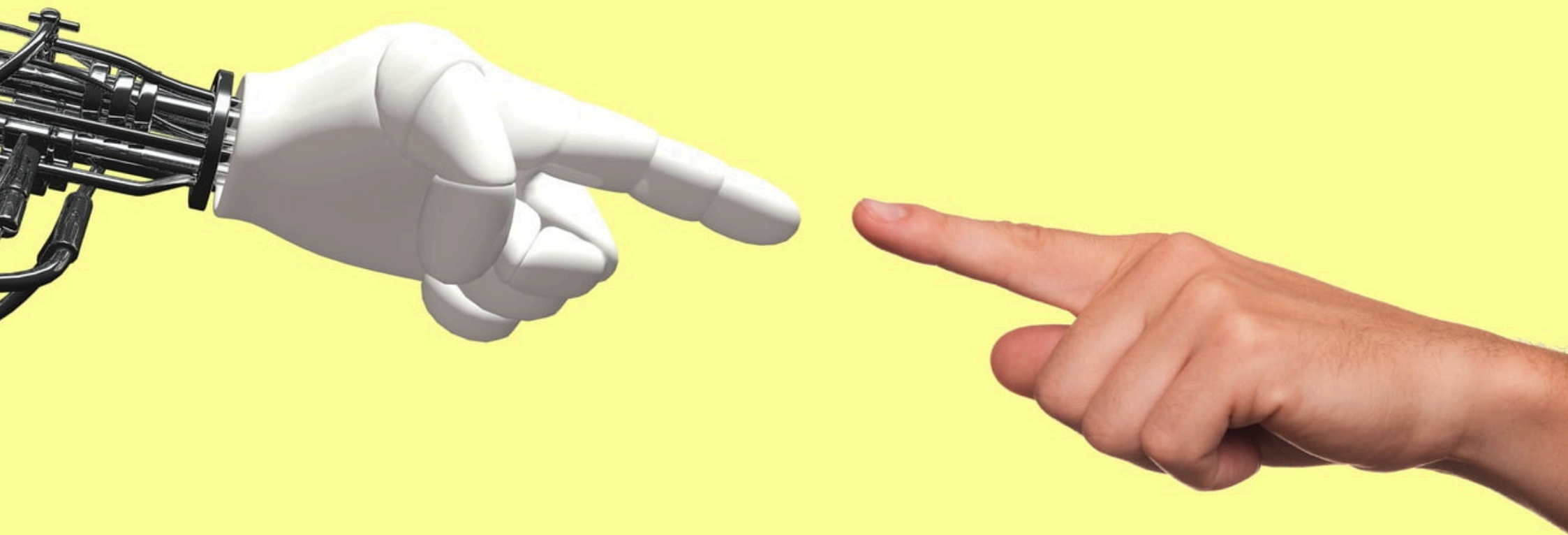
To ward off insider trading, mandatory blackout windows on employee stock trading could be strengthened around buyback announcements and execution. Policymakers and regulators can also consider adopting stricter disclosure requirements around share buybacks.

Companies, investors and policymakers could each take steps to mitigate the potential pitfalls of buybacks. While buybacks are a

valuable capital allocation tool, they are also a potentially dangerous one, and boards must use them only thoughtfully and in specific circumstances that support and build long-term value.

Allen He is associate director of research and Sarah Keohane Williamson is CEO at FCLTGlobal, a non-profit organization that develops research and tools that encourage long-term business and investing.

FCLTGlobal's report, [The dangers of buybacks: Mitigating common pitfalls](#), highlights the drawbacks and strategic use of corporate buybacks.



Tech talk

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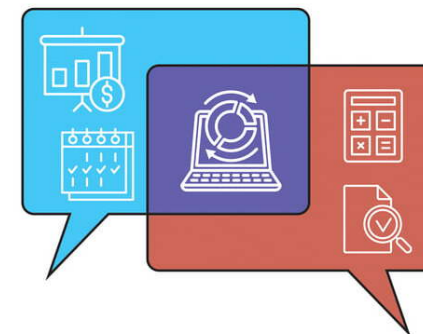
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Tech talk

I(R), robot



With the world gone virtual, it's time to start really putting your data to work, writes *Garnet Roach*

NIRI recently advised US IR professionals to 'understand what artificial intelligence (AI) can do'. Advanced tech tools are nothing new on the Street but IR practitioners tend to be slow movers when it comes to technology; it's a profession where facetime with investors, analysts and the C-suite is key.

Covid-19 changed all that, of course. With enforced periods at home freeing up time to explore and invest in tech tools designed to make life more efficient, IROs have been embracing

new ways of doing things and taking a fresh look at what's already available.

'We spent ages talking about [virtual] IR tools,' says Michael Hufton, founder and managing director of corporate access platform *ingage*. 'And we created this virtual roadshow builder – that literally nobody used.'

The company had, 'by pure luck rather than judgment', just shipped an update to this tool when lockdown hit the UK. Suddenly, Hufton says, the tool was in demand.

And it's not just Ingage's roadshow builder that's getting more traffic. Investor relations, like everything else, has gone virtual and this means there's more data out there than ever before. So where to start when it comes to putting that data to work?

The challenge for many is that this can be an overwhelming task: there is so much data – meeting records, notes, feedback, shareholdings and much, much more, so a customer relationship management system is crucial.

Having said that, it's one thing to have information to feed into a system but 'you've also got to have a reporting module that makes it easy to get data out – and get it out in a way that you can use it,' Hufton points out. 'It's about really making sense of all the data you've got. And that's actually much harder than it sounds because it needs to be all in one place and it needs to be mapped together.'

The results can be simple but incredibly useful, he adds: 'Triangulating the number of meetings you've had, at what types of fund, what they own and how that has changed, for example, is very informative. It allows you to say, *OK, I met Schroders 12 times last year, and that translated into the purchasing of this amount of stock. Or actually it didn't: we met it a huge amount and it didn't buy a bean, and it's probably just meeting us to find out more about the competition.*'

And data has become even more important since the pandemic because, while virtual meeting tools have stepped in very efficiently, Hufton says IROs and investors feel something is lost along the way.

This is where the new age of algorithm-powered tools step in, taking your data up a notch (or a few million notches). Oliver Schutzmann, chief executive of Iridium Advisors, has been

busy building new AI tools that, among other things, promise to 'crack the IR algorithm'. What he and his team have built takes in around 9 mn data points. And it is this level of analysis, impossible for a human, that makes AI so powerful – but also what often makes it so hard to comprehend.

'Part of the problem is that many people just don't know what to do with AI,' explains Schutzmann. 'But with machine learning algorithms, you can identify valuation risks and opportunities and understand what investors are really paying for when they buy your stock.' His tool looks at 30 potential risk-and-return factors, offering 'a really deep insight' into what's driving the share price.

Among those 30 risk-and-return factors is investor relations. When Iridium recently published the primer on its analysis with the software, it found that IR quality is the third-most

important valuation driver at banks in the Gulf Cooperation Council region. But this is just the beginning for Schutzmann. 'I think we've only touched the tip of the iceberg with this,' he says. That's a sentiment that could apply to IR tech tools in general.

Whether you're at the starting point, ready to try high-powered algorithms or want a mix of both, there are many data-driven tools and services available to today's tech-savvy IR professional, focusing on everything from targeting to corporate access, company valuation and much more. The future has been here for a while. It seems IR is finding time to catch up.

Cover story

Big pharma to the rescue

As the world watches and waits for a vaccine, *Garnet Roach* asks what IR is like under the Covid-19 spotlight





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Cover story

Big pharma to the rescue

As the world watches and waits for a vaccine, *Garnet Roach* asks what IR is like under the Covid-19 spotlight

‘The scrutiny is extraordinarily high,’ says Nick Mazing, director of research at Sentieo, talking about the media and market focus on pharmaceuticals and biotech firms involved in the fight against Covid-19. ‘And it’s not just scrutiny. It is interference.’

As the world waits with hope for big pharma and its smaller, more dynamic biotech cousins to free us from the confines of the coronavirus, the companies involved in producing vaccines or therapeutics have seen demanding new stakeholders –

governments – enter the scene like never before. At the same time, the media and market focus is intense. Turn on the news anywhere in the world on any given day and Covid-19 is most likely the lead story.

Mazing – talking in mid-October, just weeks before the US presidential election – says there is a ‘dangerous confluence of factors’ for pharma companies. ‘General business disruptions due to Covid-19, scrutiny, interference in the vaccine development process globally, and the

US presidential election right in the middle of earnings season,' he notes.

The challenge for the sector, he says, lies in exactly how transparent companies can be – and some have been doing a good job. 'Pfizer recently did its first investor day since 2008. That's a good example of transparency,' Mazing says. 'Bayer introduced 2021 guidance. Gilead has been extremely straightforward with Remdesivir, including saying, *Hey, we don't know whether this works.*'

Others have not fared so well. Moderna, the US biotech that develops drugs and vaccines based exclusively on messenger RNA (mRNA) – which, while promising, is at time of writing yet to deliver any approved drug – found itself in the news for the wrong reasons. Its coronavirus vaccine trial was slowed because the company had failed to recruit sufficient minorities, while its executives were widely

criticized for stock sales under prearranged plans. Regeneron also saw its prearranged stock sales in the news after US President Donald Trump spoke about his Covid-19 treatment with the company's drug cocktail.

'Typically, these 10b5-1 sales never attract much attention, even if modified,' notes Mazing. 'Executives at pretty much every company of size get equity compensation, and they then sell out of it. But now, all of a sudden, it is national news.'

'This is a highly abnormal situation. These examples really point to the crazy level of scrutiny. It's not just vaccine timelines, it's not just emergency-use authorizations, it's not just vaccine pricing. You have the entire Covid-19 disruption in terms of the regular flow of business. And on top of that you have things that would never have been headlines at all becoming *national* headlines.'

In an attempt to counter this, firms need to take a 'more communication than usual' approach, says Mazing. 'Be as objective as possible without raising any hopes – and don't be promotional,' he recommends. 'Be as factual as you can be. In this case, it is dramatically better to under-promise and over-deliver, than to do the opposite – because of that level of scrutiny.'

It's in our DNA

This philosophy of under-promise and over-deliver is something Thomas Kudsk Larsen, head of investor relations at UK pharma giant AstraZeneca – which is licensing one of the most promising vaccines, at time of writing, with Oxford University in the UK – says is 'in our DNA as an IR team'.

'I'm from Denmark and half the company is from Sweden and we bring with us this sort of approach to life: don't be too flashy, don't promise too much,' he says. As such, the discipline



Thomas Kudsk Larsen, AstraZeneca

in communications since joining the Oxford vaccine development has really been a 'good example of being true to your fundamental habits.'

AstraZeneca's day job is in cancer, heart disease, renal disease and respiratory disease. But it saw potential in some of its existing medicines and

“ You have the entire Covid-19 disruption in terms of the regular flow of business. And on top of that you have things that would never have been headlines at all becoming *national headlines* ”

some in its pipeline to work against acute respiratory distress syndrome. ‘This is what people die from: people are not dying from a virus – they die because they cannot breathe and develop organ failure,’ says Kudsk Larsen. Then AstraZeneca saw that it could also potentially help with the

Oxford trial. ‘We chose to license that vaccine from Oxford University,’ Kudsk Larsen continues. ‘That was our decision, so we asked for more attention and we got it.’

But the company has been clear from the start that not only was there the

possibility that the vaccine might not work, but that even if it did, AstraZeneca would not be making any money from it – or incurring any costs, as the company is being reimbursed by various governments.

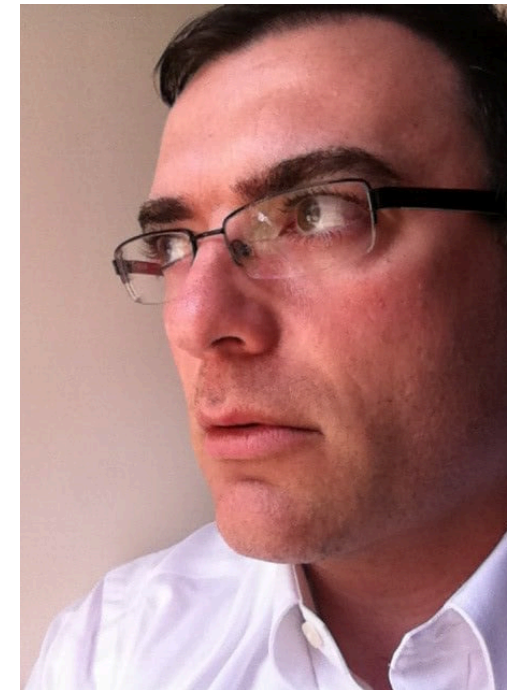
‘Any vaccine is for the people, and analysts should not add any numbers to the spreadsheet,’ says Kudsk Larsen. ‘We even got our CEO to say this at our half-year results: *Do not put any numbers in your spreadsheet. We are doing this for mankind, not to make a profit.* It’s our obligation as a company.’

Despite this, the inevitable side effect of AstraZeneca’s decision to license the vaccine was an exponential increase in interest in the company.

While the AstraZeneca IR team doesn’t deal directly with the media, Kudsk Larsen says that now more than ever you cannot talk about one without the other. This is something that was

really driven home in July when the company discovered that trial data had been leaked.

‘About one week before releasing our half-year results, Oxford University and AstraZeneca released the first data



Nick Mazing, Sentieo

“ People see that we need a thriving pharmaceutical industry globally in order to be ready for the next pandemic – because this won't be the last one ”

from the combined Phase I and II trial (we have combined Phase I and Phase II to speed it up), which was set to be published in *The Lancet*.

‘That data leaked, and we had something like 10 percent volatility, with the share price going over £100 (\$132) for the first time, because people were trading vaccine companies.’

Extraordinary environment

But the fact that AstraZeneca didn't actually have the data made the leak less complicated to deal with. ‘The leak in July was easy to handle as the data had not been shared with us in advance,’ explains Kudsk Larsen.

‘The publication was written by Oxford University. Therefore, we were not sitting on more or better

knowledge than the market and people understood that we all had to wait for the publication to go live before we could make any comment on it.’

He adds that for a firm not to have this data ahead of publication is ‘very unusual’, and just one of the ways things have changed as a result of the pandemic. ‘The Covid-19 issue is really challenging how things are done: the speed and urgency is unprecedented in our industry,’ he says.

More than company specifics, though, Kudsk Larsen says the vaccine effort is a kind of proxy for when things will pick up again, for when the market believes things will normalize. ‘Managing the market has been a challenge in itself,’ he says.

But the fact that the company is not really a vaccine maker – AstraZeneca has one legacy flu vaccine that it produces each year, but it is not big

business – meant there was also a steep learning curve for the team.

‘As an IR person, you focus where the market focuses, which means we have really spent no time on vaccines in the past – because we are not a vaccine company,’ Kudsk Larsen explains. ‘And then suddenly, you have to learn all this stuff very, very quickly. So that's another challenge as an investor relations team: simply to build up knowledge and background on this.’

IR as government relations

The unprecedented involvement of governments in the vaccine and therapeutics process – not only in terms of funding but also in terms of future distribution as well as speculation and public comment – has thrown up a whole new level of complexity for IROs in the industry.

Dr Sarah Fakhri, vice president of investor relations at German mRNA

researcher CureVac, joined the company just three months ahead of its August IPO on Nasdaq, which she describes as a 'baptism by fire'. The firm raised \$213.3 mn and saw a 249 percent surge on its first day of trading.

Another jump a day later saw its market cap balloon almost five-fold from \$2.8 bn before listing to \$13.6 bn just two days later.



Dr Sarah Fakhri, CureVac

“ As an IR person, you focus where the market focuses, which means we have really spent no time on vaccines in the past – because we are not a vaccine company ”

As well as money raised in CureVac's listing, the German government made a €300 mn (\$356 mn) equity investment and in September the firm announced that it was expecting grant funding of up to €252 mn from the German Federal Ministry of Education and Research over the coming year or so.

Fakhri says 'investors see this as a very important validation. It strengthens how we are perceived from the outside, it definitely strengthens our cash position, and it reassures investors that we have a solid runway for the next

couple of years'. But government involvement also adds to the complexity of investor relations at a company she says often involves 'selling on the hope of tomorrow'.

'The mRNA vaccine, or mRNA technology, is only half-proven: there is no approved drug on the market based on this technology yet,' Fakhri says, though she adds that this is not unique to the Covid-19 situation but is at the core of biotech, an industry that regularly deals with technologies that are very often unproven.

'When I consider what the one thing is that has changed most dramatically, it is the impact governments are having at present on communications and the overall development [of a vaccine],' Fakhri says. 'It adds an additional layer of complexity, because they have become so involved – because of the responsibility for public health and their respective economies.'

'Governments have taken on such an unusual, central role in funding and especially in the upcoming commercialization and distribution of

the Covid-19 vaccine. But different governments also have different priorities: they need different kinds of negotiations. And this all has to be taken into account by IR as well.'

Another stakeholder group that requires an outsized amount of attention is retail, she adds. 'The risk you have in biotech – this idea of future-oriented value – is something that needs to be managed, especially with retail investors who want to urgently believe in the potential of a vaccine,' she explains.

Fakih, who at present is CureVac's entire IR team (though she says CFO Pierre Kemula is also heavily involved in investor relations), says much of it is about balance.

'What I need to balance is what information people *need* and what information they *want* in order to form an opinion on us,' she explains.

'Especially when it comes to everyone having a stake [because] everyone is impacted in some way by Covid-19.'

Another challenge is the fact that, at present, much of the conversation surrounding the work CureVac is doing is very technical – 'almost academic,' Fakih points out.

'I'm a chemist by training and I need to make sure I can have these discussions on a scientific level and make sure I provide all the information on the value proposition of our technology,' she says.

'But on the other hand, as an investor relations practitioner and representative of the company, I also need to make sure my non-scientist investors can appropriately value the story, because they need to understand what differentiates us, and what our future potential is.'

“ The risk you have in biotech is something that needs to be managed, especially with retail investors, who want to urgently believe in the potential of a vaccine ”

Shifting perceptions

Kudsk Larsen talks of an obligation to humanity in AstraZeneca's decision to get involved in the vaccine race. But has that translated into a shift in the perception of big pharma?

'Absolutely,' he says. 'Our access to politicians and [those] who have been

historically skeptical of this industry has changed completely. People really see that we need a thriving pharmaceutical industry globally in order to be ready for the next pandemic – because this won't be the last one.'

To have the thriving industry Kudsk Larsen talks about, 'politicians and



Mark Purcell, Morgan Stanley

people [must] realize that it is okay to pay a price for medicine because it keeps the industry alive,' he says.

'It gives the industry the ability to think ahead, to research, to make sure there is excess capacity.' This excess

capacity is key. As Kudsk Larsen points out, companies cannot just stop what they are doing – producing cancer medicines, for example – in order to work on a vaccine.

But there is a big difference between what Kudsk Larsen is seeing in Europe and the narrative in the US, particularly in the run-up to the presidential election, and particularly the narrative from Joe Biden. Reading from the elections platform, Mazing quotes Biden's promise to 'Stand up to the abuse of power by prescription drug corporations'.

'Campaign platforms can change quite a bit as Congress works on different proposals,' Mazing says, but 'given that the election is right in the middle of earnings season, we might have normal calls one week and then, the following week, pharma companies might be justifying their existence because the president-elect promised

dramatically lower drug prices during his acceptance speech. It sounds crazy – but it is 2020, after all.'

The US spends more of its GDP on healthcare than other OECD countries, according to Mazing, which means the healthcare sector overall is over-earning. 'And one of the ways the healthcare sector is over-earning is that it is charging too much for everything,' he points out. 'And that includes drugs.'

Although prescription drugs represented just 9.2 percent of healthcare spending in 2018, according to the Centers for Medicare & Medicaid Services, 'pharmaceuticals are identifiable and remote,' says Mazing – and something of an easy shot in US political discourse.

'A politician can say, *Oh, I hate insurance companies*, 'and people will applaud'. The same goes for banks and

drug companies, he notes: 'Nobody says, *I love my Pfizer* like they say, *I love my Crocs*, right? It's a very different consumer relationship.

'Is a Covid-19 vaccine a lifeline for big pharma's standing in society? I don't know. Most people on the street probably haven't even heard of Regeneron, for example – they just hear vaccine, vaccine, vaccine.'

Even with a boost to public perception, Mark Purcell, European sector analyst at Morgan Stanley, says price cuts are likely. 'Clearly the Covid-19 vaccine and therapeutic response has been unprecedented and that's likely to boost the public perception of the sector,' he explains.

'Diagnostics and high-reliability testing is worth its weight in gold in terms of positive perception. If you listen to healthcare CEOs and look at the transcripts [from earnings calls],

they talk to a more positive change in perception, with pharma being part of the solution rather than a central part of the problem. But when it comes down to it there are likely going to have to be some savings generated from drug price cuts.'

In Europe, at least, Purcell says companies have been focusing too much on the US election. 'If you go back to the financial crisis, there was a significant impact on European drug pricing in 2009,' he recalls. In a bid to save money, European governments cut drug prices by an average of 7 percent-9 percent that year and Purcell says it's not unlikely that cuts are on the way again.

'I think European governments might have to do something similar to rebuild their balance sheets in 2021-2022,' he says. 'So arguably there has been an over-focus on the US and the presidential election when it comes to

drug-pricing reforms and an under-focus on other regions where governments will be trying to recover from these recessions – and likely making decisions that will have an impact on the sector.'

Selling hope in the future

How a company fares is going to depend heavily on how innovative it is.

'I think if a company is delivering true innovation and value for money, it is in a good spot,' says Purcell. 'Healthcare as a percentage of GDP has been fairly stable but it tends to increase a bit after economic recessions such as the financial crisis and what is happening today. So healthcare savings will likely be sought – and it's much easier for governments to save money by mandating price cuts on legacy medicines.'

Essentially, Purcell says that 'if a company has strong innovation, it is

“Diagnostics and high-reliability testing is worth its weight in gold in terms of positive perception”

likely to have better pricing power. If a company has more of a legacy business, it is going to be more prone to mandated price cuts and other processes that governments are going to try using to save money.'

Interestingly, it is companies like CureVac – an innovative biotech selling hope for the future – that are not only likely to be less affected by these price cuts but that also have not been tarred with the big pharma brush. Fakhri says her sector simply isn't viewed in the same way as big pharma.

When AstraZeneca switched its US listing (the company has its main listings in London and Stockholm) from the NYSE to Nasdaq in September, one of the reasons for choosing Nasdaq was that AstraZeneca was looking for more of a biotech vibe.

'We want to change the perception of AstraZeneca a little bit,' Kudsk Larsen told *IR Magazine* at the time. 'We want to be more about science and biotech, to have more of that biotech culture: not to be in suits and shirts but more T-shirts and jeans.'

But the hunt for a viable vaccine – or something as close to a magic-bullet treatment as possible – isn't about changing perceptions or making money. 'It might sound a bit holier-than-thou but it really is true that many of us work in this industry because we want to make a positive difference,' says Kudsk Larsen. 'Now we get a chance to do that.'

A record-breaking vaccine

As *IR Magazine* was going to press, it was announced that the mRNA-based vaccine being developed by Pfizer and BioNTech was more than 90 percent effective in stage-three trials – making it the first proven and likely approved vaccine based on the technology.

A joint statement was issued by the two companies on November 9, stating that the firms would be applying to the US Food and Drug Administration for Emergency Use Authorization, most likely in the third week of November. The companies issued a further two joint press releases focused on the vaccine that week, as well as their own financial results, while Pfizer also invited investors and the general public to listen in to a webcast of the Wolfe Research Healthcare Conference on November 18. While the specific invitation to the public might seem unusual, it is in fact something Pfizer does for all conferences and conference calls with analysts.

