

Mifid proofing your IR, an initial checklist

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Lets start by saying that ultimately I believe Mifid II is a good thing for investor relations, despite the resulting additional workload. The regulation further elevates the importance of the IR role, something thats been evident over the last decade. Essentially empowering and increasing the responsibility on the IR in educating and driving a company's investment case, ensuring that its understood and winning the battle for air time with investors. Inevitably in a world where investors have reduced access to sell side insight the 'free' corporate resource in IR will increasingly be the first stop for information, queries and to arrange access. Given this increased workload I suspect that savvy IRs will be lobbying for additional budget and resource later this year, if not already, and at least when the Mifid II dust settles.

Over the last few months after a step away from Head of IR at Heineken, and having been fortunate to meet various corporates, buy and sell side contacts there are some useful general learnings from Mifid II, even this relatively early on. Of course the real Mifid II impact and implications will only really be evident as we progress through the year. That said, hopefully the short Mifid proofing checklist below will help not only planning an IR program for this year but importantly preparing for next year.

1 The investment case clear, concise, compelling and aligned

A fundamental starting point in determining how much work needs to be done on market understanding. It is also probably one of the most important topics as the external markets will be relying on IR and the company more than ever to educate on this. Understanding the share price, an awareness of the market understanding of the investment case, and finally if this is viewed as fair can bring some interesting conclusions. Ensuring the investment case is clear, concise, compelling and aligned with all key internal stakeholders, as well as consistently messaged and supported in press releases, presentations and in meetings can be immensely powerful.

Additionally ensuring that the investors section of the company website is clear, helpful and comprehensive with all relevant information will be important, as it will increasingly be a first stop for existing and potential investors. IR teams need to ensure that where this is run independently of the team that they have strong line of input into this and review it regularly for any required updates.

2 Coverage fit for purpose

Whilst unlikely to be an issue for the large cap stocks with 20+ analysts it is something that companies with fewer analysts may need to consider for both liquidity and investor education. Independent boutique research companies may be a potential solution for companies with a far smaller coverage universe. The question of quality of coverage remains important also, particularly as analysts may be provocative to just stand out.

3 Knowing your shareholders and wish list now an essential for roadshows

Without detailed knowledge of existing shareholders and targets the ability to supplement and enhance broker roadshow schedules is limited. The need for this insight is more imperative than ever. To date some corporates and buy side have highlighted instances of roadshows where sell side organised roadshows failed to maximise company visibility. Given restrictions with what the sell side can do due to research agreement constraints, there is an increased risk that sell side organised roadshows fail to maximise visibility without additional IR work. This clearly leaves IRs to consider the merits of organising roadshows in house, continuing to use a sell side broker, or hiring an independent external provider whose independence means that they can approach all investors.

At a minimum with broker organised roadshows IRs should insist on information on exactly who is invited to meetings, declines, and also detail on who the broker cannot invite or must charge to attend. The base and knowledge to assess this starts with good existing shareholder and targeting insight.

As no one party has perfect or complete information the best solution is likely to come from the combination of a number of sources. Company proprietary intelligence which is at times the most valuable and something no external party has is very important. This should be supplemented with investor information from either sell side, an investor database or an external provider. Arguably there is still value add leveraging insight from someone talking directly

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to investors, and in particular a good sector specialist sales can be invaluable. It is also worth remembering that targeting will always be changing and evolving.

Also to avoid to investors missing events and specifically roadshows it is worth adding roadshow location dates to the investor calendar on the company website.

4 The need for comprehensive and visible consensus

Given that a variety of versions of consensus can exist this is important, particularly given that it can lead to a variety of different conclusions on a company's performance. Post Mifid II access to broker estimates for various consensus sources is changing, making this topic even more relevant. Ensuring a comprehensive consensus is visible increases the likelihood of a fair share price reaction to results. Sharing this on the company website (with a relevant disclaimer) increases the likelihood that this is the version which investors and analysts refer to. Whilst there are benefits from doing this in house, from experience there can be a real benefit from getting external help with this, clearly depending on the number of likely participants. Not least as it can often be a heavy time consuming task.

Also having an audit trail or independent collation in the future I think will believe become increasingly important.

5 Maximising investment story airtime at results, conferences & capital market events

With less access to full broker research, investors will increasingly be relying on company communication from all events. This year will be important for differentiating and evaluating conferences between the must do and those less compelling to attend.

More specifically at conferences fireside chats can be a brilliant way to reiterate the investment message or address any misunderstandings or areas of market focus.

Webcasting capital market events and results presentations can amplify the potential reach of the message outside of the attendee list. Also conference fireside chats or presentations webcasts can provide a useful tool internally, sharing insight on outside thoughts and perspectives on the company.

Where presentations and events cannot be webcast, checked transcripts can ensure that they can access a wider audience and are a useful point of reference if you ever need to direct analysts or investors back to key points that were mentioned.

6 Innovating to be more impactful

As investors will be relying more on their own work to often evaluate a wide and diverse universe, being innovative to be more engaging, differentiated, and learning from best practice sometimes from other sectors can increasingly be a helpful tool in gaining investor attention.

Finally thank you for taking the time to read this, the first of what we hope to be one in a series of regular updates hopefully helping on some of the more topical issues facing IRs and company management interacting with the financial markets. As always any thoughts or feedback is welcome. Similarly if you would like to be added to the our formal distribution list please let us know.

Clear Giraffe IR is a new independent Investor Relations and Financial Communications Consultancy. Leveraging extensive direct investor relations and sell side analyst experience we believe we can bring a fresh perspective in our offer and something a little unique. For more information please do contact us as we would appreciate the opportunity to have a conversation and see how we can help.

Also importantly thank you to the companies and investors who kindly provided time and their insight during the last few months for this. We hugely appreciate the time and look forward to speaking again soon.

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