The tone from Pfizer and BioNTech was one of cautious optimism: spreads for financial results began with the vaccine but swiftly moved on to other areas of focus. Some aspects of the initial announcement also point to an increased level of caution. The companies point out that the widely lauded 90 percent figure could change as the trial continues, while the third of five lead bullet points in the initial results statement highlights how many trial participants were from diverse backgrounds. No doubt the firms had learned from [Moderna's negative coverage after poor minority recruitment](#).

Despite the caution, Pfizer still found itself in the headlines for the wrong reasons, when Dr Albert Bourla, Pfizer chairman and CEO, cashed out of shares the day the trial results were announced. [As was the case at Moderna and Regeneron](#), this was the result of a pre-arranged stock sale agreed in August. But that didn't stop Bourla's windfall making front pages around the world. All this points to what Nick Mazing, director of research at Sentieo, calls a 'crazy level of scrutiny' – even for those companies first to deliver the hoped-for vaccine.

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A fracturing landscape

Ben Ashwell profiles new exchanges and trading venues to understand why they exist, why we need more trading venues – and what it means for issuers





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A fracturing landscape

Ben Ashwell profiles new exchanges and trading venues to understand why they exist, why we need more trading venues – and what it means for issuers

September 2020 saw the launch of three new stock exchanges – the Long-Term Stock Exchange (LTSE), the Members Exchange (MEMX) and the Miami International Securities Exchange – bringing the total number of US exchanges to 19. In addition, the SEC continues to approve alternative trading systems (ATSS) – also known as dark pools – with 54 currently in operation in the US, according to an SEC list from February 2020.

Last year, *IR Magazine* reported on statistics from ModernIR that up to 36 percent of trading activity occurs on

dark pools, with the rest split across the ‘lit’ exchanges. As more trading venues and exchanges launch, it makes it harder to understand where a stock is traded, by whom and what it means for the price and the likely buyer/seller.

What’s more, there will be fewer experts who can have a detailed understanding of the entirety of the US market to help IR and corporate finance teams understand trading activity across venues.

Joe Saluzzi, partner and co-founder at Themis Trading, says that while

“Casella is honored to have been recognized at the **2020 IR Magazine Awards for Best Investor Relations by a Senior Management Team** (small to mid cap). We are grateful to have our investor relations efforts recognized among an outstanding group of nominees. The entire senior management team takes great pride in working to provide investors with a transparent and honest view of our company. None of this would be possible without the outstanding service being provided to our customers and communities each day by our frontline essential workers and we are grateful for their continued efforts.”

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“ Issuers can’t be excited about having so many exchanges trading their stock. The more fragmentation of liquidity, the less color you’ll get ”

many market participants will relish the growing list of trading venues available to them, it’s a less positive picture for issuers. ‘I don’t think this helps the issuer at all,’ he says. ‘Issuers can’t be excited about having so many exchanges trading their stock. The more fragmentation of liquidity, the less color you’ll get.’

The new exchanges and trading venues have clear value propositions, however, and – they believe – a differentiated offering from the traditional exchanges.

For example, MEMX was approved by the SEC as a regulated stock exchange on May 4, and began trading on September 21. It was founded by a consortium of investors, banks, retail brokers, market-makers and institutional firms and, according to Sophie Sohn, head of marketing and communications at MEMX, it will give these market participants ‘a larger voice in the market structure debate’.

On the topic of market fragmentation, Sohn says: ‘While it’s smart to be sensitive to fragmentation,

we should also be supportive of competition and new entrants trying to produce better outcomes for the market as a whole. It’s interesting that this question around fragmentation seems to be primarily directed at new entrants, even though many of the incumbents continue to operate, rather than consolidate, their multiple exchange platforms.’

Nasdaq, the NYSE and the Investors Exchange all declined to comment about market fragmentation and the launch of new exchanges. In this

article, we profile one of the new exchanges – LTSE – and one of the new trading venues – EQX – and ask why they need to exist.

A new standard for listings

The LTSE was formally approved by the SEC in May 2020 and its launch followed on September 9. Michelle Greene, interviewed below, is president of the new exchange.

What is LTSE’s mission?: ‘What we’re trying to do is create a new set of standards and disclosures that align companies with a longer-term vision and investors that want to be in it for the long term and that measure success over decades, not quarters.

‘The idea is that if you create a place in which companies are holding themselves to long-term standards and provide additional disclosures around their long-term policies, they will attract genuinely long-term investors –

such as sovereign wealth funds and pension funds.

‘In addition to being an exchange, we have a software business and we help firms understand what investors are doing in terms of behavior. We’re helping companies to understand how investors behave over the long term with the investments they make.

‘A number of policies and disclosures are required to list, based around companies demonstrating a long-term approach to stakeholders, strategy, compensation, board policy and investor policy.’

Requirements to maintain a listing:

‘In terms of how we think about the value proposition, when you sign up with LTSE you agree to abide by our listings standards, which focus your narrative for success on the long term and on long-term value creation. We want to get back to the fundamentals of

companies that have good ideas and investors that want to invest in that. A company’s adoption of our listing standards must be public on its website and visible for all to see. Those policies are then renewed on an annual basis.’

Measuring success: ‘The way we think about our goals is very long term. Really, what we’re trying to do is change behavior and create a different way of being public, and a recognition that the alignment between a long-term investor and a company is what should guide that relationship. Success

to us is changing the way the markets work and creating long-term value in the markets.’

Dual-listing on LTSE and another major exchange: ‘At least for the time being we are pursuing dual-listings.

Primary listings might be something for the future, but right now we’re trying to create this new public market listings experience. We’re targeting companies that are already public and companies that are thinking of going public in a different way.

‘When we talk to companies that are already public, they are experiencing some short-term pressures and would like to have a different focus on how they talk about success and how the market views that.

‘When we talk to companies that are contemplating going public, we explain that the IPO is the wedding and we’re more interested in the marriage. We want to unlock the pipeline for firms that haven’t wanted to take part in the public markets because they’re overly focused on quarterly results.’

“ When we talk to companies that are contemplating going public, we explain that the IPO is the wedding and we’re more interested in the marriage ”

“ With so many trading venues in the US, they all have to compete on having the highest number of trades executed at the highest speed. That business model results in fragmentation and a short-term stock market ”

The type of companies interested in LTSE: ‘One of the commonalities you find in companies that are interested in talking to us is that they have senior executives who have taken a company public and have seen what those short-term pressures can do.

‘Obviously, it’s something of a self-selecting group that is expressing interest at this point – they tend to be companies with a strong sense of vision. For them, the LTSE is an opportunity to showcase that they can operate in a different way, a way their

investors and employees find meaningful and valuable.’

Why do we need new exchanges in the US?: ‘If you look at the exchange sector over the past several decades, there have been all sorts of innovations to make trading faster. We’re really trying to do something different from any other exchange by innovating on the listings side. We’re focused on how we can create a different environment for issuers and investors to come together in alignment on long-term value creation.’

A new form of equity

EQX was approved as an investment bank by FINRA and as an ATS by the SEC earlier this year. Founder and CEO Matthias Pitkowitz talks to *IR Magazine* about the mission behind EQX.

Trading on EQX: ‘We actually have three different business divisions – one of them is our investment bank, the second is our trading platform and the third is an advanced analytics platform, which is due to launch in Q4. With the investment bank, we go out and help companies raise long-term financing

through long-term enhanced equity (LTEE), a new equity security.

‘Think of it as a tool that a CFO, CEO or IRO can reach for in order to satisfy capital needs. Our trading platform will trade only LTEE. It will not participate in equity or bond trading.’

The reason for EQX: ‘We have all seen the equity market structure diverge. When I founded this company, the big observation was that no corporate issuer appears to love the stock market.

'Globally, investors look to the US capital markets with envy because they are the most dynamic and vibrant beacon of capitalism. Hedge funds, high-frequency traders and stock exchanges are all happy, but the issuers and long-term investors aren't always as happy. Our goal is not to displace the existing system, but to create a simple way to say: I don't want to raise my equity in this environment.

'A lot of technology has entered the market and we've seen spreads increasing, volume increasing and shifts to those with a short-term view. In the end, there's always going to be a bias toward those in the stock market who trade a lot. Warren Buffett buys once and doesn't touch it for five years.

'His impact on price is only when he buys and when he sells, whereas a hedge fund buys in and out thousands of times and has more impact during those five years.'

How LTEE incentivizes long-term investors: 'The product rewards long-term ownership. You get additional dividends and voting rights each quarter for two years, if you continuously own the stock. If you're a short-term hedge fund, you're not going to benefit from LTEE, but if you're a long-term fund that typically invests after looking at companies for a long time, you're going to be better off financially with LTEE.'

Why do we need more trading venues in the US?: 'A lot of issues in the market right now can be traced back to the current business model. With so many trading venues in the US, they all have to compete on having the highest number of trades executed at the highest speed. That business model results in fragmentation and a short-term stock market.

'There are half the number of companies in the US markets today

that there were 20 years ago, but there's more trading and the venues make more money. Meanwhile, investors are loosening their liquidity rules to invest in companies in the private markets. We're trying to set up a side market that works for long-term investors.'



What does the future hold for Mifid II?

Tim Human analyzes the European Commission's proposal to soften payment rules for small and mid-cap company research



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Regional focus: Europe

What does the future hold for Mifid II?

Tim Human analyzes the European Commission's proposal to soften payment rules for small and mid-cap company research

It didn't take long for Europe to roll back some of the strict rules surrounding research payments contained in Mifid II. As part of a Covid-19 relief package, the European Commission (EC) has proposed an exemption to unbundling rules for research on companies of less than €1 bn (\$1.2 bn) in market cap. The aim is to stimulate more research on smaller



Photo credit iStockphoto.com/GoodLifeStudio

issuers, which have witnessed declining analyst coverage for a number of years.

The tough unbundling rules contained in Mifid II, which force investors to pay for research either out of their own pocket or via a research payment account, were promoted by the UK's regulator but opposed by

authorities in France and Germany. With the UK now out of the EU, the field is clear to unpick some of the more contentious elements of the legislation.

Research rethink

Announced in July, the EC's proposals would free asset managers from unbundling rules where the research



Cyril Gérard, Kepler Cheuvreux

covers companies under €1 bn in market cap, calculated by looking at a 12-month average. To make use of the exemption, investors would have to enter into an agreement with the research provider and inform the client. Fixed-income research will also be exempted from unbundling under the changes.

‘The exceptional circumstances resulting from the coronavirus pandemic have instilled a sense of urgency into the debate on investment analysts’ research,’ says the EC. ‘Increasing the visibility of European companies, in particular [small to medium-sized enterprises (SMEs)], to investors will promote more investment for the economic recovery.’

One advocate for such a change is DIRK, the German IR association. ‘Mifid II is, as expected, having a huge impact on research on small companies: it’s dead,’ says general manager Kay

“ The exceptional circumstances resulting from the coronavirus pandemic have instilled a sense of urgency into the debate on investment analysts’ research ”

Bommer. ‘My hope was always that we would have more paid-for research but that hasn’t materialized yet.’

Critics have been quick to highlight perceived flaws in the plan, however. Some argue a return to bundled commissions for SMEs will be

unworkable, given that asset managers will be unwilling to operate two separate systems for payments.

‘I would consider [the impact of the Mifid II rollback] as limited,’ says Cyril Gérard, head of corporate brokerage at Paris-based Kepler Cheuvreux. ‘The

“ The planned limit of €1 bn for the market capitalization of SMEs seems too low. For example, in Germany, this would apply to only around half of the 70 firms in the SDAX ”

trend of less research on smaller companies is not going to be slowed. The main pushback I have seen on this evolution is that it is already very complicated for asset managers to evaluate the service of a broker. They are not going to add an extra layer.’

‘I don’t expect this to make a meaningful difference,’ agrees Clive Murray, head of equities at Investec. ‘It’s going to be very difficult for the fund managers. You’ve got Mifid systems that took a lot of effort to set up, which you would now have to undo in order to ‘rebundle’ research and

trading. It’s another layer of complexity that I imagine they will not adopt.’

For the changes to have a chance of success, the EC would need to broaden the exemption beyond €1 bn, Murray says. He suggests €5 bn as a ‘more meaningful number’ that would allow firms to grow significantly without hitting the threshold and triggering changes in the way research is funded.

The Association for Financial Markets in Europe, which represents European banks and other major financial services firms, has also

questioned the changes. ‘Our position that introducing a bespoke research regime for some businesses could add further regulatory complexity and other drawbacks still stands,’ a spokesperson told the *Financial Times*.

Others believe the rollback does not go far enough. BVI, an association for German asset managers, welcomes the option to bundle costs but says the threshold should be increased.

‘The planned limit of €1 bn for the market capitalization of SMEs seems too low,’ notes the association in a

statement. ‘For example, in Germany, this would apply to only around half of the 70 companies in the SDAX small-cap index.’

Impact of Mifid II

The debate on how to boost SME coverage is complicated by confusion over the impact of Mifid II.

It’s widely accepted that research coverage on smaller issuers has been trending down for several years. But studies have come to differing conclusions on whether or not Mifid II has accelerated that process.

“ There are thousands of companies with less than €1 bn in market cap in Europe – and a small-cap asset manager doesn’t have time to view them all ”

French financial regulator the AMF, a long-time critic of strict unbundling rules, released a report in January 2020 that said ‘most participants in the Paris marketplace consider that the reform has undermined financial research production capacity... especially for small and mid-caps.’

By contrast, the UK’s Financial Conduct Authority (FCA) said in

September last year that research on SMEs in the UK had ‘not seen a material reduction to date’.

Another study, conducted by Columbia Business School PhD candidates Yifeng Guo and Lira Mota, finds that coverage of European companies has declined since Mifid II – but the fall has been concentrated among larger issuers. ‘When looking at

the size of the firm in particular, small and mid-cap firms’ coverage remains almost unchanged,’ write the authors in an article for *IR Magazine*. ‘By contrast, large firms’ coverage has dropped on average by 10.74 percent.’

Bommer says his belief that Mifid II has pushed down small-cap coverage is based on conversations with issuers, rather than any specific study.

‘There is no one who says it has been the same all along,’ he explains. ‘Small caps have always had a hard time, but the little coverage they had has died since Mifid II.’

Regulators are not just split over the impact of Mifid II but also increasingly over their approach to research spending. While the FCA has declared itself happy with how Mifid II’s unbundling rules are working, European regulators are now easing their approach. Meanwhile, the US

continues to operate a system of soft-dollar commissions to pay for research, although an SEC no-action letter allows companies to pay for research directly where they need to abide by European rules.

Following the introduction of Mifid II, some global asset managers adopted hard payments for research across their worldwide operations. This fueled the belief that Mifid II-style unbundling could go global. But Europe’s rollback on SME research may mark an end to the expansion of strict unbundling rules.

‘It’s the high-water mark for unbundling as it has played out in the UK, in which the majority of large long-only managers decided to pay for research out of their own resources,’ suggests Sanford Bragg, a principal at Integrity Research Associates, an advisory company focused on the global investment research industry.

Other options

Even among backers of the EC's proposals, there is a belief that other ways to encourage SME research must be nurtured. Rewriting aspects of Mifid II will not solve what is a long-term problem far predating the legislation. One solution already under review by the EC is encouraging the use of sponsored research. In July, alongside its SME research exemption, the EC proposed the creation of a 'clear set of rules on how to address the conflicts of interest that are commonly perceived to make both issuer-sponsored and exchange-sponsored research less reliable and useful for investors.'

This plan is not, however, the EC's preferred short-term option as implementation would be 'complex and would require further analysis with research providers and national competent authorities to ensure the conflict-of-interest rules are conceived in an appropriate manner.'

With or without regulatory help, issuer-sponsored research is already expanding in the wake of Mifid II. Edison Group, the UK-based provider of issuer-sponsored research, says business has been growing 10 percent year on year and now covers more than 400 companies, according to head of research Neil Shah.

At Kepler Cheuvreux, sponsored research is growing strongly and now accounts for 10 percent of the 1,100 companies covered by the broker, according to Gérard. Given the level of demand, he estimates the figure will rise to 15 percent over the next one to three years.

The long-term decline in commission payments has made it less and less economically viable to cover small caps under the normal system, Gérard adds – leading to some difficult conversations with firms Kepler Cheuvreux has followed for years.

'It's hard to say to a company, *We are no longer making enough commission to cover you, so you will need to pay to maintain the research,*' he says. 'It's easier to say to firms that are new or haven't been covered for some time.'

“ Ultimately, people only really want to read about companies if they're able to invest in them ”

Gérard says the firm is 'very often' challenged on the independence of its issuer-sponsored research. 'We have the same standards for all our research in terms of independence,' he says. 'The company doesn't have a say on the target price or rating.' He adds that investors are not really focused on a

rating, anyway. Rather, they want to know someone has done due diligence on the company.

'There are thousands of companies with less than €1 bn in market cap in Europe – and a small-cap asset

manager doesn't have time to view them all,' he points out.

New relationships

Beyond simply paying for research, a growing number of small caps in Europe are also signing up for UK-style corporate broking relationships. This



Clive Murray, Investec

trend underlines that written research is just one piece of a package of services SMEs need to boost visibility and access to funding.

Gérard says his firm offers a bundled package of research, corporate access

and liquidity enhancement for a fixed annual fee. Companies can take all three services or pick and choose, depending on their needs.

A retained broker model offers a potential long-term solution for Europe's SME coverage, says Murray. 'Ultimately, we want to help the economy and certainly across our bank we are doing a significant amount of SME lending,' he points out. 'From a pure research perspective, however, there needs to be some commerciality for us, whether that be commissions or fees at some stage.'

He points out that companies need to access a range of services, not just research, as they grow: 'We need to find a way that is commercially viable for people to provide a full research, sales and liquidity or market-making service in these shares. Ultimately, people only really want to read about companies if they're able to invest in them.'

While Investec is a UK specialist, Murray says he has noticed a growth in retained broker arrangements in other European markets.

'You can see why it would move in that direction,' he says. 'I know in France it is starting to build. There is also a bit of movement in the Benelux countries. There's no reason why something that has worked for decades in the UK shouldn't be adopted. We wouldn't do it if it wasn't useful to our corporate clients.'

The future of the Belt and Road Initiative

China's massive infrastructure project to connect multiple continents will cost trillions of dollars. But how do Covid-19 and diplomatic relations affect the future of the project, and what does it mean for issuers that stand to benefit? *Ben Ashwell and Tim Human* report





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The future of the Belt and Road Initiative

China's massive infrastructure project to connect multiple continents will cost trillions of dollars. But how do Covid-19 and diplomatic relations affect the future of the project, and what does it mean for issuers that stand to benefit? *Ben Ashwell and Tim Human report*

The Silk Road was a transformational network of roads and maritime routes that ran through much of Asia, into the Middle East, around East Africa and into Europe. It spanned continents, lasted for roughly 1,500 years, had a profound effect on international trade and facilitated giant strides in technology, commerce, infrastructure and economics until its eventual demise in the 18th century.

Its legacy was echoed in 2013 when Chinese leader Xi Jinping unveiled the

Belt and Road Initiative (BRI) – formerly known as the One Belt, One Road Initiative – so much so that the government's project is also known as the New Silk Road.

The ambitious, decades-long initiative aims to address an infrastructure gap that exists across much of Asia, by creating connectivity, trade routes and economic opportunity between China, Mongolia, Russia, central and west Asia, Pakistan, India and Eastern Europe.

An official plan for the project was unveiled in 2015, which emphasized five broad goals:

1. Co-ordinating economic development strategies and policies
2. Infrastructure connectivity
3. Lowering trade barriers and improving investment and trade relations
4. Deepening financial co-operation
5. Strengthening people-to-people links.

“Africa [and the] Middle East are important parts of the global trade and investment corridors, including those on China’s Belt and Road Initiative, and we are well placed to facilitate these flows”

– Standard Chartered, annual report 2019

At the time it was estimated the project would cost more than \$1 tn and have a transformative effect on the region, although estimates vary widely: a 2018 report from Moody’s placed the overall cost at between \$2 tn and \$8 tn.

Indeed, between 2013 and 2018, China invested \$614 bn in the project, with 38 percent of that going toward the energy sector, 27 percent to transport, 10 percent to real estate and 6 percent to metals, according to an analysis by Moody’s. More than half of that investment was in Asia, while 23 percent of it was in Africa and 13 percent in the Middle East.

With such a huge undertaking and such significant amounts of investment required to deliver on the BRI, *IR Magazine* set out to find examples of companies that stand to benefit from the project. For such a long-term initiative, we wanted to know how public companies communicate their

involvement to the investment community. Throughout this article, you’ll see examples of how companies around the world discuss their involvement in the BRI.

Chinese focus on domestic issues

We didn’t find as many examples as we were expecting, however. A spokesperson for the Hong Kong Investor Relations Association (HKIRA) tells *IR Magazine* that the BRI is not getting much attention from listed companies in HKIRA’s jurisdiction.

Further, searches of a number of regulatory filing databases throw up a shorter list of companies than expected. The trend among those companies that *do* discuss the BRI is to address it vaguely and as a business opportunity for the future.

Joanne Wong, senior managing director in the strategic communications segment of FTI

“As for overseas expansion, by seizing the opportunities arising from China’s significant Belt and Road Initiative... the group has proactively grasped the investment opportunities in ports, logistics and related infrastructure”

– China Merchants Port, annual report 2019

Consulting in Hong Kong, says the BRI is less of a priority for the Chinese government right now, as it focuses on issues such as the Covid-19 recovery, diplomatic relations with the US and India, and a refocused five-year plan (set to be unveiled next year).

‘What we understand via our sources and networking with the Chinese government is that [the BRI] is not a current top priority,’ she says. ‘The

“The group steadily expanded its business in the South East Asian region and enhanced its marketing efforts so as to acquire Belt and Road-related target clients and major projects, giving full play to its role as [Bank of China’s] Asia-Pacific syndicated loan center”

– Bank of China (Hong Kong), interim results announcement 2020

circular economy initiative to boost the domestic economy post-Covid-19 is the most important priority now.

'And the upcoming announcement of the next five-year plan is also likely to focus on domestic growth and innovation. Not only because of Covid-19, but also because of the current tension between China and

India, the [BRI] is now becoming a bit too politically sensitive, as India needs to be a key player within this initiative.'

Ronald Chan, chief investment officer at Chartwell Capital, adds that the Greater Bay Area – another massive infrastructure project designed to connect nine southern Chinese cities through a network of train, air and sea transportation – could be taking greater focus because it's 'more concrete'.

He says the Hong Kong Trade Development Council has merged two committees that individually intended to focus on the BRI and the Greater Bay Area Initiative separately.

Green Investment Principles

The huge investment and construction demands of the BRI have also raised obvious concerns about the potential negative effect on the environment, climate change and local communities.

To mitigate the impact of the project, green finance experts from China and the UK met in London two years ago and launched a set of principles to encourage sustainable, low-carbon developments in BRI countries.

Since then, the Green Investment Principles (GIP) have attracted 37 signatories with assets under management of around \$41 tn, according to the GIP 2020 annual report, which was released in September. The signatories include major financial institutions from China and overseas, such as Bank of China, China Construction Bank, Deutsche Bank, HSBC, Standard Chartered, BNP Paribas and UBS.

At time of writing, there are also 12 official supporters of the GIP. They range from environmental disclosure groups such as CDP Worldwide to professional services firms and data provider Refinitiv.

The list of seven principles aims to cover three main areas: strategy, operations and innovation. They are:

- Embedding sustainability into corporate governance
- Understanding ESG risks
- Disclosing environmental information
- Enhancing communication with stakeholders
- Using green financial instruments
- Adopting green supply-chain management
- Building capacity through collective action.

The GIP 2020 annual report says one of the code's main objectives is to support BRI development while also keeping the world on track to meet the Paris Agreement climate change goals.

In light of the economic damage caused by Covid-19, the principles can also help support a 'green recovery'

“ The construction of [BRI] provides an opportunity for our cultural industry to go global. We have a long history and rich cultural resources, and have the infinite charm of cultural diversity. It is our historical mission to spread Chinese culture to all parts of the world and to tell the Chinese story. The development of an international cultural market has enormous potential ”

– Oriental Culture Holding, Form F1 2020

where investments are focused on areas such as environmentally friendly transport systems and clean energy, according to the report.

With the principles now two years old, the GIP steering committee says it wants to make signatories more accountable. With this in mind, it recently launched a three-year plan with new reporting obligations. For example, by 2023 it expects signatories to have begun making environmental information disclosures.

Despite the existence of the GIP, environmental groups remain critical of many developments taking place in BRI countries. In April this year, more than 250 organizations signed a letter calling on China’s trade minister to exclude ‘high-risk’ projects from any Covid-related financial relief unless concerns are addressed.

The international coalition lists 60 projects – such as dams, coal power plants and copper mines – that it says civil society groups had identified as having ‘major environmental, social, biodiversity or climate risks’.

‘By conducting a thorough assessment of projects seeking financial support to offset the impacts of the Covid-19 pandemic, Chinese state actors and financial institutions can play an important role in realizing China’s commitment to build the ‘Green Belt and Road’ while potentially supporting host countries in meeting the UN Sustainable Development Goals,’ notes the letter.

China’s 14th five-year plan

The Chinese government plans to unveil its 14th five-year plan in March 2021. While meetings took place in October 2020 to determine and finalize the plan, the contents will remain unconfirmed until next year.

Experts, including Wang Tao, UBS Investment Bank’s chief China economist, are predicting more conservative GDP growth of 5 percent, rather than the 6 percent to 7 percent outlined in the prior five-year plan. We

will watch with interest to see how the next five-year plan factors in to a more

“ Internationally, the global spread of Covid-19 has brought certain challenges to the overseas production and operation of Chinese construction enterprises... The [value] of new contracting projects from 59 countries along the Belt and Road decreased by 5.2 percent year on year to \$60.3 bn ”

– China Railway, interim report 2020

domestically focused government policy and the effect that may have on the BRI and China’s other significant infrastructure investments.

Cyber-security in the age of Covid-19

Corporate reputations are being tested by a wave of cyber-crime, finds *Tim Human*



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Risk management

Cyber-security in the age of Covid-19

Corporate reputations are being tested by a wave of cyber-crime, finds *Tim Human*

In June, Israeli business daily *Calcalist* reported that Sapiens, a software company, had paid \$250,000 in bitcoin to end a ransomware attack. The breach is thought to have happened when employees started working from home due to Covid-19, according to the article. Sapiens has neither confirmed nor denied the story, and did not respond to a request for comment.

The case highlights how the pandemic has greatly increased the risk to companies from cyber-attacks. Amid the shift to remote working,

fraudsters now have many new avenues to trick their way into corporate IT systems. It also underlines the difficult communications choices that come with a cyber-incident. In many cases, companies attempt to sort out the problem behind the scenes. There is no guarantee, however, that paying up will end the matter – or even keep it private.

Threat surge

Cyber-security firms report a huge surge in attacks against companies and other organizations since the start of

the pandemic. The number of ransomware reports climbed 715 percent in the first half of 2020, according to a study by BitDefender. Over the same period, 40 percent of Covid-related emails were tagged as spam, with many of them purporting to come from governments or international bodies such as the World Health Organization.

‘The global pandemic has expanded the potential attack surface of the corporate world, given that we now have millions of employees working from home,’ says Chuck Seets, Americas assurance cyber-security leader at EY. ‘You have folks who may never have worked from home before. They may not be as sensitive to cyber-security risks, or attuned to practicing good cyber-security hygiene.’

BlackFog, a data privacy company, is maintaining a list of publicized ransomware incidents. During the year

it has recorded dozens of attacks against public companies, including IT services giant Cognizant, carmaker Honda and Swiss manufacturer Stadler Rail, which released a statement saying it had been targeted with malware. The offenders had tried to ‘extort a large amount of money from Stadler and threatened the company with the potential publication of data,’ reported the firm, although its back-up systems enabled it to keep its production lines in operation.

Ransomware incidents today have a higher likelihood of creating a reporting requirement or public discussion, says Siobhan Gorman, a partner at Brunswick Group and former journalist covering national security and law enforcement. Over the last six months, hackers have increasingly combined ransomware attacks with data theft, which creates additional complications for targeted companies, she explains.

“ The global pandemic has expanded the potential attack surface of the corporate world ”

‘You see hackers going in [to your systems], carrying out reconnaissance, stealing data and then, in the final measure, applying ransomware to your systems in order to lock down some part of your operations or business processes,’ Gorman says. ‘Email functions get hit a lot.’

Should you pay?

Companies typically ask: if we pay, will the problem go away? Gorman says there are a number of considerations to take into account, but that paying up might not bring the situation to a close.

‘If the hackers are stealing data, you may still have breach-reporting obligations that require you to notify affected individuals,’ she says. ‘You may also have contractual arrangements with customers, clients or business partners that also require you to notify them of a data-breach situation, regardless of whether you pay the ransom.’ She adds that, even if you get a decryption key, it may still take a few weeks to get operations up and running again. ‘You have to weigh up whether it will take you longer to restore from back-up,’ she says.

Disinformation attacks

In the run-up to the US presidential election, public officials were warned to be on guard against disinformation attacks: misleading information that is designed to trick people. Such attacks can appear in various forms. Common tactics include bots spreading false news on social media and videos where technology has altered what someone appears to be saying, known as deep fakes.

The threat to politicians of disinformation attacks is well known. But should public companies also be worried? 'It's a growing concern,' says Preston Golson, a director at Brunswick Group who formally held a number of national security positions with the US government, including as an analyst with the CIA.

He points to a 2019 survey by Brunswick that found more than two thirds of investors thought corporate disinformation would become more prevalent. 'The issues they were most concerned about were M&A, IPO news, personal conduct of executives [and] unsafe product stories,' he says.

The Covid-19 pandemic has further underlined the risks posed to companies from misleading news, adds Golson. 'If you're in certain industries, such as pharmaceuticals or telecommunications, your business can be actively thrown into the middle of some of these conspiracies,' he explains. As an example, he highlights the false rumors about 5G spreading coronavirus that led to phone masts being set alight in the UK.

There are various reasons why someone might conduct a disinformation attack against a company, says Golson. Often, the firm is caught up in a wider conspiracy or political clash. On other occasions, the aim may be to push down a company's value or boost web traffic via attention-grabbing stories.

Disinformation tactics can also be used to steal directly from companies. Last year, it was reported that the CEO of a UK energy subsidiary was tricked into transferring €220,000 (\$261,000) to criminals with the help of deep-fake software. The fraudsters used artificial intelligence technology to mimic the voice of the CEO's boss – the head of the parent company – and convinced him to transfer the money to a 'supplier'.

Another factor to bear in mind is the growing sophistication of hacking organizations. Some now have federated structures and websites where they publish press releases detailing their latest work.

One of the best known is Maze, which steals data and threatens to release it on its website unless a ransom is paid. If the company doesn't comply, Maze begins sharing extracts of the data at increasing levels of sensitivity.

When negotiating with hackers, firms need to remember that they are dealing with a rival communications operation. 'We've seen examples of negotiations with hackers [where] a company pays up and then the negotiation is provided to a reporter,' says Gorman.

'Ensure that whenever you negotiate with a hacker you do it fully mindful that it could become public: you need to think about what that will look like.'

Furthermore, Gorman says to never forget you are dealing with criminals: 'We've seen situations where even when a firm pays the ransom, the company's data is still sold on the black market. It may be because another hacking group was also in your system and also stole some data, or just that the criminal wasn't to be trusted.'

Hacked data and insider trading

Normally hackers want data to extort or embarrass companies, but a few are more interested in the trading opportunities. In 2016 Ukrainian hacker Oleksandr Ieremenko gained access to the Edgar filing system and stole corporate announcements before they were made public.

The information was transmitted to traders in the US, Russia and Ukraine who, by going long or short against the companies involved, earned more than \$4 mn in profits, according to a complaint filed by the SEC.

“ We’ve seen situations where even when a firm pays the ransom, the company’s data is still sold on the black market ”

How much trading is taking place using hacked data? No one can be certain. But the problem is thought to be far more widespread than the few cases reported in the media. 'Any statistics that may be available would be based on proven cases, and it's far more likely there are many more unproven cases,' Kate Fazzini, journalist and author of *Kingdom of lies: Adventures in cybercrime*, told IR Magazine earlier this year.

Arguably a bigger concern for companies is how to prevent insider trading by their own employees once a data breach is discovered – anyone with knowledge of the attack might try to sell their shares ahead of a damaging public announcement.

In one very high-profile example, a former senior employee at Equifax allegedly dumped nearly \$1 mn worth of shares after finding out about the credit company's massive 2017 data

Cyber-safety 101

With so many employees now working from home – and the expectation that this could last for a long time – what new measures should companies take to protect themselves? Marios Damianides, partner and US-East cyber-security leader at EY, offers his advice.

- From the ongoing risk perspective, it is critical to put tools and monitoring in place to identify any attacks early. This can't be one-off monitoring – it must comprise consistent checkups on the system to find any vulnerabilities *before* the attackers do.
- Companies must also have a strong incident response plan. This is necessary to have in place so that when something happens, every team member knows what to do. Once you have a plan on paper, have it tested and execute a table-top exercise – this will allow any kinks or issues to be worked out prior to a real incident.
- Any applications being used should be tested before they go live to find any gaping holes in security.
- Be cognizant of what sensitive information can be found on any given server and who has access to privileged accounts in order to put the right measures in place for protection. A multi-factor indication system, such as a password and token, can be implemented for VPNs, remote access and sensitive data.
- Perform frequent program checks [to inform companies about] the health of their security program and whether it's built robustly enough to pick up anything that's gone awry.
- Assess the risk each third party poses to you before you connect it to your network (or vice versa). If you're sending personal information, you have to make absolutely certain that that party has a way to safeguard it.

theft. He was later charged by the SEC with insider trading.

‘Although the jury is still out on the scope of the problem, William Hinman, a senior SEC official, suspects that

insider trading after a cyber-security breach is more common than is currently known,’ says Marios

Damianides, partner and US-East cyber-security leader at EY. ‘But he hints at a lack of empirical evidence that would determine exactly how widespread [the problem is].’

Damianides says companies are increasingly aware of the insider-trading risks stemming from cyber-attacks and are factoring these into their corporate policies and procedures. ‘Public companies should consider revising their incident response plans to include provisions for issuing trading blackouts – when to issue, to whom, by what process and for how long,’ he advises.

‘Companies should also consider offering additional employee training to address instances in which their employees may obtain – whether directly or indirectly – any non-public information regarding a potential data breach that impacts the company and/or its customers.’

“ Public companies should consider revising their incident response plans to include provisions for issuing trading blackouts ”

Investor considerations

When a cyber-incident occurs, Gorman advises companies and their IR teams to think about how their actions will play out over the long term.

‘You may have some short-term pain or costs – in terms of managing customer relationships or notification processes – that ultimately provide a much stronger foundation in the long term,’ she says.

‘The short-term calculation for a business might be to go ahead and pay, and hope for the best. [But] I think it’s important for investors to be thinking

about both short-term and long-term implications. Make sure they’re thinking through those kinds of issues when they’re evaluating businesses and that nobody is being overly short-sighted in a situation like this.’

Thankfully, many companies have spent the last couple of years beefing up their approach to cyber-risks. Over the last three years, the number of Fortune 100 companies disclosing that at least one board-level committee has responsibility for cyber-security climbed from 74 percent to 87 percent, according to a 2020 study by EY.

During the same period, the number of companies mentioning cyber-security in a director’s biography or as a sought-after skill rose from 39 percent to 58 percent.

In response to the pandemic, Seets says he expects companies to disclose more about a range of cyber-security issues, ranging from breach simulations and insurance assessments to board expertise. ‘This is going to be one of the most important topics of the decade,’ he concludes.

The logo for IR Magazine, featuring the letters 'IR' in a bold, blue, sans-serif font inside a white square.

magazine

Global Roadshow Report 2020

IR Magazine's 11th annual research report into the who, where, how and why of corporate roadshow activity

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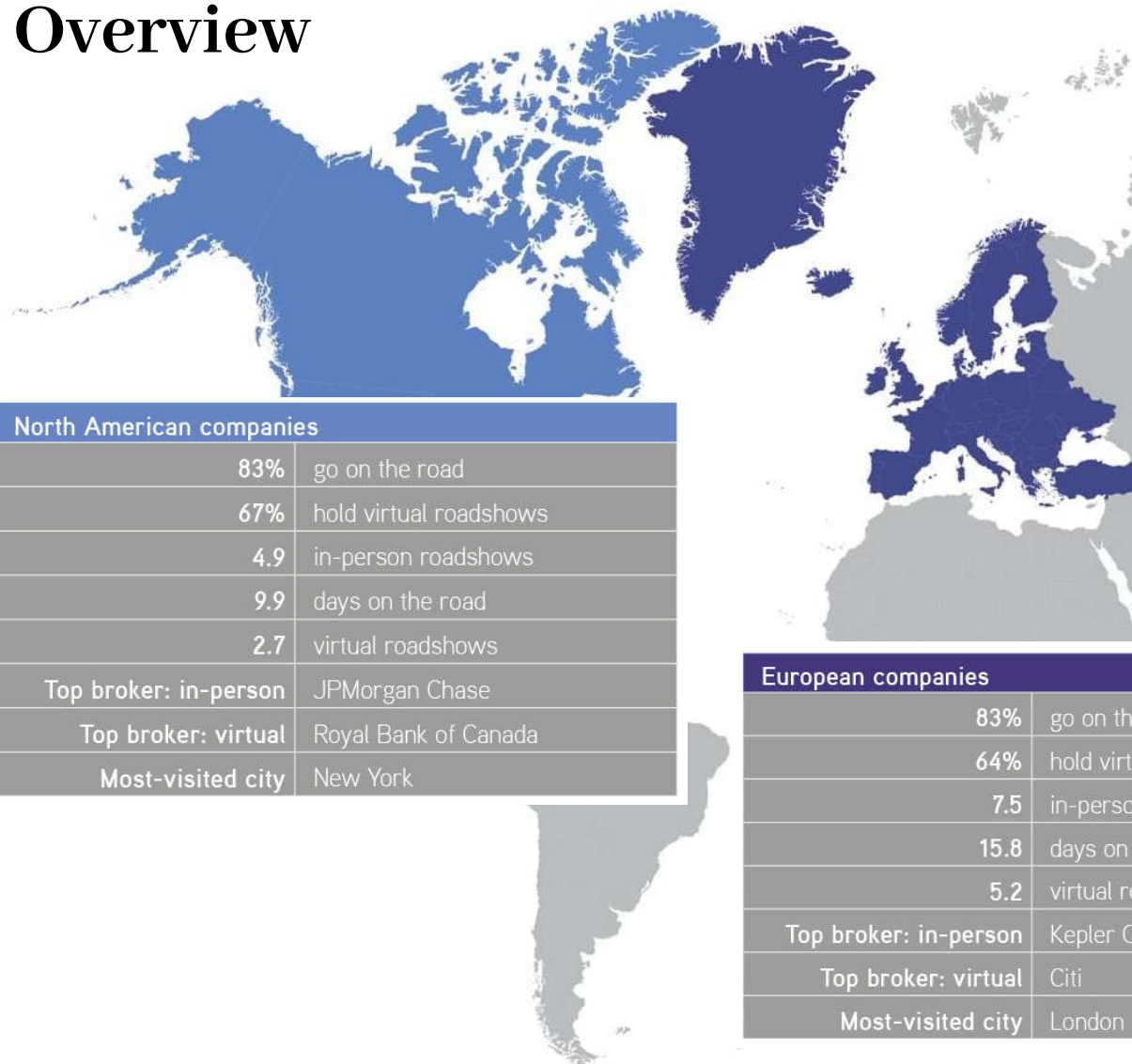
BofA SECURITIES 



Overview

What is in the report?

Overview



North American companies	
83%	go on the road
67%	hold virtual roadshows
4.9	in-person roadshows
9.9	days on the road
2.7	virtual roadshows
Top broker: in-person	JPMorgan Chase
Top broker: virtual	Royal Bank of Canada
Most-visited city	New York

Asian companies	
74%	go on the road
47%	hold virtual roadshows
4.7	in-person roadshows
12.4	days on the road
4.8	virtual roadshows
Top broker: in-person	UBS
Top broker: virtual	Credit Suisse and UBS
Most-visited city	Singapore

European companies	
83%	go on the road
64%	hold virtual roadshows
7.5	in-person roadshows
15.8	days on the road
5.2	virtual roadshows
Top broker: in-person	Kepler Cheuvreux
Top broker: virtual	Citi
Most-visited city	London

What's in this report?

- Introduction and respondent data
- Roadshow activity
- Broker trends
- Roadshow destinations
- Sector focus

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Introduction

Who did we survey?



Introduction

The *IR Magazine Global Roadshow Report 2020* is our 11th annual research report into corporate roadshow activity, although this year is unlike any other for roadshows that we have reported on.

The impact of the Covid-19 pandemic and its severe restrictions on business travel started to be felt in the first quarter of 2020, stripping roadshows of their key component and forcing IROs and their companies to find other logistical means of investor engagement. As a result, the emergence of virtual roadshows has redefined the manner and scope of roadshow activity.

So for the first time our report looks at the practices and preferences for virtual roadshows. The report still looks at roadshow destinations and travel for in-person roadshows, but for other aspects of

roadshow activity – roadshow frequency, broker use, management attendance – this report examines both in-person and virtual roadshows separately.

Findings in this report are taken from the latest round of *IR Magazine's* Global IR Survey, carried out in Q3 2020. The year this report covers spans Q3 2019 to Q2 2020 and any references to 'the year' in this report are for this time period unless stated otherwise. We have further broken down data for roadshow frequency into each quarter within that period, so in-person activity prior to the Covid-19 pandemic and subsequent virtual roadshow activity can be identified.

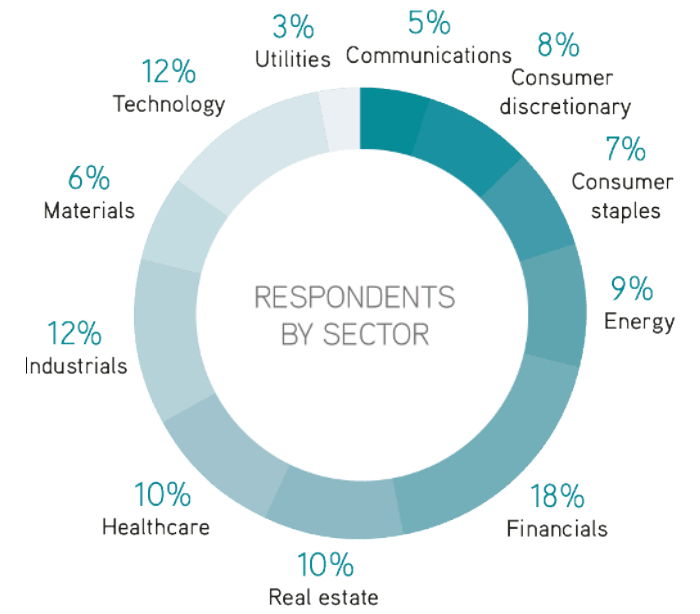
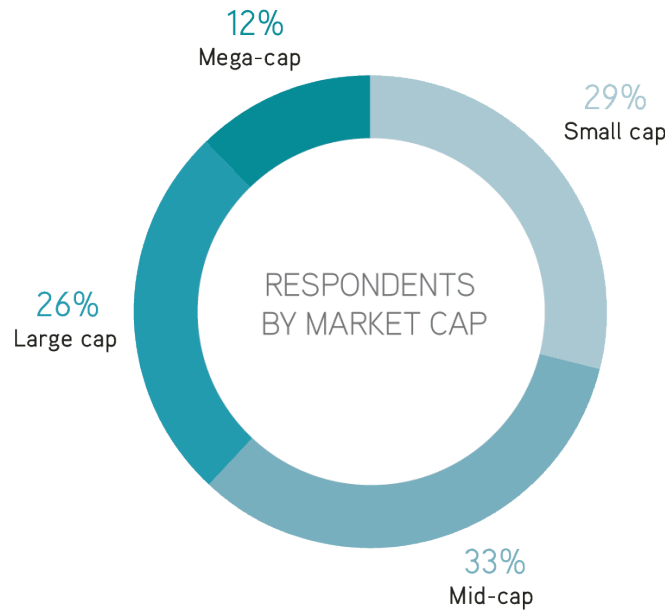
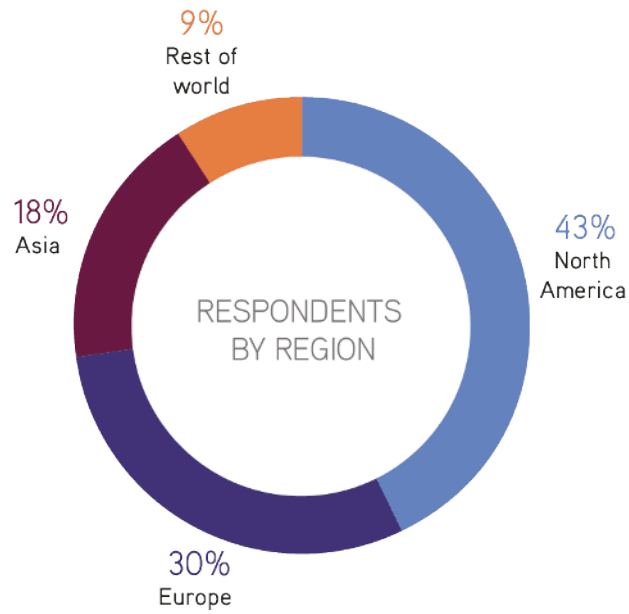
The first figures in this report are for how many respondents have been on roadshows in the past year. Any subsequent findings in this report are

based on the responses from roadshow participants only, so data for both in-person and virtual roadshows includes only participants in that particular type of roadshow.

Most of the findings in this report have been split by geographical region and company market capitalization. For the purposes of this study the key regions examined are North America, Europe and Asia, while the categories for market cap are defined in US dollars as follows:

Small cap	<\$1 bn
Mid-cap	\$1 bn-\$5 bn
Large cap	\$5 bn-\$30 bn
Mega-cap	>\$30 bn

Total number of respondents 451



The background is a stylized map with various shades of blue and green. A prominent dark blue line traces a route across the map, starting from the bottom left, moving up, then right, then down, and finally right again. A blue location pin is positioned in the lower-left quadrant. The map features abstract shapes representing buildings and streets.

On the road : In-person roadshows

On the road – In-person roadshows

In the 12 months from Q3 2019 to Q2 2020, 81 percent of companies went on an in-person roadshow, down 12 percentage points from the previous year and 13 percentage points from the figure reported in our 2018 report.

Despite the Covid-19 pandemic crippling business travel in Q2 2020, 83 percent of North American and European companies still managed to go on the road over the course of this year. In Asia, where the effects of Covid-19 were felt earlier, just under three quarters of companies were able to go on the road during this time, down from the 83 percent of Asian companies reported last year.

Fewer smaller companies have had the opportunity to go on in-person roadshows over the course of this year, with 78 percent of both small and mid-

cap companies having done so in the Q3 2019 to Q2 2020 time period, down from 89 percent and 98 percent, respectively, the year before.

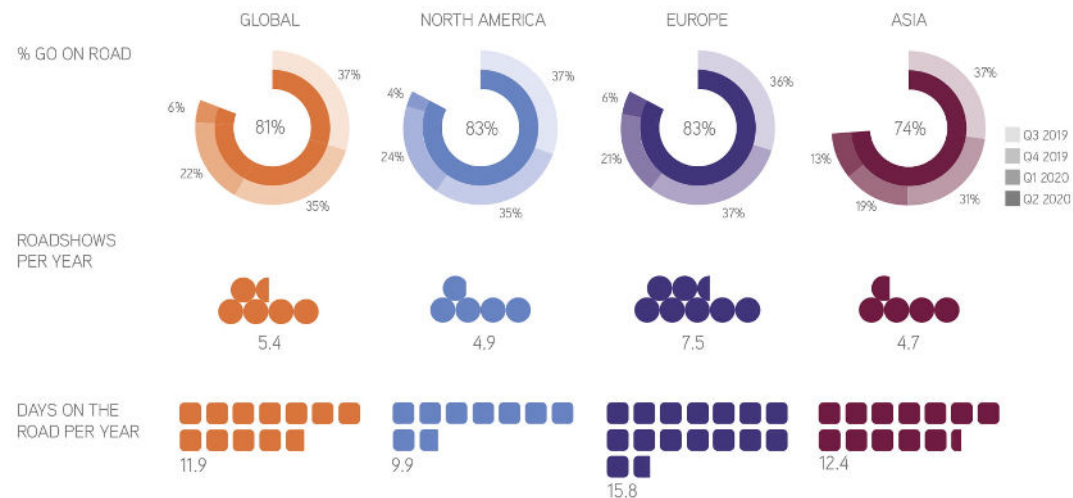
Larger companies saw less of drop in numbers undertaking in-person

roadshows, with 89 percent of large-cap companies and 91 percent of mega-cap companies able to go on the road in this time. These figures are still down from 93 percent and 95 percent, respectively, in 2019.

Number of roadshows

The average number of in-person roadshows undertaken per company in the period Q3 2019 to Q2 2020 was 5.4, down two whole roadshows and representing a 27 percent fall from the previous year. Just 6 percent of these

In-person roadshow activity Q3 2019 to Q2 2020, by region



roadshows were held in Q2 2020 and 22 percent in Q1 2020. Companies went on an average of 3.9 roadshows during the second half of 2019, which is consistent with the previous year's figures.

Regionally, the average number of in-person roadshows varies from 4.7 for Asian companies to 7.5 for European companies, with European firms losing more than three roadshows from the previous year.

Asian companies, many of which would have entered into lockdown earlier than companies from other regions, held 13 percent of their in-person roadshows in Q2 2020 – likely indicating the different cycle Asia has been on in this pandemic.

The average number of roadshows according to company size ranges from 4.5 at small caps to 9.1 among mega-cap companies. The number of small-cap roadshows is just 0.2 fewer than the

previous year, while mega-cap companies saw a drop of nearly eight roadshows over the same period.

Days on the road

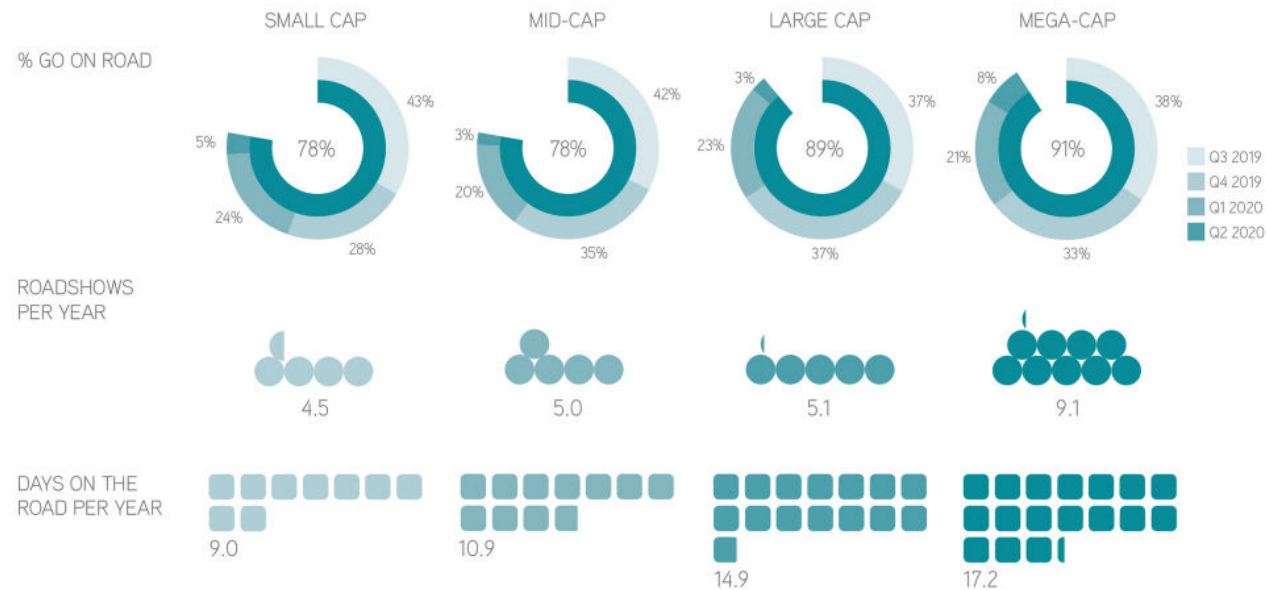
The fall in in-person roadshow activity has led to a 30 percent cut in the number of days spent on the road. The average firm spent just under 12 days

on the road between Q3 2019 and Q2 2020, five days fewer than the previous year. North American firms spent just under four fewer days on the road than in 2019, while both European and Asian companies lost around six days each.

As the number of in-person roadshow days drops, so too does the

difference in days spent on the road according to company size. There is now a difference of just over eight days in the time spent by small and mega-cap firms, compared with the more than 21 days recorded in our 2019 report. Small caps' days on the road have dropped by around a quarter this year, while mega-cap days have halved.

In-person roadshow activity Q3 2019 to Q2 2020, by cap size





**On the road :
Virtual roadshows**

On the road – Virtual roadshows

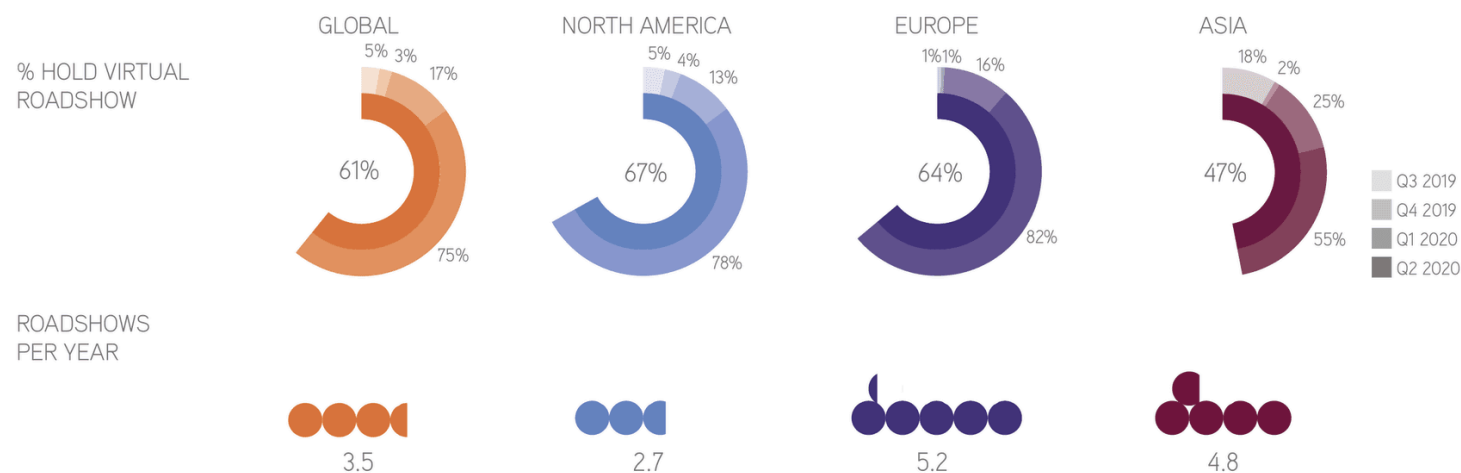
Holding virtual roadshows

Slightly more than six in 10 companies undertook virtual roadshows in the year Q3 2019 to Q2 2020. Regionally, two thirds (67 percent) of North American companies held virtual roadshows, compared with less than half of Asian companies. Mega-cap companies were the most likely to hold virtual roadshows, with more than seven in 10 of such firms doing so. Mid-cap companies were the least likely, at 57 percent.

Number of virtual roadshows

Among those companies that undertook virtual roadshows during this time, the average number held was between three and four. Three quarters of the roadshows held in this time took place in the second quarter of 2020, with just 8 percent being held in the second half of 2019.

Virtual roadshow activity Q3 2019 to Q2 2020, by region

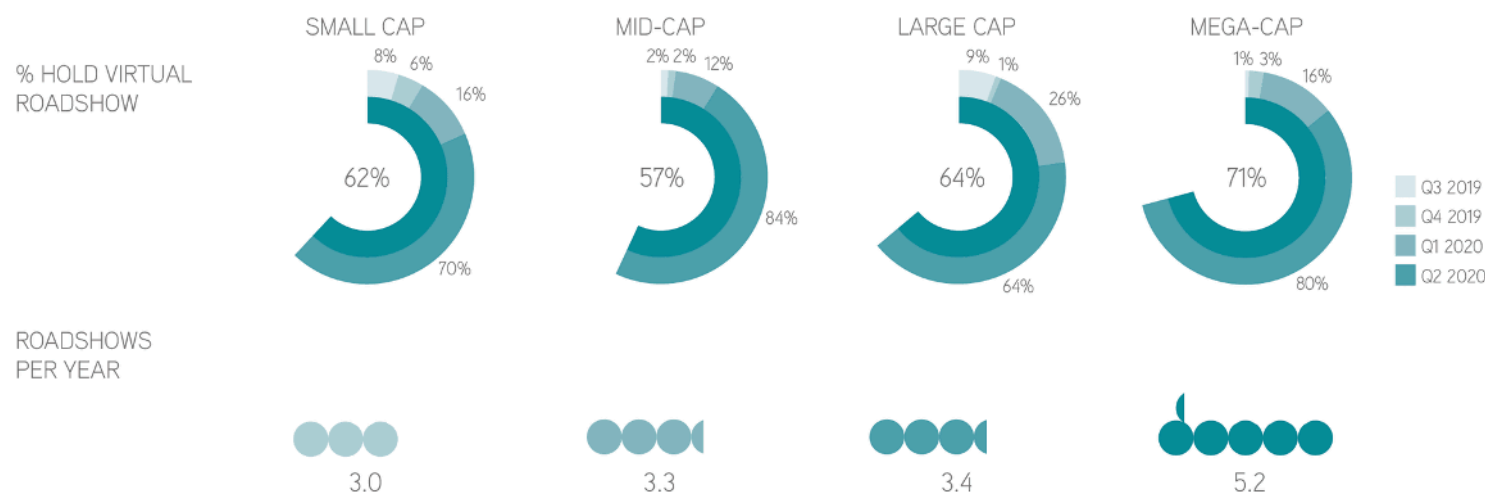


The lowest level of virtual roadshow activity is found in North America, where companies held an average of 2.7 virtual roadshows in this year. This is almost half the number of virtual roadshows undertaken by European companies. Asian companies held a quarter of their virtual roadshows in Q1 2020 and held the most virtual roadshows in the second half of 2019.

The number of virtual roadshows undertaken grows according to company size, from three among small-cap companies to 5.2 among mega-caps. Prior to 2020 and the onset of the Covid-19 pandemic, it was small-cap companies that held the highest number of virtual roadshows.

Four in five mega-cap and 84 percent of mid-cap virtual roadshows were held in Q2 2020.

Virtual roadshow activity Q3 2019 to Q2 2020, by cap size



Roadshows with senior management



Roadshows with senior management

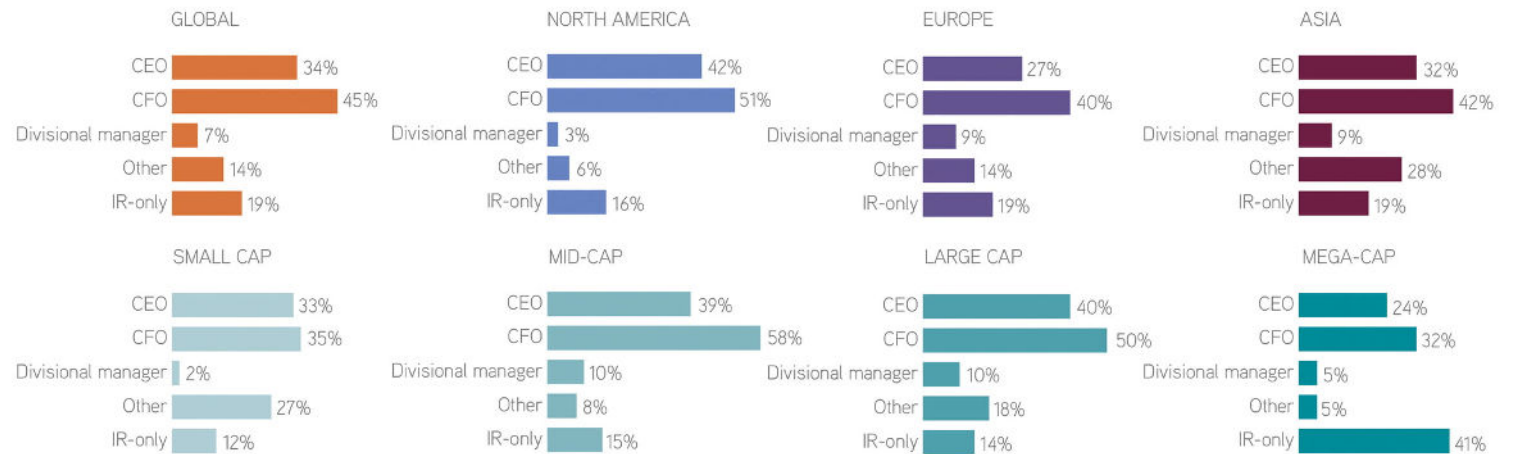
In-person roadshows

More than four in five in-person roadshows had a member of senior management in attendance. CFOs went out on the road 45 percent of the time, while just over a third of in-person roadshows were with the CEO.

North American companies are more likely than companies in other regions to take the CEO and CFO out on the road, while Asian firms are more likely to take other management figures.

Large and mid-cap companies are most likely to take CEOs and CFOs on their in-person roadshows, while mega-cap IR teams are the most likely to go out on the road without taking any senior managers with them.

In-person roadshows with management (% of roadshows)

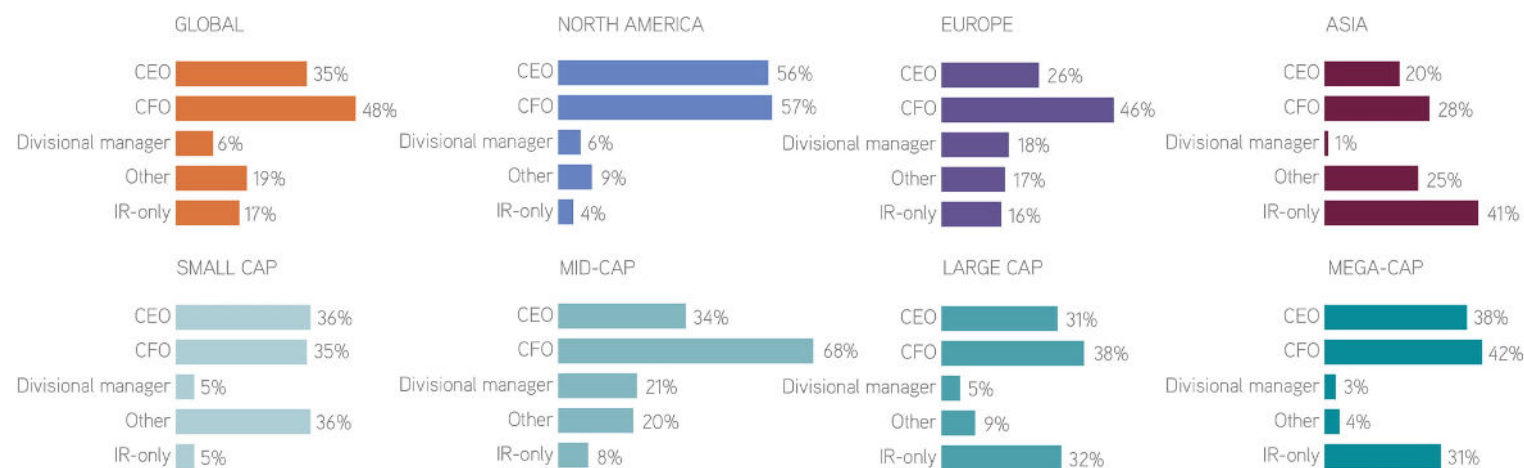


Virtual roadshows

The rate of senior management attendance on virtual roadshows does not differ much from attendance at in-person roadshows. Just 17 percent of virtual roadshows were held without senior management, while CFO and CEO attendance was only slightly up on the in-person roadshow figures. There is a small, but notable, increase in the likelihood of managers other than the CEO or CFO attending virtual over in-person roadshows.

Both CEOs and CFOs attend a majority of virtual roadshows held by North American firms, while more than two fifths of virtual roadshows by Asian companies are IR-only. Mid-cap CFOs attend more than two thirds of their company's virtual roadshows, while small and mid-cap companies have just 5 percent and 8 percent, respectively, of their virtual roadshows without any management in attendance.

Virtual roadshows with management (% of roadshows)



ESG roadshows

ESG roadshows

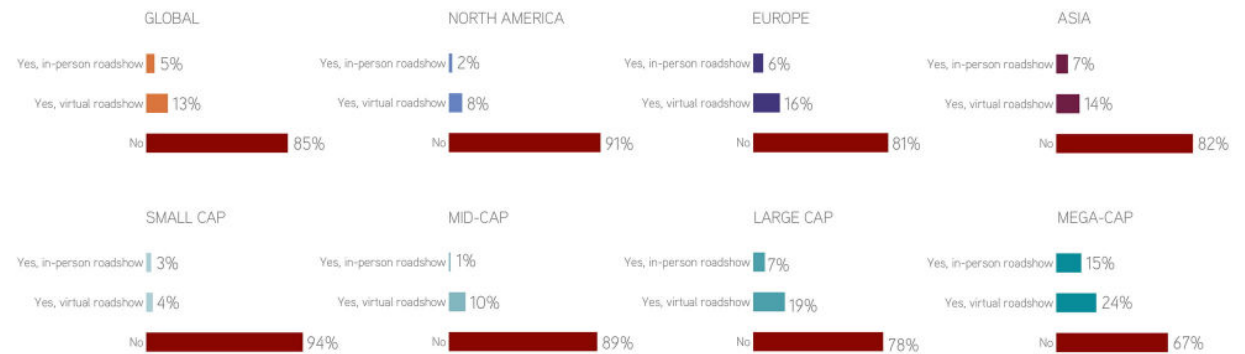
Just 15 percent of companies record having undertaken an ESG-focused roadshow in the past year, with 5 percent having held an in-person event and 13 percent a virtual one (3 percent of which have undertaken both). North American companies are less likely to have undertaken either an in-person or virtual ESG roadshow than European or Asian companies, while the likelihood of taking part in an ESG-focused roadshow increases with company size.

Although there are few companies with recent experience of ESG roadshows, there is a significant increase in interest in them for the future, with 40 percent of companies

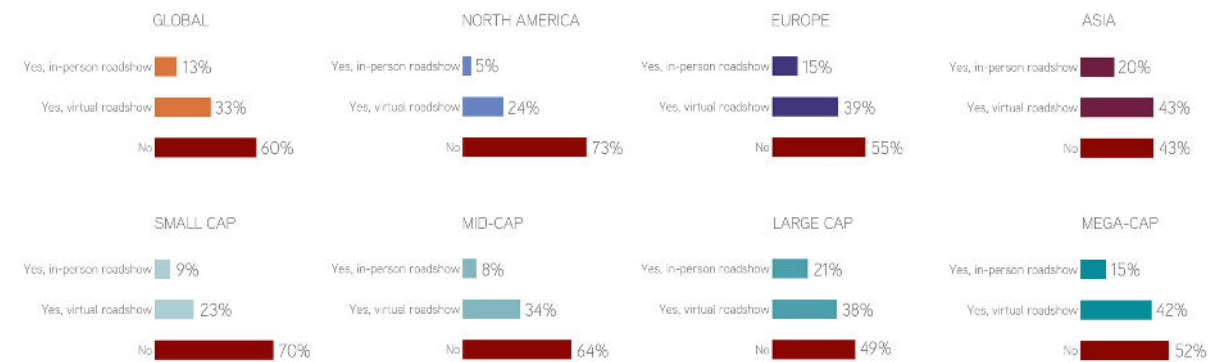
planning to undertake an ESG-focused roadshow in the next 12 months. The recent increase in attention to virtual events has likely facilitated this, with a clear majority planning to hold their ESG roadshows virtually.

The majority of Asian companies plan an ESG roadshow in the next 12 months, while the figure is just over a quarter for North American companies. Asian teams are the most likely to go on the road in person, with one in five planning to do so over the next year. The number planning an ESG roadshow ranges according to company size, from three in 10 small-cap companies to 48 percent of mega-caps.

Have you undertaken an ESG-focused roadshow in the past 12 months?



Do you plan to undertake an ESG-focused roadshow in the next 12 months?



Roadshow activity changes



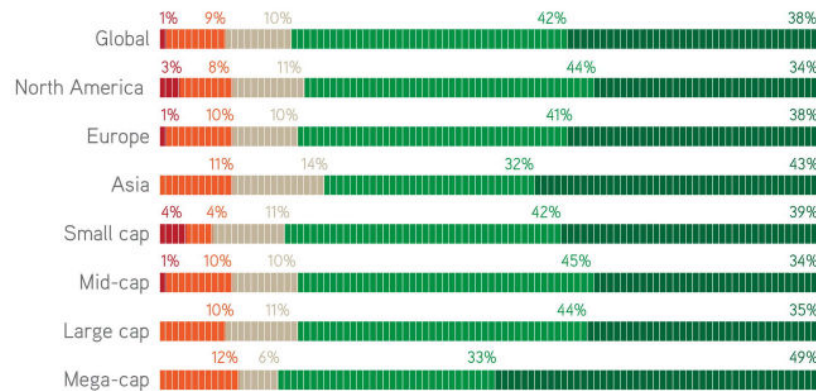
Roadshow activity changes

Eight in 10 IROs agree that the experience of Covid-19 will lead to a permanent change in roadshow activity, with 38 percent strongly agreeing with this statement. This view is uniformly held across all regions and company sizes.

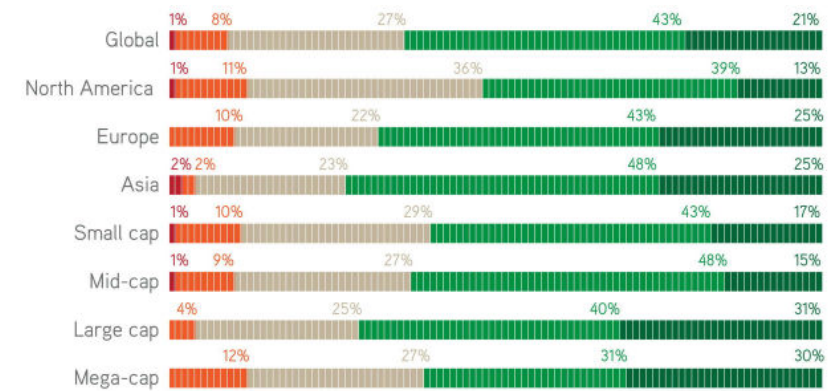
Just under two thirds agree that thematic roadshows will become more common in the future, with more than one in five strongly agreeing. This view is most strongly held by Asian IROs, while North American companies are comparatively less inclined to agree. IROs at large-cap companies tend to agree more with this statement than those at companies of other cap sizes.

To what extent do you agree or disagree with the following statements?

The experience of Covid-19 will lead to a permanent change in roadshow activity



Thematic roadshows (such as those focused on ESG) will become more common in the future



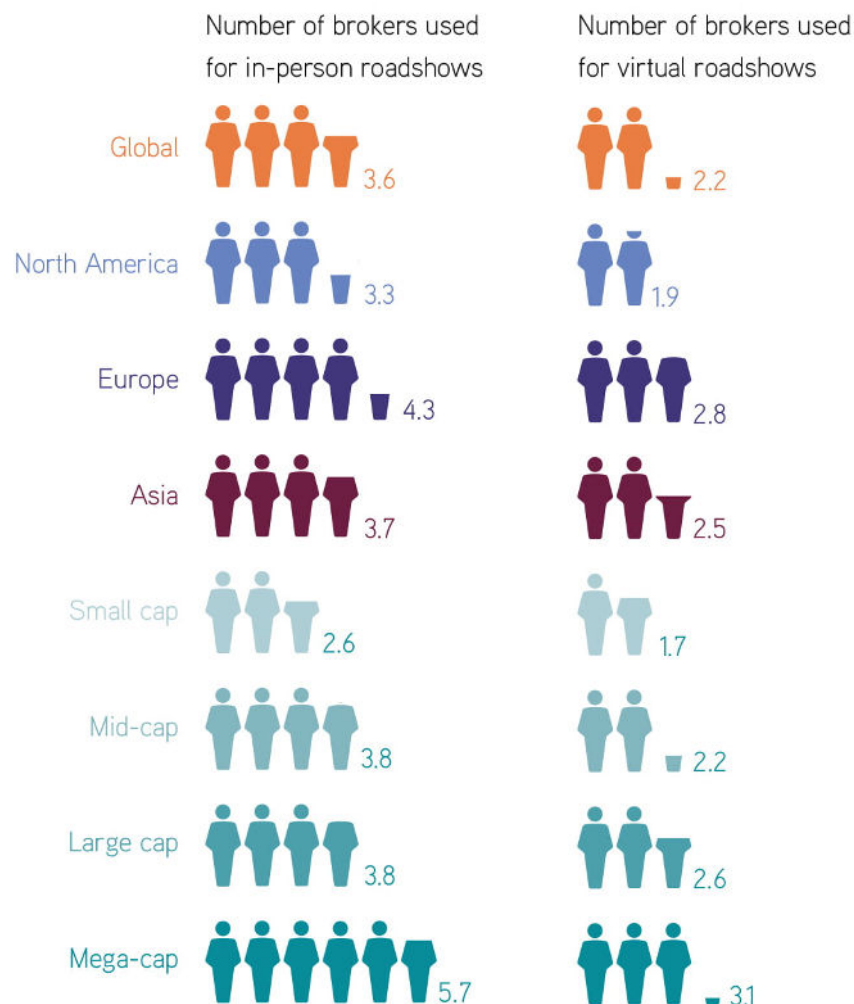
■ Strongly disagree
 ■ Disagree
 ■ Neither disagree nor agree
 ■ Agree
 ■ Strongly agree

Broker trends

Number of brokers

The average number of brokers used for in-person roadshows in the year Q3 2019 to Q2 2020 was 3.6, down 1.6 from the average number of brokers in our 2019 report. European companies tended to go on the road with more brokers in this time, while North American companies typically used fewer brokers. The number of brokers used for in-person roadshows increases with company size, although the number of brokers used by mega-cap companies has fallen by more than a third on the previous year.

The average number of brokers used for virtual roadshows during this period was 2.2. As with in-person roadshows, European companies used the highest number of brokers for virtual roadshows and North American companies used the fewest. The number of brokers used for virtual roadshows increases with company size, from 1.7 among small caps to 3.1 at mega-cap companies.



Most-used brokers for in-person roadshows – Global

JPMorgan Chase is the most-used broker for in-person roadshows, with Bank of America Merrill Lynch taking second place. Both have risen in the rankings from their 2019 positions in the table for most-used brokers.

Because there were significantly fewer in-person roadshows in this year, the overwhelming majority of brokers have seen a percentage-point drop in the number of companies that use them. The brokers that have risen in the table this year have done so by holding on to – rather than expanding – their client base. Notable climbers in this year’s table include Royal Bank of Canada, Wells Fargo and Goldman Sachs, while Citi and Deutsche Bank saw the largest percentage-point falls in companies that have used them for in-person roadshows.

Rank	Change from 2019	Company	% respondents who use
1	↑	JPMorgan Chase	22.9%
2	↑	Bank of America Merrill Lynch	19.8%
3	↑	Credit Suisse	19.4%
=4	↓	Citi	18.9%
=4	↑	Morgan Stanley	18.9%
6	↓	UBS	18.5%
7	↑	Barclays Capital	13.7%
8	↑	Royal Bank of Canada	12.8%
=9	↑	Exane BNP Paribas	10.1%
=9	↓	Jefferies	10.1%
=11	↓	HSBC	9.3%
=11	○	Kepler Cheuvreux	9.3%
=11	↑	Wells Fargo	9.3%
=14	↓	Deutsche Bank	8.4%
=14	+	Goldman Sachs	8.4%
16	↑	Raymond James	7.9%
17	↓	Stifel	7.5%
18	↓	Berenberg	7.0%
=19	↓	Macquarie	5.3%
=19	+	Scotiabank	5.3%

↑ rank up ↓ rank down
○ same + new

Most-used brokers for in-person roadshows – Regional



North America

JPMorgan Chase is the most-used broker for in-person roadshows by North American companies, followed by Royal Bank of Canada and Wells Fargo. All three firms have actually increased the number of North American companies that use them, despite the fall in the number of roadshows. Raymond James is now the fifth-most used broker by North American companies, up from joint 10th spot last year.



Europe

Kepler Cheuvreux and Exane BNP Paribas remain the top two most-used brokers by European companies, despite both seeing a drop from the previous year in the number of European firms using them. Bank of America Merrill Lynch has moved up from fifth to take third spot this year. The global success of JPMorgan Chase is largely due to the North American market, as it has fallen among European companies from third to joint-seventh-most used broker for in-person roadshows.



Asia

UBS and Citi have swapped places this year as the top and second-most used broker for in-person roadshows by Asian companies. Credit Suisse shares second spot with Citi, while Bank of America Merrill Lynch has risen in the rankings among Asian companies from joint seventh in 2019 to joint fourth, where it is joined by Macquarie, a new entry to the top 10, this year.

Click to reveal tables

Top brokers regionally for in-person roadshows North American companies			
Position	Change from 2019	Company	% of respondents who use
1	▲	JPMorgan Chase	21.1%
2	▲	Royal Bank of Canada	12.1%
3	▲	Wells Fargo	11.1%
4	▲	Raymond James	10.1%
5	▲	Bank of America Merrill Lynch	9.1%

Top brokers regionally for in-person roadshows European companies			
Position	Change from 2019	Company	% of respondents who use
1	▼	Kepler Cheuvreux	15.1%
2	▼	Exane BNP Paribas	14.1%
3	▲	Bank of America Merrill Lynch	13.1%
4	▲	UBS	12.1%
5	▲	Citi	11.1%

Top brokers regionally for in-person roadshows Asian companies			
Position	Change from 2019	Company	% of respondents who use
1	▼	UBS	18.1%
2	▲	Citi	17.1%
3	▲	Credit Suisse	16.1%
4	▲	Bank of America Merrill Lynch	15.1%
5	▲	Macquarie	14.1%

Most-used brokers for virtual roadshows – Global

Citi is the most-used broker for virtual roadshows, having come joint fourth in the most-used table for in-person roadshows. Bank of America Merrill Lynch, which ranks second for in-person roadshows, is also the second-most used broker for virtual roadshows this time.

Third-placed UBS is sixth on the in-person broker list, while fourth-placed Credit Suisse is the third-most used broker for in-person roadshows. JPMorgan Chase, the most-used broker for going on the road this year, is the fifth-most used broker for virtual roadshows.

Position	Company	% of respondents who use
1	Citi	18.3%
2	Bank of America Merrill Lynch	17.3%
3	UBS	16.2%
4	Credit Suisse	15.7%
5	JPMorgan Chase	13.6%
6	Morgan Stanley	12.6%
=7	Barclays Capital	9.4%
=7	HSBC	9.4%
9	Royal Bank of Canada	8.4%
=10	Goldman Sachs	7.9%
=10	Jefferies	7.9%
12	Berenberg	7.3%
13	Kepler Cheuvreux	6.8%
14	Exane BNP Paribas	6.3%
15	Raymond James	5.8%
=16	Scotiabank	4.7%
=16	Stifel	4.7%
18	Deutsche Bank	4.2%
19	Macquarie	3.7%
=20	Daiwa	3.1%
=20	Nomura	3.1%

Most-used brokers for virtual roadshows – Regional



North America

Royal Bank of Canada is the most-used broker for virtual roadshows by North American companies. Raymond James, the fifth-most common broker for North American companies to go on the road with, is the second-most used broker for virtual roadshows. Bank of America Merrill Lynch and Barclays Capital rank joint third for brokers used for virtual roadshows by North American companies.

[Click to reveal tables](#)

Top brokers regionally for virtual roadshows North American companies		
Position	Company	% of respondents who use
1	Royal Bank of Canada	20%
2	Raymond James	10%
3	Bank of America Merrill Lynch	10%
3	Barclays Capital	10%
5	JP Morgan Chase	8%



Europe

Citi is the most-used broker by European companies for virtual roadshows, despite being in joint-ninth spot for in-person roadshows and jumping ahead of Kepler Cheuvreux – the most common broker for European companies to go on the road with. Bank of America Merrill Lynch keeps its joint-third place for most-used broker for virtual roadshows, the same place it holds for in-person roadshows.

Top brokers regionally for virtual roadshows European companies		
Position	Company	% of respondents who use
1	Citi	15%
2	Kepler Cheuvreux	10%
3	Bank of America Merrill Lynch	10%
4	JP Morgan Chase	10%
5	Barclays Capital	8%
6	UBS	8%
7	Goldman Sachs	7%
8	Deutsche Bank	7%
9	JP Morgan Chase	7%



Asia

UBS, the most-used broker by Asian firms for in-person roadshows, is also the most-used broker for virtual roadshows, though it shares this spot jointly with Credit Suisse. Citi swaps its joint-second place for in-person roadshows for third place for virtual, while Bank of America Merrill Lynch is the fourth-most used broker for virtual roadshows held by Asian firms, just as it is for in-person roadshows.

Top brokers regionally for virtual roadshows Asian companies		
Position	Company	% of respondents who use
1	UBS	15%
1	Credit Suisse	15%
3	Citi	10%
4	Bank of America Merrill Lynch	10%
5	JP Morgan Chase	10%
6	Barclays Capital	8%
7	JP Morgan Chase	8%
8	JP Morgan Chase	7%
9	JP Morgan Chase	7%

Most impressive roadshow

Most impressive roadshow

According to our respondents, Bank of America Merrill Lynch and Citi held the most impressive roadshows, both in-person and virtually, followed by JPMorgan Chase, Morgan Stanley and UBS. The following is a selection of what some of our respondents said about these brokers and their roadshows.

Most impressive roadshow

Bank of America Merrill Lynch

“ It had access to all the target investors of our choice. Its equity sales people knew most of the senior people in buy-side targeted fund houses and were up to date on any changes that had taken place in buy-side organizations ”

Asia, large cap, industrials

“ Well organized, friendly, good meetings and well-informed attendees (well briefed, possibly?) ”

Europe, mega-cap, real estate

“ BAML's local partner, Phatra, deserves much of the credit for making the virtual conferences as seamless as possible. The analyst was very knowledgeable about the company and moderated the meetings successfully ”

Asia, large cap, real estate

“ Well organized, good meetings ”

North America, mid-cap, financials

“ Good all-round organizers ”

Asia, large cap, consumer staples

Citi

“ Phenomenal virtual roadshow ”

North America, mega-cap, technology

“ Most proactive and team-oriented across geographies ”

Europe, mega-cap, financials

“ Efficient dial-in and technology linkage ”

Europe, mega-cap, financials

“ The roadshow was a fixed-income-related one and ended with a successful transaction. We got decent pre-marketing assistance and efficient on-site service ”

Europe, large cap, financials

JPMorgan Chase

“ Able to get good lineup of investors ”

Asia, mid-cap, consumer discretionary

“ Introduced us to new investors we had not met before ”

North America, mid-cap, financials

Morgan Stanley

“ Quality of meetings and logistics ”

Europe, large cap, industrials

“ We are happy with the organization of Morgan Stanley's roadshows. Some brokers are more open to using video platforms than others ”

Europe, large cap, financials

UBS

“ Good lineup of investors and smooth infrastructure ”

Asia, mid-cap, consumer discretionary

“ Well managed with good logistics ”

Asia, large cap, consumer staples

The background is a stylized map with various shades of blue and green. A prominent dark blue line starts from the top left, curves downwards, and then turns right, ending in the middle of the page. Other lighter blue and green lines represent different roads or paths. A white rectangular box is positioned in the middle-left area, containing the text 'Roadshow destinations'.

Roadshow destinations

Roadshow destinations – Global

New York and London remain the most popular destinations for roadshows, although due to the fall in in-person roadshow activity both cities have had fewer companies visit them this year. New York has seen a drop from 74.2 percent of companies visiting to 68.2 percent, while London has seen a fall from 66.3 percent to 53.7 percent. Another consequence of the fall in activity this year is that these two cities are the only destinations visited by a majority of our survey respondents.

There are few notable changes from 2019 to the top 20 most-visited cities. Los Angeles has moved up from ninth to sixth place, Zurich, Edinburgh, Geneva and Stockholm have all dropped down the table, and Dallas has entered the list in 19th place.

Rank	Change from 2019	Company	% respondents who use
1	●	New York	68.2%
2	●	London	53.7%
3	●	Boston	49.8%
=4	●	Chicago	31.4%
=4	+	San Francisco	31.4%
6	+	Los Angeles	27.1%
7	⊖	Toronto	25.1%
8	⊖	Frankfurt	23.5%
9	⊖	Paris	22.7%
10	+	Singapore	18.0%
11	+	Hong Kong	16.9%
12	⊖	Zurich	13.7%
13	+	Montreal	12.9%
14	⊖	Edinburgh	12.5%
15	+	Amsterdam	12.2%
16	+	Baltimore	11.4%
=17	+	Denver	10.2%
=17	⊖	Geneva	10.2%
=19	+	Dallas	9.8%
=19	⊖	Stockholm	9.8%

- + rank up
- ⊖ rank down
- same
- + new

Roadshow destinations – Regional



North America

Although in-person roadshow activity was curtailed this year, nevertheless more than eight in 10 North American firms went on the road to New York, a fall of less than 2 percentage points from 2019. Almost two thirds of companies in the region have visited Boston, and San Francisco remains the third-most popular destination for North American companies.

The only notable change from 2019 is the rise of Los Angeles as a destination at the expense of Chicago, Toronto and London. The UK capital remains the only city outside of the region to be featured in the top 10 most-visited destinations by North American companies.

[Click to reveal tables](#)

Top 10 cities for North American companies



Europe

More than 85 percent of European companies visited London on in-person roadshows this year, a fall of less than 2 percentage points on the previous year. New York is the second-most visited city, with the number of European companies visiting dropping from 74 percent to 71.4 percent. Paris and Frankfurt make up the four cities visited by a majority of European companies this year.

Three other North American cities appear in the European top 10: Boston, Chicago and San Francisco. Amsterdam features again, replacing Toronto after dropping out of the top 10 in 2019.

Top 10 cities for European companies



Asia

Singapore and Hong Kong remain the top two cities visited by Asian companies, as well as the only cities that have been visited by a majority for in-person roadshows. Singapore has seen the number of Asian companies visiting this year drop by 4.5 percentage points on 2019, while Hong Kong's Asian visitors have fallen by 13.8 percentage points.

London was visited by more than four in 10 Asian companies while New York was visited by just over a quarter. Three Asian cities are new to the top 10 this year: Kuala Lumpur, Shanghai and Taipei. Kuala Lumpur is the fifth-most visited city by Asian firms, with more than one in five visiting this year.

Top 10 cities for Asian companies

Favorite city for roadshows

We asked respondents to our survey to state their favorite roadshow destination. London tops the list, followed by New York, Boston, Singapore and Toronto. Here is a selection of some of the comments

London

“ Very productive meetings in terms of getting investors to buy in the market rather than wait for a financing or private placement ”

Small cap, Canada, materials

“ London is a favorite mainly due to the good quality of investors. Most of them are very knowledgeable ”

Large cap, Spain, utilities

“ It is the city with most assets under management. It is an uncomfortable city for commuting as it's complicated, but still the most attractive for business ”

Small cap, Spain, energy

“ High-quality, long-term investors with engaging conversations during the meeting. Also a great city to spend a couple of nights in ”

Mega-cap, US, consumer staples

“ There are more quality investors and targets than we have time to meet, so the schedules are always full and the investors are always very well prepared with strategic questions. We are always pleased with the results of time spent in London ”

Small cap, US, energy

“ More active interactions, most critical investors ”

Mid-cap, Netherlands, utilities

New York

“ NYC just has the most targets ”

Mid-cap, US, technology

“ Good set of investors ”

Large cap, Hong Kong, real estate

“ Easy to see a lot of folks ”

Small cap, US, healthcare

“ Many stimulating meetings ”

Large cap, Sweden, healthcare

“ Tons of investors to meet with ”

Mid-cap, US, technology

Boston

“ Ease of travel between meetings! ”

Large cap, UK, industrials

“ Best long-term investors ”

Small cap, Cayman Islands, communications

“ We can see the five or six very meaningful investors in one day up and back. Very efficient ”

Large cap, US, materials

“ More long-term funds and fewer hedge funds ”

Large cap, Bermuda, consumer staples

“ Prominent institutions and all firms very close to each other, making logistics easy ”

Mid-cap, US, technology

Singapore

“ It's easy to commute, and there's the good background of the economy and situation related to our company's business and operations ”

Mid-cap, Thailand, energy

“ It's the city with most investors focused on ASEAN stocks ”

Mid-cap, Thailand, consumer discretionary

Toronto

“ Easiest transport and best-prepared investors ”

Mega-cap, UK, financials

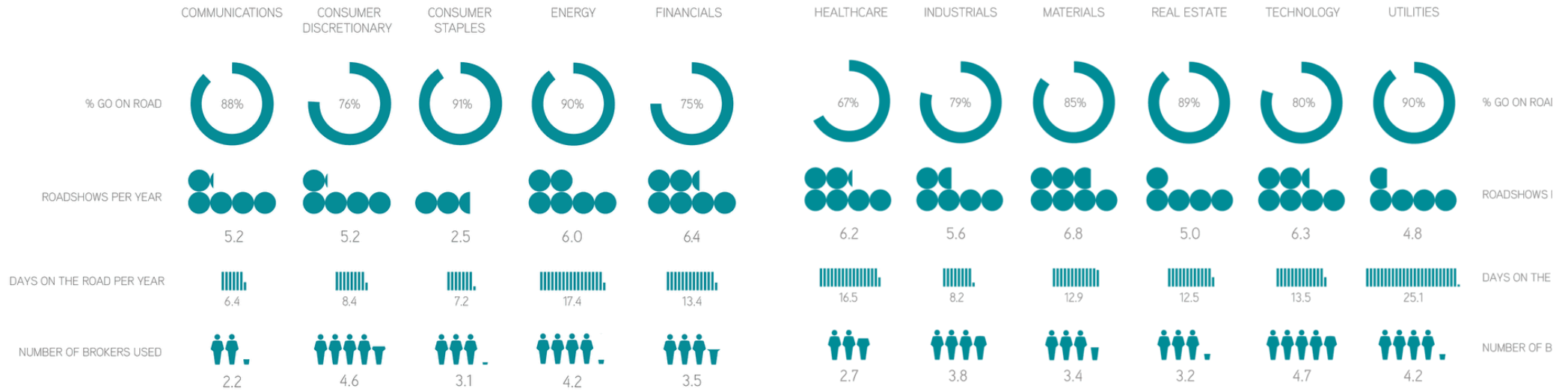
“ The type of investors we meet with tend to be longer-term holders that are willing to get to know the company over time ”

Mid-cap, US, consumer discretionary

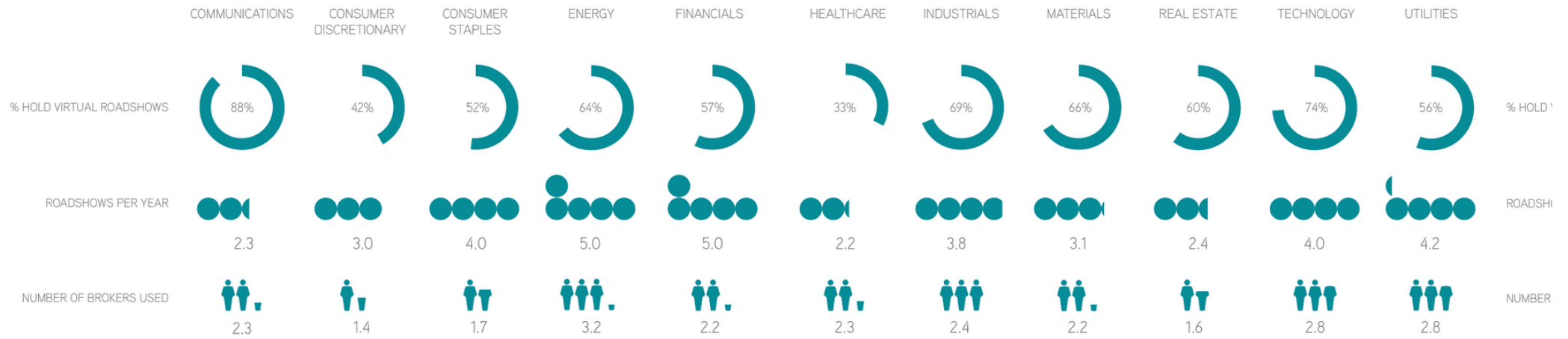


Sector focus

In-person roadshows by sector



Virtual roadshows by sector



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Sponsor's statement

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Looking back on the 2020 proxy season and ahead to 2021

Mike Schnitzel explores the issues that arose due to Covid-19 during this proxy season and looks at which issues will be paramount as we approach the new annual meeting season



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Proxy preview

Looking back on the 2020 proxy season and ahead to 2021

Mike Schnitzel explores the issues that arose due to Covid-19 during this proxy season and looks at which issues will be paramount as we approach the new annual meeting season

On a global basis, the Covid-19 pandemic has been by far the biggest issue faced by companies during proxy season. The pandemic shut down office buildings and businesses across the globe and forced people to shift to remote working, staying inside their homes with limits on physical interaction with the outside world – and heralded the introduction of the virtual AGM.

Virtual meetings become the standard Robert Marese, president at MacKenzie Partners, says virtual meetings have emerged as standard practice during the pandemic and will likely continue at least into 2021, and perhaps beyond.

‘I think [companies] realize there is broadly a cost saving and a convenience to holding a meeting virtually,’ he says. ‘It protects your directors and senior management as well as shareholders that may attend

the meeting. As to whether it survives past 2021, I suspect it will.'

As executives and investors began to get used to virtual AGMs, they found the lack of needing to sit across from each other at a table liberating, Marese says. 'No one was missing getting on an airplane, running around visiting shareholders and staying in hotels,' he says. 'It allowed for fulsome engagement and, as the season moved on, I think everyone became more comfortable with, and accepting of, not needing to travel. It's far easier to sit in your office and have a conversation with a shareholder over Zoom or the phone. There is a growing appreciation of the lack of a need to travel.'

When the pandemic is over, however, not everyone expects virtual AGMs to continue as the normal course of business. Rob Walker, global co-head of asset stewardship at State Street Global Advisors (SSGA), says companies

should resume physical meetings once it is safe to do so. He says there were some concerns that SSGA's rights as shareholders would be impacted by the shift to virtual meetings, but that did not end up being the case.

Many firms feared virtual meetings would not run smoothly, but this concern proved unfounded, according to Marese. 'We were relieved the virtual meetings worked as seamlessly as they did and we were surprised that there were generally very few questions presented at virtual AGMs,' he says.

'In March and April when we first needed to hold AGMs in a virtual environment, one of the concerns was that it would provide internet troll access to the meeting. People would be more inclined to attend and ask questions, and it would be uncomfortable because it would be difficult to control the content of what was being asked. That didn't happen.'

A focus on human capital management and diversity

The pandemic has shone a bright spotlight on managing human capital.

'You need to safeguard the business, the health of the workforce and [the health of] the proxyholders,' Walker says. 'We've engaged with 150 firms during proxy season on Covid-19 matters. A lot of conversations we've had have been around employee health and safety and supply chains: the realization was that a highly centralized supply chain doesn't necessarily work during a pandemic.'

Recent events across the globe underscored the importance of racial equity and diversity more generally, according to Ben Colton, global co-head of asset stewardship at SSGA. Issues such as headline or reputational risks have emerged, and this means boards need to have oversight of diversity. He says better disclosure of

workplace diversity and ethnic and gender makeup is needed.

'It is growing in importance and there is an academic case for diversity, so we're looking for a strategy and targets from companies,' Colton says. 'The EE0-1 Survey – we want to see that publicly disclosed. We're seeing that firms have been very receptive to this and I feel there will be a critical mass of companies disclosing this information in the next six to 12 months.'

There is an understanding that companies won't hit their diversity targets immediately; nevertheless, Colton emphasizes that it's important for investors to understand what those targets are and how corporate boards plan to hit them.

Marese says investors are going to want to know how companies are preparing for another Covid-like event more broadly, and to find out what they

learned from the pandemic. Questions on human capital policy and how they were changed by the pandemic are going to be front and center next proxy season, he says. Investors will want to know how businesses are considering their employees – and how they are protecting them.

‘It’s a liability issue if corporations aren’t protecting their employees,’ Marese points out. ‘Aside from the social aspect of it, there is the liability aspect and the moral cost of not taking care of employees.’

Proxy meetings around the world

Australia

It is expected that executive pay will be a contentious issue for the coming proxy season, according to the authors of ISS Insights. Many companies were hit hard by the pandemic, and executive pay has been restructured and reduced at companies where it is closely tied to performance. There are businesses that were able to weather the pandemic with profits intact, and those companies are expected to continue paying high bonuses.

There has been an increasing volume of capital-raising by Australian companies since March as part of a response to the pandemic. Investors have responded to this positively, as they have realized the pandemic created a situation where capital-raising was necessary to deal with Covid-related setbacks.

A renewed focus on ESG issues from investors is expected for the coming proxy season, according to the authors of ISS Insights. There was a high level of support for ESG measures at the AGMs of mining and energy companies including Rio Tinto, Santos and Woodside.



Canada

The most notable element of the proxy season was a pause in aggressive shareholder activism for several months, according to Walied Soliman, chair of Norton Rose Fulbright Canada. 'You were a very special person if you wanted to launch a proxy fight in the early days of the pandemic,' he says.

Moving into the summer, activism in Canada went into overdrive. Several companies tried to use the pandemic as an excuse to delay contentious AGMs, and these moves 'backfired spectacularly,' Soliman says. 'The only thing worse than launching a proxy fight is using the pandemic to entrench and enrich yourself.'

In 2021, management teams will be hit by a wave of activism on issues including performance and compensation. Soliman says he has not seen any CEOs taking pay cuts, nor has he seen activism around that, but he expects pay to be a big issue for the 2021 season. 'There is a special type of arrogance executives have when employees have suffered and stakeholders have suffered and they find fit to raise their salaries or maintain them at an exorbitant level that was appropriate when their companies were doing well,' he says.

France

In France, the quorum level slightly increased, according to Stanislas de Laporte, director of France at Morrow Sodali. 'We saw a difference between companies as the structure of shareholders changed,' he says. 'The big institutions, which are used to voting all their holdings, moved to companies with less risk, while smaller investors moved to companies with more risk.'

He says it was a quiet season in terms of board actions: the major issue at AGMs was executive pay, which has been the case for many years. 'It is interesting to see that, within the CAC 40, there were only seven remuneration policy resolutions that were not flagged or did not receive an 'against' recommendation from ISS,' he says, noting that investors were more flexible this year because 2019 was quite a good year for them, and because of Covid-19. It was not good timing for investors to vote against remuneration, he adds.

Another point linked to remuneration is that the French state asked companies that received state aid to cancel their dividends and manager remuneration. Dividends were clearly cut, but there's uncertainty about whether compensation was.

'There was a big announcement about cuts, but it was not very precise,' de Laporte says. 'Some companies said they would cut remuneration during the crisis, but next year we will see the extent of those cuts and for how long firms cut salaries. Will it be all of 2020, or just the time during which they received help from the state? How will they cut variable remuneration, and over what period? What percentages will they cut? The major issues for 2021 will be around remuneration.'

Germany

The proxy season was relatively stable in 2020. Overall, not much changed and participation levels as well as support levels remained almost the same, says Andrea Bischoff, managing director for Germany at Morrow Sodali. But the Covid-19 pandemic had its impact in other ways. 'It altered *how* shareholders participated because they could no longer physically attend the AGMs, but it didn't affect participation *levels*,' she says.

Vote results on compensation items improved and some German companies this year began putting up their remuneration policies, Bischoff says. These companies were, from a German perspective, early implementers of the European Shareholder Rights Directive II, which sets similar standards in all EU countries.

'Opposition this year was much less than we've seen historically,' Bischoff adds. '[In future], investors may take a closer look at disclosure levels, in particular when it comes to targets and achievement [in that area] as well as the incorporation of safeguards, pension arrangements and extraordinary adjustments.'

Virtual meetings will continue in the 2021 proxy season, and the legislation in Germany giving companies the ability to hold virtual AGMs has been extended. This has restricted – and is likely to continue to restrict – shareholders' ability to ask questions live at the AGM, Bischoff says. 'Some local investors and shareholder associations are pushing for an improvement in the set-up for when in-person meetings are not possible, and may reflect their disagreement in their vote on director's discharge.'

Directors' accountability has been under more scrutiny and will continue to be. 'In times of crisis like this, investors and proxy advisers will reflect on what happened last year and how the company positions itself for the year ahead,' Bischoff says. 'Companies strongly affected by Covid-19 need to explain how and why they may have adjusted compensation targets for executives that led to management being paid at similar levels as last year, and why they put employees on leave or shareholders lost out on their returns at the same time.'

UK

Participation in UK AGMs was relatively consistent this year – at around 75 percent, on average – compared with prior years, according to Kiran Vasantham, director of investor engagement for Morrow Sodali. ‘Even with moving toward virtual meetings, we have seen a lot of institutional participation and voting electronically,’ he says.

Remuneration is always a hot topic, he explains. Many NGOs are enthusiastic about influencing institutional investors and putting pressure on boards considering remuneration. Most FTSE 100 companies’ remuneration packages were up for renewal, and nearly all passed with comfortable support, although ‘a number of companies’ had 20 percent negative support, Vasantham says.

Issues flagged by investors at AGMs included pension arrangements, which have been a hot topic over the past 12-18 months. Investors have demanded more alignment between executive pensions and the rest of the workforce but, overall, remuneration policies received positive feedback, Vasantham says. ‘On average, we have broadly seen the same kind of support and in 2021 we expect increased scrutiny on remuneration, as the pandemic will have had an impact,’ he notes. ‘Investors will look at adjustments and discretionary impacts, upwards and downwards.’

In terms of director elections, he thinks there has been leniency because of the crisis, as investors don’t want to see too many changes right now. Reappointment numbers have been pretty consistent: in 2019, it was about 70 percent and in 2020 it was 67 percent.

‘If we think about the impact of Covid-19, it has been around liquidity, capital-raising and cash preservation,’ Vasantham says. ‘Investors have adopted a lenient approach in most cases. There were some key regulatory bodies that asked companies to preserve cash and there were requests to suspend dividends.’

‘In most cases, [investors] understood dividend suspensions and shareholder buybacks. They expected it, but will look closely at how quickly companies will resume those payments and how companies disclose their strategies around dividends and buybacks for 2021.’

Why the winners won : IR Magazine Awards – US 2020

Best practice interviews with the top IR teams from across the US



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Why the winners won – IR Magazine Awards – US 2020

Best practice interviews with the top IR teams from across the US

From introducing your new CFO virtually to completing a merger almost a year later than expected (and in the midst of a global pandemic) or working out the best way to stream robot surgery on a cadaver, US IR professionals have been facing the old, new and unusual challenges thrown up by 2020.

In a virtual awards event held in September, the top IR teams were revealed from across the US, with winners named either in the researched categories – decided by a survey of hundreds of investors and analysts – or by a judging panel in the nominated-awards categories.

Many of the winners recorded video interviews talking in detail about the challenges they've faced over the past year. Click on the conversations to watch these videos and get an in-depth insight into best-in-class IR from across the US.

Thank You.

LendingTree is honored to have been recognized at the 2020 US IR Magazine Awards for Best Investor Relations Officer (Small & Mid-Cap).

Thank you to the investment community and IR Magazine for your support and recognition.



Awards by research

General Electric

- Best overall investor relations (large cap)
- Best investor relations officer (large cap) – Steve Winoker
- Best in sector: industrials

The arrival of Larry Culp as CEO of General Electric in October 2018 kicked off what Steve Winoker, vice president of investor communications, describes as ‘the start of a multi-year transformation’. That transformation hasn’t stopped because of Covid-19, despite the huge pressure. Winoker cites the company’s aviation business, which he says makes up the core of the company’s cash flow globally, as well as its healthcare arm (as elective procedures were pushed back) as two examples of pressure on the firm.

But the company focused on transparency and accessibility, introducing new CFO Carolina Dybeck Happe virtually, being a sounding board for management and helping the Street see the bigger picture and where the company would stand ‘on the other side of Covid-19’.

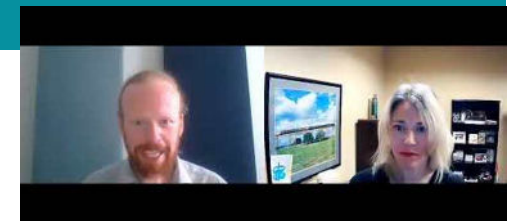


Kansas City Southern

- Best overall investor relations (mid-cap)

Cross-border railroad company Kansas City Southern has ‘always been an extremely transparent company,’ says Ashley Thorne, vice president of investor relations, ‘but during these turbulent times, we’ve really stepped up our disclosure.’

Talking about how the ‘economic tealeaves were just too challenging to read’, resulting in the company – like many others – pulling guidance, Thorne explains that despite this, the company felt confident enough to provide alternative free cash-flow models under various revenue scenarios ‘to give investors some confidence we could continue providing cash even during a significant downturn.’ The company’s communications approach has ‘played out very well,’ she says.



Stoneridge

- **Best overall investor relations (small cap)**

Stoneridge operates in a 'generally cyclical' industry – vehicle technology – and Matt Horvath, director of investor relations and corporate development at the company, says 'we were really ready for a downturn – though not necessarily because of a pandemic.'

So Stoneridge was prepared, and in a very strong position, going into Covid-19. This downturn plan of action also meant investors and analysts knew the company was prepared. 'As a result,' Horvath says, 'we haven't been anybody's biggest worry.'



LendingTree

- **Best investor relations officer (small to mid-cap) – Trent Ziegler**

'From an IR perspective, we've just been focused on transparency and over-communication,' says Trent Ziegler, vice president of IR and treasurer at LendingTree, and winner of the award for best IRO in the small to mid-cap category. To meet the new needs around communication, LendingTree launched new avenues of investor interaction, including publishing a shareholder letter for the first time and providing interim business updates. The shareholder letter was particularly effective, explains Ziegler.

'It gives investors a bit of a longer-form narrative – in print – they can more easily digest,' he says. 'It's a bit more fulsome than the combination of your traditional press release and recorded remarks on the [investor] call.'

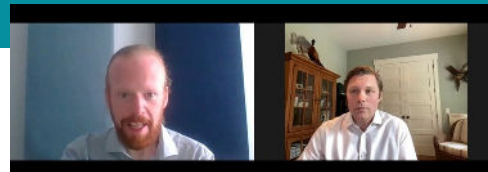


JPMorgan Chase & Co

- Best IR by a senior management team (large cap) – Jamie Dimon, CEO & Jennifer Piepszak, CFO
- Best in sector: financials

‘Busy, challenging, but also pretty rewarding’ is how Jason Scott, head of investor relations at JPMorgan Chase & Co, described his year in IR. The team, he says, has been trying to deliver a ‘business as usual’ experience in terms of getting the right information to shareholders, bondholders and analysts – all in an environment that has been ‘anything but business as usual.’

Talking ahead of the awards in September, Scott says that at that point, the team had had almost 500 engagements with investors and analysts, despite not having in-person meetings since February. He also talks about the real commitment from the top when it comes to senior managers’ engagement with the investment community. ‘You can see it with the amount of time they spend with investors personally,’ he says. ‘But they also make it a priority for that next layer of management down.’



Casella Waste Systems

- Best IR by a senior management team (small to mid-cap) – John Casella, CEO & Ned Coletta, CFO

‘There’s pre-Covid, Covid and now the world after,’ says Ned Coletta, CFO at Casella Waste Systems, talking about how to characterize the past year in terms of investor relations. Leading up to the pandemic, he says the company had ‘a really heightened sense of ESG’. Then Covid-19 hit and Coletta says the company’s IR focus became about how to communicate in such a dynamic environment.

Moving into the post-Covid world, Coletta says it’s more about ‘how you imagine the future’. And now that the initial shock period is perhaps over, the focus is returning to ESG. ‘I don’t think [ESG] is a fad,’ Coletta says. ‘I think it’s a way of measuring how a business model fits into today’s world.’



The Adecco Group

- Best IR by a non-US company in the US market

Talking in September ahead of the IR Magazine Awards – US 2020, Nicholas de la Grense, head of investor relations at Switzerland-headquartered HR giant The Adecco Group, says the firm had moved from the crisis-management phase and was focusing on what recovery would look like. Talking about the impact of the pandemic on working lives across the world, de la Grense says he's not calling time on the office, but expecting something closer to a 50/50 home-office split in the new normal.

In an interview that will no doubt be of interest to any and all companies, de la Grense says: 'You can't build corporate culture over Zoom.'

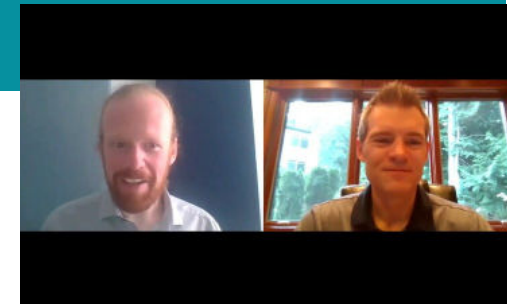


T-Mobile US

- Best in sector: communications

Accepting the best-in-sector award for communications, Jud Henry, senior vice president of IR at T-Mobile US, talks about the excitement surrounding the firm's merger with Sprint, completed on April 1.

There were, however, challenges in 2020 that required additional communication: the deal, completed 'roughly a year later than expected', will likely initially hit earnings, while T-Mobile US also saw a change of CEO on the same day, with former chief operating officer Michael Sievert taking the helm from John Legere – famous for his contribution to the company's live-streamed earnings calls.





Procter & Gamble

- Best in sector: consumer staples

Procter & Gamble saw demand for some of its products soar as a result of the pandemic, while others – razors, for example – went the opposite way. In terms of communication, John Chevalier, P&G's senior vice president of global IR, says the biggest challenge was really just dealing with all the volatility as analysts worked to sift through what might be short-term changes versus enduring consumer trends they could invest behind.

'Trying to help our investors sort through that without being able to commit to anything' has been a real challenge, Chevalier says. 'As the IR team, we have to keep reminding investors that the numbers they are seeing today are a combination of both the underlying health of the business and this additional stuff on top. Investors like to boil things down to a single driver. But that just isn't possible right now.'



Danaher

- **Best in sector: healthcare**

Danaher has had a 'rewarding' and 'humbling' year, says Matthew Gugino, vice president of IR and financial planning & analysis. The company closed its \$21 bn acquisition of the biopharma business of General Electric Life Sciences (now called Cytiva) in March 2020, which Gugino describes as a 'great business' and, more importantly, one that is 'playing a really critical role in the fight against Covid-19'. Danaher also announced and completed the IPO and spin-off of its dental business in December 2019, carried out an equity raise and a debt raise, and announced a CEO transition, with Rainer Blair taking over from Thomas Joyce at the start of September.

'It's been a pretty busy 12 months from an IR perspective,' says Gugino. But he also takes time to thank the '70,000 associates' who work at the firm and who, he says, have been meeting the Covid-19 challenge. It's 'humbling to be able to share their story and to be able to tell the broader Danaher story to the Street this year.'



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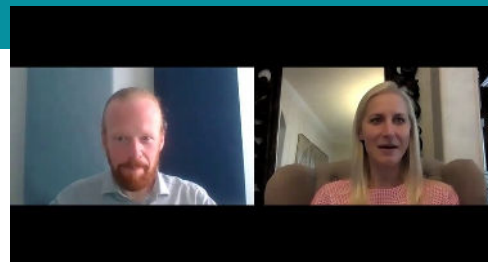
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Newmont Mining Corporation

- Best in sector: materials

Asked what's characterized her year in investor relations, Jessica Largent, vice president of IR at Newmont Mining, goes back to before Covid-19 hit. 'It's certainly been a dynamic year – the only constant has been change,' she says.

The company kicked off 2019 by announcing its plans to buy Goldcorp – 'one of the largest transactions in the gold mining space'. There was also a period where Newmont had a hostile takeover approach and 'a short-lived activist defense' before the company won shareholder approval and in April 2019 announced the creation of Newmont Goldcorp – the world's leading gold company and a producer of copper, silver, zinc and lead. And all that was long before the pandemic was even on the horizon. 'It was something new every day and we enjoyed it,' says Largent. 'It was a fun time.'

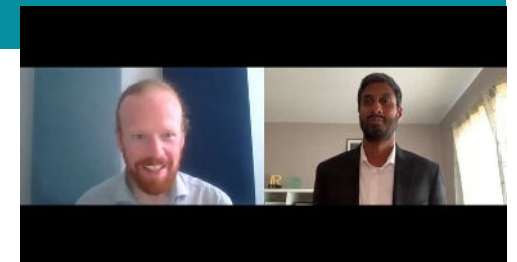


CMS Energy

- Best in sector: utilities

'It's enabled us to innovate,' says Sri Maddipati, vice president of IR at CMS Energy, of the last 12 months. 'We're doing things we always talked about doing but we're doing them faster: we're pulling forward the implementation of a lot of different technology platforms. So it has been fascinating and fast paced.'

Given all the change in the world as a result of Covid-19, Maddipati says investors want more frequent communication and more fast-paced and up-to-date information, including on ESG, and especially the S element more recently. In utilities – and especially as a public utilities provider – 'your license to operate is key to having good social relations with regulators and your customers – and all your stakeholders, frankly,' Maddipati says.



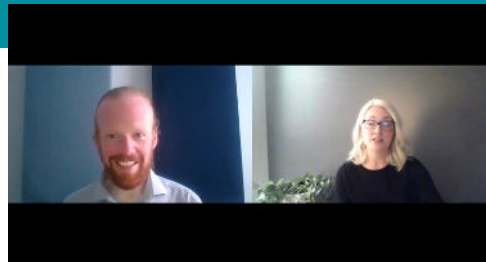
Awards by nomination

Best Buy

- **Best in sector: consumer discretionary**

Best Buy has seen a lot of change as a result of the Covid-19 pandemic. Accepting the award for best IR in the consumer discretionary sector, Mollie O'Brien, the company's vice president of investor relations, explains that Best Buy had rolled everything online in mid-March before making the 'really difficult' decision to furlough 51,000 employees a month later.

Although she says the company had been able to retain 70 percent-80 percent of its revenue despite closing stores, it has been through a number of operating model changes. This has resulted in not only more frequent calls with investors and analysts but also more frequent official communication, going from a quarterly release to one a month to 'keep the Street on the journey with us in terms of what operating model we're currently using.'



Etsy

- **Best ESG reporting**

Since 2017, Etsy has had a very specific set of ESG goals, explains Debra Wasser, vice president of IR at the e-commerce company. And it takes these seriously, even doing integrated reporting using SASB metrics on the 10K – 'which is unusual,' she adds. As a result of the pandemic, the ESG focus has moved more toward human capital issues, such as the working-from-home situation – 'which a lot of investors are talking about' with regard to productivity when working from home, for example, says Wasser.

At the same time, Etsy has been discussing the impact it has on communities. It has been publicly supportive of Black Lives Matter, for example, an issue that was even discussed on the company's last earnings call in August. Wasser says: 'Because we do believe these issues are core to who we are as a company.'



Etsy

- **Rising star – Gabriel Ratcliff**

Former sell-sider Gabriel Ratcliff, senior manager in investor relations at Etsy, is the winner of this year's rising star award. The transition from the sell side to IR just over four years ago was 'somewhat seamless,' he says, with many overlapping skills. One of the tools he says he's picked up from IR, though, is communication: 'Specifically the art of telling a narrative.' This ability to tell a story is a 'very necessary muscle' for IR, he says – but one that doesn't always get enough credit.

'It's one of the things your management team relies on you for, but so do the sell side and investors, which rely on you to help them understand the narrative of [the company] from several perspectives.' Having the hard skills, the financial modelling, the understanding of market dynamics, is necessary, he agrees, but storytelling is 'one of the most important things I've learned that I use today.'



Medtronic

- **Best investor event**

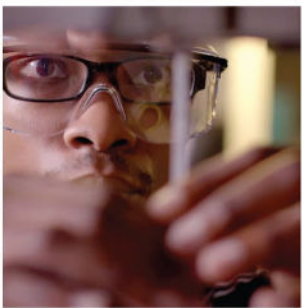
Performing live surgery on a cadaver is certainly one way to stay front of mind for investors so it's unsurprising that Medtronic took the award for best investor event. It was one of the 'most complex' events the IR team at the company has pulled off, says Ryan Weispenning, vice president and head of IR. 'This was probably the most-anticipated event in the medical technology space in 2019,' he adds.

Medtronic has a robot surgery system coming to market – a market Weispenning describes as really a monopoly market at the moment. Until it was unveiled, Weispenning says there had been a lot of stealth and secrecy around the robot, which only added to the anticipation on the Street. The firm took investors to Hartford, Connecticut – one of the few places in the world that could make an event like this possible – with some viewing the surgery in person while others logged in to a live stream to see the robot surgery in action.





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US Steel

(joint winner with Prudential Financial)

- **Best IR during a corporate transaction**

US Steel is 'embarking on a transformational strategy,' says Kevin Lewis, vice president of IR at the company that shared the award for best IR during a corporate transaction for a 'complicated' \$700 mn investment in Big River Steel. 'It certainly is a unique transaction structure,' says Lewis, but was one that had 'strong strategic rationale and value creation potential.'

The acquisition, of course, aligns with US Steel's goals, but Lewis also notes that Big River's unique position as the most technologically advanced steel mill in the US helped the team tell the story. 'We've been very proactive in how we communicate with investors,' he says. 'We highlight Big River as our number one strategic priority whenever we can.'



MSA Safety

- **Best IR website**

MSA Safety had launched a new website in early 2019, putting it in a good position when the world went virtual as the Covid-19 pandemic hit. The new site was designed 'strategically so that it would help investors' diligence process,' explains Elyse Lorenzato, head of IR at the safety equipment producer, who adds that the site has seen a 'significant increase' in traffic since the Covid-19 crisis began.

'It's really rewarding for our team to see investors engaging with the content, whether they want a one-page infographic on the most recent quarter, video content on our multimedia platform or a full deep dive with an investor day deck,' she says. Describing the new site as a 'digital backbone' for MSA Safety, Lorenzato says the site has been 'a great enabler for us in 2020'.



Carol DiRaimo

- **Lifetime achievement**

Now retired, Carol DiRaimo, this year's lifetime achievement award winner, says she still gets questions – particularly when 'stocks were falling off a cliff in March'. So what advice can she offer to those still fighting the good IR fight?

'My message is to be as transparent as you can,' she says. 'Nobody knows what's going to happen tomorrow so don't make promises you can't deliver on. Be empathetic to whoever you're talking to and understand that in some cases you just don't have all of the answers.' Watch the full video for more insights from the multi-award-winning DiRaimo.



Other award winners

Awards by research

Best financial reporting –

Microsoft

Best use of technology for IR –

Microsoft

Best in sector: energy –

ConocoPhillips

Best in sector: real estate –

Essex Property Trust

Best in sector: technology –

Microsoft

Awards by nomination

Best IR during a corporate

transaction –

Prudential Financial (joint

winner)

Partners of the IR Magazine Awards – US 2020

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Why the winners won : IR Magazine Awards – Europe 2020

Best practice interviews with Europe's finest IR teams





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*IR Magazine 2020 Global Roadshow Report: Ranked 2nd by North American Companies for their choice of non-deal roadshow partner**

*StarMine Analyst Awards from Refinitiv: Ranked in the top 10 U.S. over the past 10-year period***

*2020 Greenwich Associates Research: Ranked #2 in "Corporate Access for Small/Mid-Cap Funds"****

*2020 Greenwich Associates Research: Ranked #3 in "Most Useful Conferences and Seminars for Small/Mid-Cap Funds"****

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* The IR Magazine Global Roadshow Report 2020 examines non-deal roadshows undertaken by companies across the globe.

** StarMine Analyst Awards from Refinitiv objectively measures the performance of analysts based on the returns of their buy/sell recommendations and the accuracy of their earnings estimates.

*** Greenwich Associates Rankings: based on U.S. equity small and mid-cap fund managers' evaluations of the services they receive from their brokers.

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Awards

Why the winners won – IR Magazine Awards – Europe 2020

Best practice interviews with Europe's finest IR teams

In the year that IR truly went virtual, it was only fitting that the IR Magazine Awards – Europe did the same. In October we held our first virtual awards for the European IR community, featuring video acceptance speeches, real-time competitions and 29 prizes for the best IR practitioners in the region.

As with other IR Magazine Awards, the gongs were split into two categories. In the awards-by-research categories, the runners-up and winners were decided by a survey of hundreds of investors and analysts. In the awards-by-nomination categories, companies submitted entries that were then judged by a panel of IR experts.

Below, you'll find video interviews with many of the winners from the night. Click on the conversations to find out how Europe's best-in-class IR teams have managed the huge challenges of the last year.

Awards by research

UDG Healthcare, Ireland

- Best overall investor relations (mid-cap)
- Best investor relations officer (small to mid-cap) – Keith Byrne

Working in IR during the Covid-19 pandemic has been challenging and unusual but hugely engaging, says Keith Byrne, head of IR, strategy and corporate communications at UDG Healthcare.

Over the last six months, one of the most effective means of communication with the market has been fireside chats, he says. UDG has always done such events, but the attendance levels during the pandemic have been very strong. The company has also launched a Covid-19 mini-site aimed at both internal and external audiences.



Borregaard, Norway

- Best overall investor relations (small cap)

In this video, Jørn Syvertsen, director of IR at Borregaard, discusses the impact of the Covid-19 pandemic on the Norwegian chemicals company. For example, the firm had to close its largest manufacturing operation outside of Norway. But it has been helped by its diversified strategy and flexible approach to manufacturing. Syvertsen also talks about the investor communications around two parts of the business that are used for disinfectant – a crucial part of the fight against Covid-19.



Deutsche Telekom, Germany

- **Best in sector: communications**

One of the main challenges over the last year for Deutsche Telekom has been explaining the impact of the merger of its US subsidiary T-Mobile US with Sprint, explains Hannes Wittig, head of IR at the German telecoms giant. The deal closed in April, leaving Deutsche Telekom with a 43 percent stake in the combined business. Step by step, the uncertainties around the merger are being removed, Wittig explains. He also discusses the company's shift to a virtual AGM in June.



Nestlé, Switzerland

- **Best in sector: consumer staples**

At the onset of the Covid-19 pandemic, investors and analysts realized their models needed revising and asked for a lot of granular detail, explains John Armstrong, IR manager at Nestlé. Later, they shifted their focus to the longer-term outlook. The firm managed to maintain its guidance during this period, helping to set expectations for the market at a disruptive time. While Nestlé aims to keep up with best practices, it also focuses on simple rules to maintain the quality of its IR program, such as timeliness, transparency and maintaining trust, notes Armstrong.



AstraZeneca, UK

- **Best in sector: healthcare**

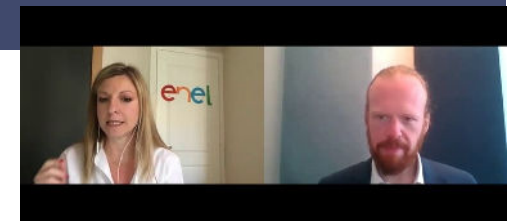
AstraZeneca has been using digital communication tools for a long time, so the shift to virtual outreach this year has not been a great change, explains Thomas Kudsk Larsen, head of IR at the pharmaceutical company. A bigger shift has been the drop in time spent on the road, which is positive as it allows you to spend more time at home with your family, he says. As a team leader, Kudsk Larsen says one of the challenges of the last six months has been providing the right help and support to colleagues – something that can be difficult when everyone is working from home.



Enel, Italy

- **Best in sector: utilities**

The impact of Covid-19 on IROs was like an earthquake, says Monica Girardi, head of group IR at Enel. But earthquakes allow you to build back better: IR teams will learn a lot from their experiences during the pandemic. Throughout this period, Enel has tried to make itself more accessible, says Monica Girardi, noting that the firm has conducted twice as many engagements this year as in 2019. Digital tools have helped to support activity, she adds, opening up new regions while saving time and travel costs.

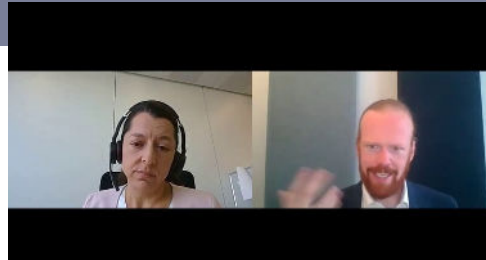


Awards by nomination

Implenia, Switzerland

- **Best annual report (small cap)**

With its 2019 annual report, Implenia decided to follow an online-first strategy, says Eva Heimrich, head of corporate communications at the Swiss construction company. Investors, analysts and other stakeholders are increasingly searching for information online, she says, while print is losing relevance. When creating the report, the main objective was to present the information in a well-structured and concise manner, while maintaining a positive user experience, adds Heimrich.



Repsol, Spain

- **Best ESG materiality reporting (large cap)**

In December 2019 Repsol became the first major oil and gas company to announce a commitment to achieving net-zero emissions by 2050. Talking about 2050 is easy – the hard part is filling in the targets in between, explains Ramon Álvarez-Pedrosa, head of IR at the Spanish company. In this video, he discusses some of the communications methods Repsol employs to tell its ESG story, such as an annual sustainability day and an ESG engagement report.



Polymetal International, UK

- **Best ESG materiality reporting (small to mid-cap)**

Covid-19 has led to an overhaul of how Polymetal International connects with the investment community, says Evgeny Monakhov, head of IR at the London-listed Russian miner. The IR team is now far more available outside of normal working hours and takes an 'agile' approach to prepping for engagements, he explains. Turning to ESG communications, Monakhov says investors appreciate the transparency, clarity and depth of disclosure offered by Polymetal: 'These are the things they need in their work.'



Unilever, UK

- **Best investor event (large cap)**

With all investor outreach moving online, Unilever has been able to up its level of engagement, says the company's executive vice president of IR, Richard Williams. As an example, he recalls one day when the IR team met Australian investors in the morning and American investors in the afternoon. In this video, Williams also discusses Unilever's popular investor day, which gives attendees the chance to meet a deep bench of management and see first-hand some of the company's latest innovations.



Severn Trent Water, UK

- **Best investor event (small to mid-cap)**

During lockdown, Severn Trent had to report its full-year results and conduct a worldwide roadshow, says Richard Eadie, head of IR and sustainability at the water utility. The virtual roadshow took in more locations than usual, including speaking with investors based on three continents in one day, he notes.

In this video, Eadie also chats about the company's sustainability-led capital markets day, which took place in early 2020 prior to the onset of the pandemic. Severn Trent converted its office into a number of zones, each one discussing a different area of sustainability.



Alcon, Switzerland

- **Best IR during a corporate transaction**

Alcon, the global eyecare company, was spun off from Novartis in April 2019. In this video, Karen King, Alcon's senior vice president and head of global IR & communications, explains the process of setting up a new IR function, gauging the feeling of the Street and executing the transaction.

In the same video, Christina Cheng, Alcon's vice president and global head of IR, discusses how the new company developed an online presence to support its investment proposition.



NORMA Group, Germany

- Best IR website (small cap)

In the spring of 2019, NORMA Group began a project to redesign its IR website, which hadn't been updated for a couple of years, says Andreas Trösch, vice president of IR, communications and corporate responsibility at the German manufacturer. The design of the website was carefully coordinated with the creation of the company's 2019 online annual report – NORMA wanted the website and report to be as integrated as possible, explains Trösch. The company also focused on creating a landing page that would offer investors and analysts everything they needed at a glance. 'This is the first impression of a company,' Trösch says.



Banco Santander, Spain

- Best use of multimedia for IR

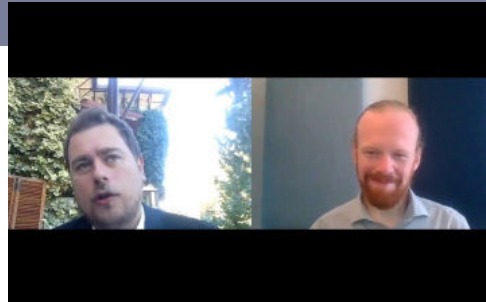
Banco Santander is making large digital investments across its business and that effort is also visible in the IR program, explains Sergio Gámez Martínez, global head of shareholder and investor relations. Last year, the bank launched a new fully responsive corporate website and an app for shareholders, he says. The digital changes have continued in 2020 with Santander putting on a fully virtual AGM, a decision prompted by the Covid-19 outbreak. The event attracted 160 percent more online attendees than last year, notes Gámez.



Greenergy Renovables, Spain

- **Rising star: Daniel Lozano Herrera**

Greenergy Renovables was the only company to go public on Madrid's main market when it held its IPO in December last year. The company expected to have an intense year of travel in 2020 to get its story out to investors and the sell side, but those plans were hit by the spread of Covid-19, explains Daniel Lozano Herrera, director of IR and communications at the company. On the positive side, the inability to travel has given the company more time to work on other areas, such as building out its investment story.



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Uncover the underlying factors that have driven the rise of ESG during the pandemic

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Friday, December 4, 2020
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Remaining award winners

Awards by research

Best overall investor relations (large cap) – Allianz, Germany

Best investor relations officer (large cap) – Allianz, Germany, Oliver Schmidt

Consumer discretionary – adidas, Germany

Best in sector: energy – Galp Energia, Portugal

Best in sector: financials – Allianz, Germany

Best in sector: industrials – Deutsche Post DHL, Germany

Best in sector: materials – BASF, Germany

Best in sector: real estate – Vonovia, Germany

Best in sector: technology – ASML, Netherlands

Awards by nomination

Best annual report (large cap) – LeasePlan, Netherlands

Best annual report (mid-cap) – Admiral Group, UK

Best IR website (large cap) – Royal Philips, Netherlands

Best IR website (mid-cap) – HUGO BOSS, Germany

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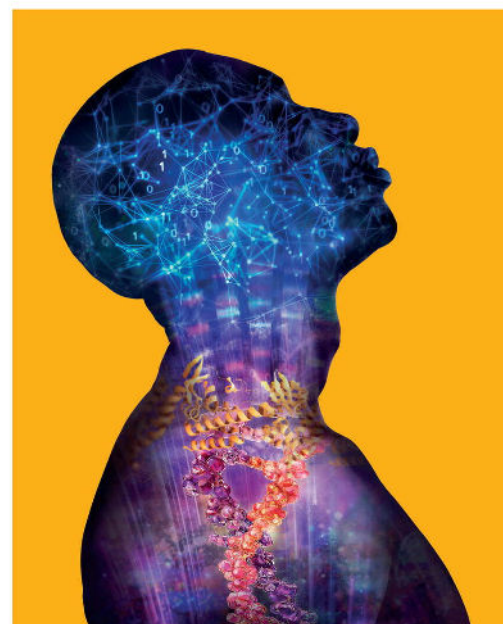
Best in sector: healthcare

We would like to thank the investment community for their recognition and support in voting for AstraZeneca in this year's IR Magazine Awards – Europe. We were pleased to receive the Best in sector: healthcare award.

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Why the winners won : IR Magazine Awards – Canada 2020

Best practice interviews with Canada's finest IR teams



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IR Magazine Forum
Canada 2020



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Awards

Why the winners won – IR Magazine Awards – Canada 2020

Best practice interviews with Canada's finest IR teams

On October 19, the Canadian IR community logged in to join the first ever virtual IR Magazine Awards – Canada. Hundreds of people tuned into the event, which built on the success of the virtual IR Magazine Awards in the US and Europe.

There were 27 trophies presented on the night, each with an acceptance speech. In the article below, we highlight many of the winners' stories and hear how these leading IR teams have navigated the Covid-19 pandemic.

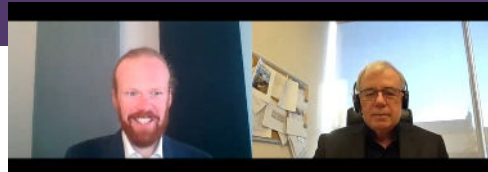
Winners of these awards were selected by two methodologies: the researched awards are based on a survey of hundreds of members of the investment community, and the winners of the nominated awards are selected from a short list by an independent judging panel.

Awards by research

Agnico Eagle Mines

- Best overall investor relations (large cap) – joint winner
- Best investor relations officer (large cap) – Brian Christie
- Best IR by a senior management team (large cap) – Sean Boyd (CEO) and David Smith (CFO)
- Best in sector: materials (large cap)

Agnico Eagle Mines won four awards at this year's event, following on from its five victories last year. Brian Christie, vice president of investor relations, acknowledges that the company has had 'a very active IR program for 15-20 years', but this year has still been a challenge. During the early stages of the Covid-19 outbreak, Christie contacted the company's top 50 investors to update them on how the business would be affected – including the temporary closure of seven out of eight operating mines. In this video, he talks about how Agnico Eagle Mines has embraced virtual investor marketing, giving the management team enhanced access to investors around the world.

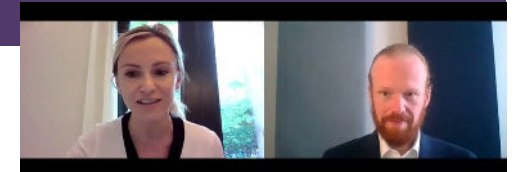


Altus Group

- Best overall investor relations (small cap)
- Best in sector: financials & real estate (small to mid-cap)

The Covid-19 pandemic has 'really underpinned the importance of investor targeting,' says Camilla Bartosiewicz, vice president of investor relations. 'Cultivating a strong shareholder base has allowed Altus Group's share price to fare well, and having targeted, high-quality institutional long-term, growth-oriented shareholders has helped us withstand some of the volatility we saw earlier this year.'

Much like ARC Resources, Altus Group has experienced a CEO transition this year, which Bartosiewicz says required the IR team to 'step up its frequency and transparency' of communication – resorting to providing regular updates on macro trends affecting the firm's sector.



ARC Resources

- Best overall investor relations (mid-cap)
- Best investor relations officer (small to mid-cap) – Kris Bibby
- Best IR by a senior management team (small to mid-cap) – Van Dafoe (CFO) and Myron Stadnyk (CEO)
- Best in sector: energy (mid-cap)
- Best use of technology & social media for IR (award by nomination)



ARC Resources is another heavyweight of the IR Magazine Awards – Canada, winning five awards this year, two in 2019 and six in 2018. But Kris Bibby, senior vice president and chief financial officer, says ‘change in 2020 was quite drastic – we had a CEO and CFO transition and a very active capital markets program.’

Indeed, Van Dafoe retired in February 2020 and was succeeded by Bibby as the company’s CFO, while Myron Stadnyk retired in April 2020, giving the IR team plenty to work on outside of the response to the pandemic. ‘Throughout all of these changes, we knew one of the key things we needed to keep doing was communicate with shareholders and staff,’ Bibby says.

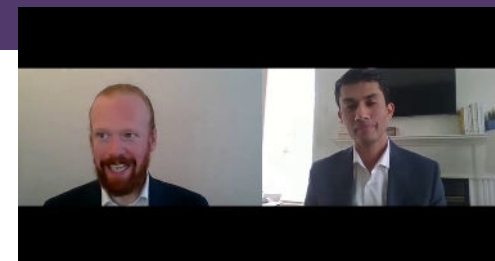
And as if that wasn’t enough, the company also published its first ESG report in 2020. Bibby says the IR team decided to launch it with a webcast. ‘We had excellent attendance from a broad range of investors and it generated a lot of follow-on calls,’ he adds.

RBC

- Best overall investor relations (large cap) – joint winner
- Best financial reporting
- Best in sector: financials & real estate (large cap)

Asim Imran, vice president of investor relations at RBC, has spent much of this year thinking about how the bank’s IR team can use technology in new and innovative ways. He says the IR team has been working on ‘bringing elements of technology that RBC does well into IR’, such as data analysis, interaction, sharing internally and generating insights.

‘We’re trying to use technology to provide a better service to all of our stakeholders, which is, I think, an acceleration of changes we were already making, rather than something new,’ Imran says.





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Canadian Tire Corporation

- **Best in sector: consumer discretionary & consumer staples**

At Canadian Tire, the IR team has seen an opportunity as a result of the dynamics stemming from the Covid-19 outbreak. 'The pleasant surprise through all of this is that we've been able to reach a wide base of investors,' says Marina Davies, associate vice president of investor relations at Canadian Tire. 'We've been participating in fireside chats with our analysts and they've been able to target and get access to more than 100 institutions at a time. That reach was something we didn't have before.'



Precision Drilling Corporation

- **Best in sector: energy (small cap)**

The Covid-19 pandemic brought ESG to the foreground for every company, especially with regards to employee safety and security. But in this video, Kevin Neveu, president and CEO of Precision Drilling, discusses the company's enhanced environmental disclosures as well. This year the company published its second sustainability report, for example.

'We have transitioned from being quiet about what we're doing on the ESG front to helping investors see what we're doing,' Neveu says. 'A lot of what we're doing with the business to increase efficiency and costs ties well with the environmental side to reduce emissions, so highlighting that has been important.' He adds that the sustainability report helps to tie the firm's messaging together and show how sustainability is factored into executive compensation.



Suncor Energy

- **Best in sector: energy (large cap)**

In the oil and gas sector, it's been a challenging year because the sector 'has been hit on both sides: supply and demand,' according to Kate Charlton, director of investor relations at Suncor. She adds that 'the needs of the investor base have evolved [because] we've been on such a long bull run that this has been a rapid and dramatic shift.' For Charlton, who joined the company in 2019, it's been 'a formative time in hunkering down and distilling our key messaging.'



CN

- Best in sector: industrials

CN has a track record as an early adopter of new IR technologies. In the virtual environment during Covid-19, the IR team has been successful in working with the sell side on a number of virtual webcasts that proved to be effective, according to Paul Butcher, vice president of investor relations at the firm. The company has 27 covering analysts and no shortage of conference speaking opportunities, but Butcher says these smaller bespoke events have been especially beneficial. 'We've been able to bring more people to the calls and the reaction has been positive,' he says.



Our Team Thanks You

"Our thanks to the investment community for recognizing the consistently high quality of CN's investor relations. We have a great story to tell with an unparalleled network, a strong leadership team, and a strategic pipeline of growth opportunities to reinforce our role as an essential mover of the North American economy."



— **Paul Butcher,**
Vice-President,
Investor Relations

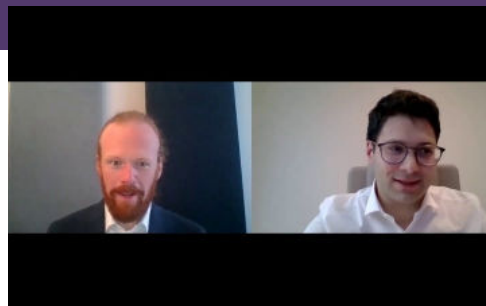


Awards by nomination

Endeavour Mining

- **Best in sector: materials (mid-cap)**

‘We’ve been fairly lucky because in times of crisis, gold does quite well,’ says Martino De Ciccio, vice president of investor relations at Endeavour Mining. ‘It’s typically a safe haven and that’s what’s happened: gold has reached record levels this year.’ De Ciccio reveals that Endeavour Mining did not have to pull its earnings guidance this year, and remains on track to hit its target, unlike the majority of businesses that have been hampered by Covid-19. But, of course, the IR program has evolved – factoring in virtual events and digital efforts – as De Ciccio discusses in the video.



TD Bank Group

- **Best ESG reporting**

This year marks the second consecutive win for TD Bank in the best ESG reporting category at the IR Magazine Awards – Canada. Since the Covid-19 outbreak, Rachel Guthrie, the bank’s head of ESG reporting and environmental impact, says she’s seen an increased focus on social issues such as employee safety, wellbeing and retention. ‘What’s become clear is a need for more robust social data,’ she says. ‘Quantifying the environmental impacts has taken priority for so long, but we’re now seeing investor demand increase for this social data.’

Despite this shift in focus, Guthrie says she continues to work hard to avoid TD Bank’s ESG reporting including ‘the kitchen sink’. She does this by focusing on having robust practices around ESG reporting to make sure the numbers that are put out are consistent and comparable, year on year.



Algonquin Power & Utilities Corp

- Best investor event

Algonquin Power and Utilities won the best investor event award in recognition of a sustainability day it hosted for its investors last year. As one of the first companies in Canada to host such an event, Algonquin blazed a trail and left a strong impression with the 65 investors that attended. The event was built around three panels: one discussing environmental issues, one discussing social issues and one discussing governance issues. In this video interview, George Trisic, the company's chief governance officer, talks about how investors' demands on ESG have evolved since the Covid-19 outbreak.



Enerflex

- Rising star – Stefan Ali

Stefan Ali was brought in as Enerflex's director of strategy, risk and investor relations to revive the IR function. He brings a different perspective and background to IR, having started his career as a corporate lawyer. Ali says his legal background is 'invaluable' because 'it teaches you to dial in on granular issues and seek solutions. To my mind, the IR function is somewhat similar: we find questions that are important to our stakeholders and create messaging around that.'



Lifetime achievement – Janet Craig

Janet Craig has won more than 20 IR Magazine Awards in Canada across a number of different companies. She says the secret is ‘fear – wanting to make sure the teams I’m a part of add value and get better.’. Intellectual curiosity also plays a huge part in leading IR at some of Canada’s largest companies, she adds. For her, investor relations is a form of problem solving, and harks back to solving quadratic equations as a child.

Craig started her IR career in 1995 and says the way IR has evolved is ‘profound – it’s gone from a largely administrative function that’s also tactical to something that’s incredibly strategic, complex and deals with issues on a second-by-second or minute-by-minute basis.’



Remaining award winners

Awards by research

Best IR by a Canadian company in the US market – **Waste Connections**

Best in sector: materials (small cap) – **Ero Copper Corp**

Best in sector: technology & communications – **CGI**

Best in sector: utilities – **Fortis**

Awards by nomination

Best IR during a corporate transaction – **MediPharm Labs**

Best IR website – **Aurora Cannabis**

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Investing beyond borders

Stephen Yiu and Peter Hargreaves launched Blue Whale Capital as an actively managed firm with strong proprietary research. *Gill Newton* talks to Yiu about the firm's approach to investing in companies around the world

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Investing beyond borders

Stephen Yiu and Peter Hargreaves launched Blue Whale Capital as an actively managed firm with strong proprietary research. *Gill Newton* talks to Yiu about the firm's approach to investing in companies around the world

Founded in 2016, Blue Whale Capital is a global equity specialist based in London that manages the LF Blue Whale Growth Fund, a global strategy unconstrained by geography. It selects 25-35 stocks at a time, which allows it to invest only in what its research and analysis identify as the best firms.

Blue Whale looks to buy companies that will benefit from structural growth trends and are able to significantly grow profits over time, yet also have attractive valuations. It has a long-term horizon and would like to buy a company and hold it forever, but understands that sometimes the valuation becomes too expensive or the company's prospects change.

Stephen Yiu is co-founder of Blue Whale Capital. He is also chief investment officer and lead manager of

the LF Blue Whale Growth Fund. He was previously at Nevsky Capital (2014-2016) and before that at Artemis

(2009-2013) and New Star (2007-2009). Prior to that he was a fund manager at Hargreaves Lansdown (2002-2007).

Peter Hargreaves is chairman and co-founder of Blue Whale Capital, as well as co-founder and the largest shareholder of Hargreaves Lansdown, a FTSE 100 financial services company.

Peter Hargreaves once described Blue Whale's performance since its launch in 2017 as 'phenomenal'. How do you explain this success?

Our strategy is set up to deliver consistent significant outperformance for our investors. Since inception, we've delivered 76 percent return versus 26 percent for peers. That's 20 percent versus 8 percent on an annual compounded basis.

There's a great deal of hard work involved – we do all our research in-house and we don't use sell-side reports. [We also adhere to a very strict valuation discipline.](#)

Your firm employs what you call the Beautiful Companies Concept. Can you explain that?

We operate a very high-conviction portfolio with our top 10 holdings accounting for approximately 50 percent of the fund. We employ what we internally call the Beautiful Companies Concept in our stock-selection process: companies need to fulfil several important criteria that we believe makes them 'beautiful'. These include, for example, high-quality businesses with a good management team that can sustain growth in revenues and cash flow over time.

Why have you been compared with Fundsmith and Lindsell Train in your investment approach/performance?

We have a lot of respect for Terry Smith at Fundsmith and Nick Train at Lindsell Train. They are good stock-pickers and we share a similar fundamentals-driven approach to investing in high-quality businesses.

They both run a concentrated portfolio like we do. Where we are different is that we see more opportunity in secular themes like digital payments and digital transformation, and our portfolio reflects this.

Blue Whale currently has assets under management of more than \$750 mn. Do you have a target for assets under management?

Our strategy is very scalable. We don't have a fixed assets-under-management target but expect it to grow into the billions within the next few years. Other head-to-head global funds in the UK with similar strategies are in the \$10 bn-\$20 bn range and we certainly have the set-up to do that, too.

You have a team of five investment professionals looking at 100 companies. Do you split sectors or geographies?

We are all generalists. Some have more sector focus for economies of scale in

research – for example, in healthcare or SaaS – but that doesn't preclude anyone from looking at companies in a different sector.

You tend to invest in large/mega-cap companies. Do you have a market cap cut-off?

The average market cap for our portfolio is above \$100 bn. Our market cap cut-off is in the low billions. This is what makes our strategy very scalable.

You appear heavily tech-skewed. Can you explain that?

The topic of tech is an interesting one: we don't believe this catch-all category does justice to the variety of end-markets served by the SaaS companies we've invested in. [This is a larger topic that I've actually written about earlier in the year.](#)

We currently have more in tech because that's where we see the best opportunities for our investors at



Stephen Yiu, Blue Whale Capital

present. If and when we see greater opportunity in another sector, we will shift the portfolio in that direction.

Any sectors or geographies you won't invest in?

We don't look at banks, natural resources or biotech. We don't invest in geographies with weak governance frameworks or where there's a risk of government interference.

Return on invested capital is one of your focuses. Any other screens?

We don't do screens. Our idea generation is mostly organic. If you remove industries that are in structural decline and those where competition erodes profitability, then take away companies with low-quality business models, that leaves only about a hundred names to look at.

What's your investment horizon?

We take a long-term view of the companies we invest in. We've found

that for a lot of the high-quality companies we own, consensus expectations have systematically underestimated the persistence of revenue and cash-flow growth beyond what's guided by management. A large percentage of the names in our portfolio has remained unchanged since inception.

Any share price appreciation goal?

We do not manage the portfolio on share price targets. We are more than willing to hold a position and let it compound. We will sell only if there is a risk of material disruption to the firm or if we have found a better alternative.

Do you favor buybacks or dividends?

We prefer buybacks, but it's very much price-dependent.

Is ESG important?

We are long-term investors so we consider ESG factors when learning about the long-term sustainability of a

company's existing business model. We are avid readers of SEC filings so this is something we look out for in 10Ks and 10Qs. For example, on the social side, we don't invest in gig economy companies where attractive growth in the short term often masks a future reckoning in profitability.

On the environmental side, we tend not to invest in mining companies because of the costs associated with their negative externalities. On the governance side, we look for sound corporate governance and an effective corporate culture.

You hold around 25-35 companies and your top 10 holdings account for 50 percent of the fund's value. Can you explain why you invested in some of these names?

We hold Adobe, Autodesk, Boston Scientific, Dassault Systèmes, Facebook, Intuit, Mastercard, Microsoft, Stryker and Visa.

Adobe has more than 50 percent of the digital content-creation software market. Whenever you view an image, video, website, magazine or even an app, there's a good chance it was created using Adobe software. The company is a major beneficiary of explosive growth in content creation, as ever-richer digital content is consumed across devices. Its pioneering transition to a subscription model is unlocking international growth opportunities and helping to combat software piracy.

Boston Scientific is an innovative medical device company that has an attractive portfolio of products used within minimally invasive procedures. It is led by an inspirational CEO, Mike Mahoney, who has turned the organization around and cultivated a winning spirit. Thanks to Mahoney, Boston Scientific has an improved portfolio quality, margin-expansion potential and a greater ability to deploy

capital. Moreover, it has diverse growth drivers across every region and franchise. We believe the market under-appreciates the durability of Boston Scientific's growth and the ultimate potential for the business.

Mastercard is a high-quality business benefiting from the structural shift of payments away from cash to mobile, online and contactless transactions. At its core, Mastercard runs BankNet, a global payment network connecting major banks for verifying and processing card payments. Mastercard is able to process hundreds of millions of transactions per day due to its superior technology. Looking ahead, Mastercard is seeking to build on its successes in consumer payments to business-to-business transactions and we are confident in its ability to navigate and execute on this multi-decade opportunity.

Dassault Systèmes' flagship 3D

design software CATIA and SolidWorks are mission-critical to the aerospace, automotive and wider manufacturing industries. As customers implement digital transformation, they are working ever more deeply with Dassault. The latest Boeing deal will see Dassault's software being used by around 70,000 employees and connected to 90,000 machines, and is expected to increase an already significant revenue stream by two or three times.

We are also optimistic about Dassault's recent acquisition of clinical-trial software provider Medidata, and its ambition to bring the same digitization of processes to the life sciences industry.

Any sales since you launched?

We run a very high-conviction portfolio of 25-35 companies so when we sell, we usually do so for valuation reasons. Even when we sell, however, our

coverage for the company would not change as it would be joining about a hundred other 'beautiful' firms that we monitor closely on an ongoing basis.

You've said you 'eschew broker research' – why is that?

The whole investment team comes from a hedge fund background so we're all very familiar with broker research. Most of the time we find it doesn't provide significantly more value beyond what's already in company filings, so we go to the primary source wherever we can. In addition, we like to form our views independently of any biases in sell-side research so we tend to rely on industry journals, conferences and supplier/customer interviews a lot more.

Do you use the sell side for corporate access?

We don't need the sell side for corporate access. In the last five years, we have found it easier to get direct

access to IR/management.

Do you like to meet management before you buy a stock?

At a minimum, we like to speak with IR to check our understanding of the business. We like meeting management and hearing its thought processes on strategy and capital allocation, though this is not currently a prerequisite.

What's your preferred method of contact?

We prefer one-on-ones when we're initiating a position. Conference calls and group meetings are good for ongoing research.

Any companies you admire in terms of investor relations?

We won't name names. Generally, we find that firms with high management quality and strong company cultures have the most helpful IR teams. We appreciate it when the IR team is timely and effective in communication, and

especially when it helps to set up calls with management.

Why should corporates target Blue Whale?

We are one of the fastest-growing global funds in the UK (\$35 mn in 2017 and more than \$750 mn in 2020) and we'll be continuously adding to our long-term holdings as we establish ourselves on the asset management landscape in the UK.

Our mission is to give UK savers and pensioners access to the best companies globally so we will often publicize our top holdings across UK print and digital media, too. It's fair to say that we currently punch above our weight in terms of media coverage as the popularity of Hargreaves Lansdown among non-institutional investors in the UK gives us very good reach.

How do you see Covid-19 playing out in the world of investment

management over the longer term?

As with many other industries, Covid-19 is likely a catalyst accelerating the changes already under way in the investment management world. The two important drivers for us are:

- Active means active – a death knell for closet indexers
- Fund investors reassessing allocation strategies. There's little quality left in cheap 'value' stocks.

Why the name Blue Whale?

For us, Blue Whale is a symbol of scale (significant outperformance) and stability (consistency of outperformance) – which is what we're aiming to achieve!

Gill Newton is a partner at Phoenix IR, an independent investor relations consulting firm that also operates Corporate Access Network



IR papers

ESG and retail investors

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Citi's Access Strategies team was well positioned in the pivot to virtual meetings early in 2020, due to the four year partnership with OpenExchange, that saw 15% of meetings conducted virtually in 2019. The need for Corporates and Institutional investors to continue their dialogue throughout the global pandemic and market volatility underlined the importance of corporate access to the investment process. Our Access Strategies team, based in 13 cities around the world, remains at the forefront of the virtual meeting offering and is looking forward to partnering with you into 2021.



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IR papers

ESG and retail investors

A roundup of academic research from the world of IR studies, as seen by *Jeff Cossette*

The irrelevance of ESG reporting

SRI – now encompassing more than 25 percent of professionally invested dollars in the US – has sparked enormous demand for ESG disclosure. But virtually none of that demand, it appears, is coming directly from retail investors. A unique analysis of trading data from popular online brokerage Robinhood Markets detects no reaction to issuer-sourced ESG press releases.

‘Every single disclosure we looked at generated some kind of investor portfolio response – except for the ESG

disclosures,’ explains study co-author James Naughton, associate professor of accounting at the University of Virginia. He adds that his results suggest individual investors regard ESG press releases as equivalent to the firm ‘not issuing any press release’.

The inferences from these ‘real world’ observations are at odds with prior experimental literature, which found that individual investors valued ESG disclosures. Pointing to social pressure and a lack of financial consequences as influencing

laboratory findings, Naughton offers alternative explanations for his own results: 'Either retail investors don't care [about ESG data] or they do care but just don't understand what the company is disclosing.'

Either way, Naughton suggests more uniform and readable texts that better connect the dots from ESG to the bottom line would likely boost their investment relevance. 'Having read through many, many ESG press releases, my experience is that they sure don't make things easy for individual investors,' he concludes.

It's OK to pay well if you write well

Despite the SEC's Plain English requirement, executive pay disclosures are generally long, complex and unengaging. How this low readability affects shareholder say-on-pay voting patterns has been unclear. Some evidence points to obfuscation leading to lower levels of dissent. Alternatively,

World o' disclosure

Disclosure duds


- Investors ignore audit materiality disclosures. Researchers conclude that's because no one understands them.
- Creating a more positive tone in earnings calls – without substance – doesn't register with investors, either.
- Investors in the smaller FTSE 350 firms respond negatively to announcements via the CDP. Researchers suggest that management accompanies its carbon disclosures with 'more explicit statements of reasons for carbon initiatives and the benefits arising from them.'

Inter-culture business communicators take note

- A cross-cultural comparison shows US CEOs' letters to shareholders project an impression of confidence and conviction, whereas Chinese CEOs' letters project modesty and caution.
- When conveying the concept of 'transparency' in IR communication policy texts, Finnish companies focus on the efficient communication of information, while Italian companies highlight their commitment to constant dialogue with stakeholders.
- Retail investors in China's Shenzhen Stock Exchange are likely to increase their positions after the release of a firm's annual report, whereas institutional investors do the opposite.
- Firms that promptly reported on Covid-19 in early-released annual reports saw lower volatility and better returns than those that did not.

For IRO eyes only

Investors are known to be susceptible to the Big Fish effect when it comes to framing numerical data. Now an experimental study demonstrates a similar phenomenon for CSR data, with 'bigger' achievements in 'smaller' areas leading to better investor perceptions about CSR performance. Scientists say images boost the effect.



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other research suggests diminished readability increases suspicions about the appropriateness of CEO pay. A new study of S&P 1500 firms resolves this question by demonstrating that the effects of readability depend on the perceived *degree* of pay excess.

‘The processing fluency effect comes in as executive pay levels increase,’ explains study co-author Danial Hemmings, lecturer in finance at Bangor University. ‘It seems investors are looking for justifications. And if they can’t find them in the compensation discussion & analysis (CD&A), they are less trusting and more inclined to vote against – so you really need an easy-to-read compensation story to justify high executive pay.’

By contrast, Hemmings’ data suggests the obfuscation effect of low readability is limited to cases where excess pay is moderate. ‘Still, there are no clear benefits to obfuscation,’ he

points out. ‘But there are definitely benefits to be had from approaching the CD&A as a tool for shareholder outreach and engagement.’



Calendar

Upcoming events

CALENDAR

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

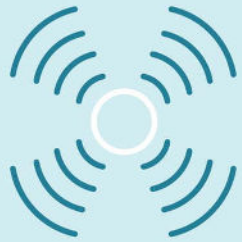
Learn from the best to ensure success
Reasons we will be successful

BUSI

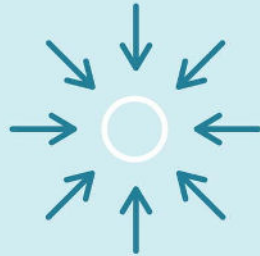
25 great jobs for people who love to travel

The High-Stakes Shareholder Engagement Firm

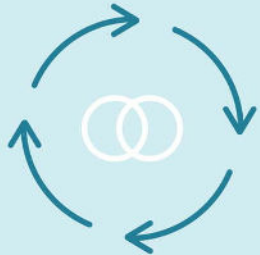
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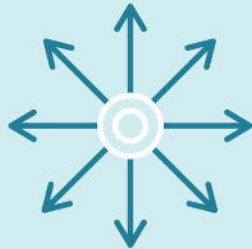
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Calendar

December

2 [Virtual] ESG Integration Forum – Europe

IRmagazine.com/esgeurope

3-4 [Virtual] ESG Integration Forum – US

IRmagazine.com/esg

8 [Virtual] IR Magazine Forum & Awards – South East Asia

IRmagazine.com/southeastasia

8-10 [Virtual] NIRI Annual Conference

niri.org

10 [Virtual] IR Magazine Forum & Awards – Greater China

IRmagazine.com/greaterchina

January

13-14 [Virtual] NIRI Senior Roundtable Annual Meeting
niri.org

February

18 [Virtual] IR Magazine Forum & Awards – India

March

18 [Virtual] IR Magazine Forum – US

25 [Virtual] IR Magazine Awards – US
IRmagazine.com/usawards

April

1 [Virtual] IR Magazine Forum – Canada

8 [Virtual] IR Magazine Awards – Canada
IRmagazine.com/canadaawards

June

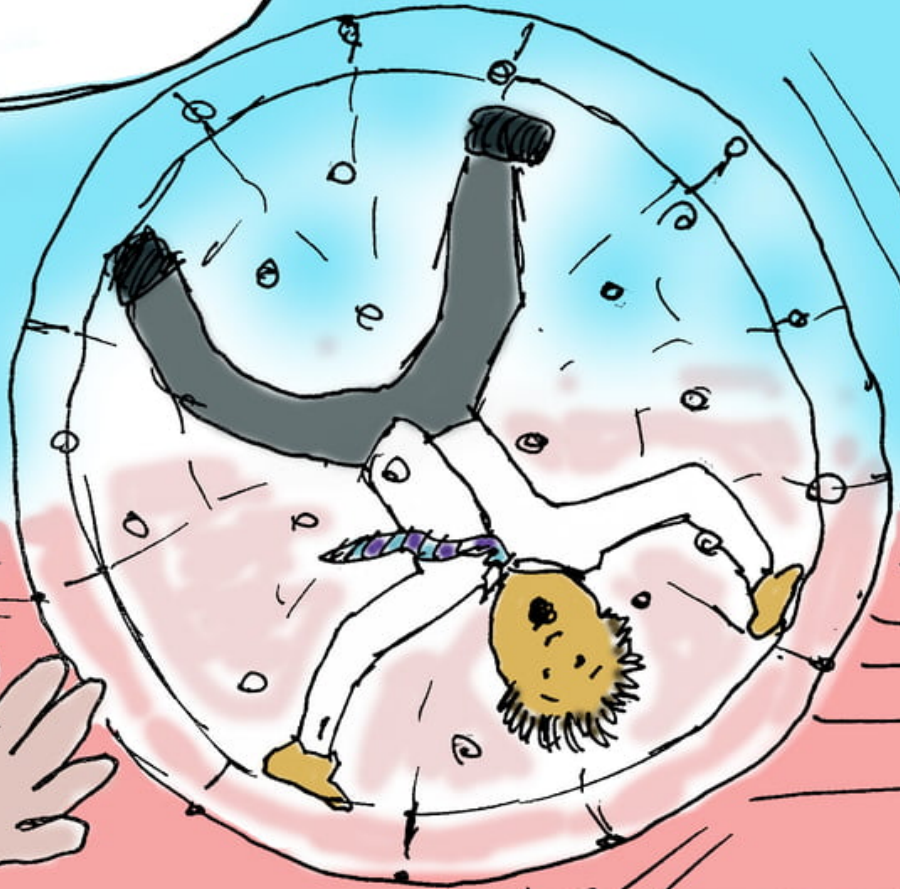
6-9 NIRI Annual Conference
San Francisco, US
niri.org

17 [Virtual] IR Magazine Forum – Europe

24 [Virtual] IR Magazine Awards – Europe
IRmagazine.com/euroawards

We're always adding new events and webinars to our calendar. Please visit IRrmagazine.com/events for the latest list of upcoming events.

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Last word

Budgeting in the time of Covid-19

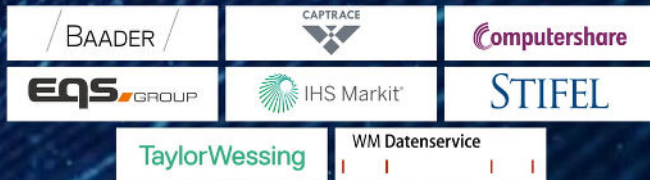
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Last word

Budgeting in the time of Covid-19

Laurie Havelock provides IR teams with advice on how to avoid a budget cut in the coming year

As the world continues to reel from the impacts the coronavirus pandemic has wrought on our lives – both professionally and privately – IR professionals might be forgiven for breathing a small sigh of relief when it comes to balancing their budgets for the coming year. Though it is clearly no replacement for meeting with investors face to face, logging zero expenditure for airfares, hotel bookings, dining out and roaming cellphone charges is certainly a win.



But before you hand in your much-diminished spending plans – 45 percent of IR professionals around the world have had budgets cut or expect them to be in the next few months, according to [IR Magazine's Covid-19 and IR](#) report – consider that there may be alternative methods of splashing that cash that can directly benefit your IR efforts. In a time when innovative digital communications are more important than ever, this might be the perfect time to channel budgets

into brave new technologies – which, depending on how quickly the second wave of the pandemic passes, could be evergreen solutions.

So here we run through some excellent ways to use up all of those spare dollars that are doubtless burning a hole in your company's treasury's pocket.

Innovative site visits

With travel on lockdown, getting investors to visit offices, facilities or factories has been impossible – until now. With the aid of a 360-degree camera (starting at \$100 for a simple model, up to \$400 for the FITT360, a Korean model that fits into a necklace), you can take fully immersive footage of your company's operations to give stakeholders the complete experience from their home offices.

You may also consider shelling out for an Oculus Rift headset (\$400) to let

investors explore your virtual recreation at their own pace. Just make sure to cover up any trade secrets!

Safe meetings

Though in-person meetings may seem impossible, a nursing home in Bourbourg, northern France, may have come up with a solution this summer: anti-virus plastic 'bubbles' that allow residents to see and touch loved ones through a hermetically sealed plastic sheet. Though costs are relatively high (\$1,000 each), these can be set up in a neutral location for an afternoon of investor one-on-ones. For added safety, invite your chief executive to attend in an inflatable Zorb ball (\$300).

A decent audio set-up

For the time being, however, the capital markets will center on virtual meetings, fireside chats or whatever new format the sell side can innovate. Calls are, however, still occasionally marred by muffled speech or tinny headphones at



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the best of times and random acts of neighborhood noise ordinance violation at the worst.

Why not extend that IR budget into a top-notch microphone like the Brauner VM1S (\$10,800), favored by the world's finest recording studios, and a pair of Tournaire Focal Utopia headphones (\$120,000). While the former is practical, the latter boasts diamonds, gold and precious gemstones studded across the ear cups and headband – the perfect way of sending a message to your investors that times are good, even during Covid-19.

A new Zoom background

To match your new audio set-up, it might be worth considering a new background for your chosen teleconferencing software that really suits the new normal. With a simple green screen and camera set-up, you can be in front of anywhere in the world – from the salt flats of Uyuni in

Bolivia to India's Taj Mahal – at the click of a button.

You could go a step further, however, and make your surroundings a talking point: at one end, a commissioned oil painting of yourself, a loved one or a pet can start from as little as \$1,000, up to prices nearing \$6,000 if you'd like to employ one of the UK's Royal Society of Portrait Painters' artists.

The mega-caps among us could even turn to a big name: Banksy's latest pieces start from a mere \$800,000 at auction and could add just the right measure of austerity to proceedings.

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