Citigate Dewe Rogerson

7th Annual Investor Relations Survey

Shaping the future of IR: a new era of opportunity and challenge

June 2015

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Investor Relations Survey

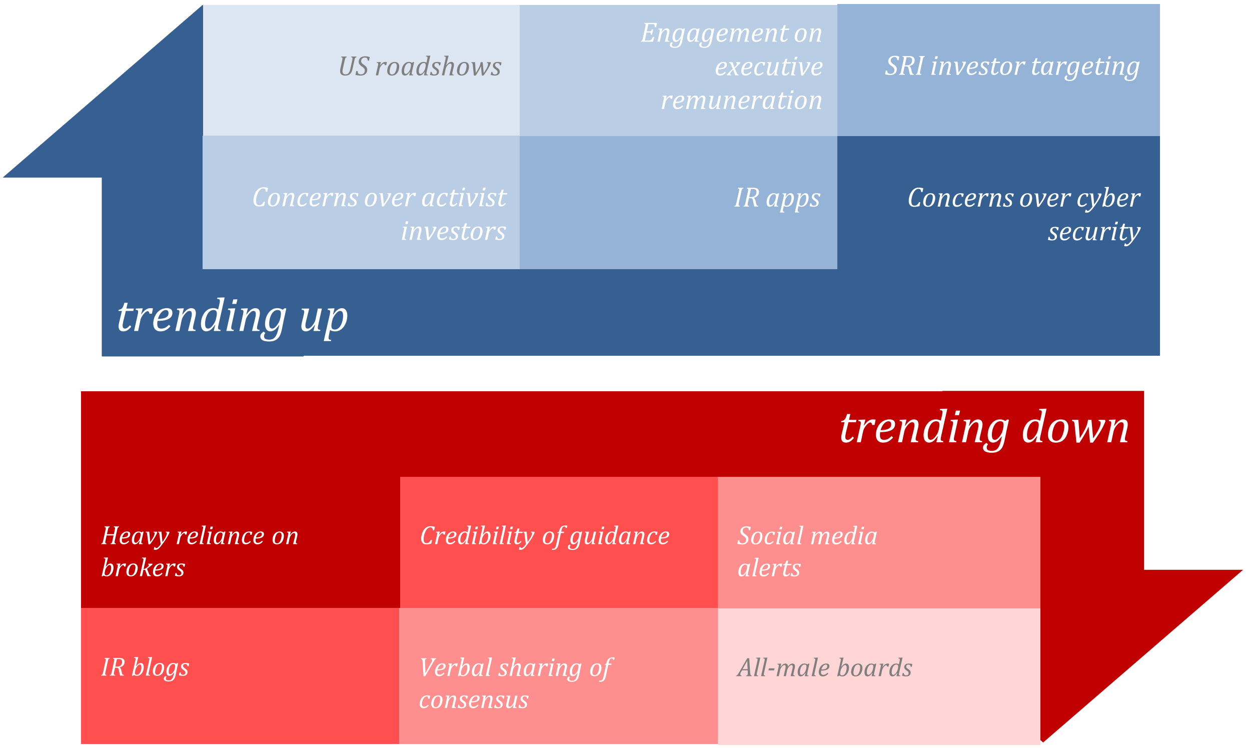
Shaping the future of IR: a new era of opportunity and challenge

This year a record number of Investor Relations Officers (IROs) from Europe's leading companies participated in the annual Citigate Dewe Rogerson Investor Relations Survey to provide the most comprehensive insight to date into changing attitudes and practices from objective-setting, reporting and guidance to analyst coverage, investor and activist engagement to the changing use of technology.

Conducted between 16th January and 3rd April 2015, 193 IROs contributed to our survey representing companies from 20 countries and all FTSE industry indices.

We would like to thank all our respondents for making our seventh annual IR survey the most successful to date. Special thanks goes out to the UK IR Society, and Germany's Deutscher Investor Relations Verband ('DIRK') and IR Club for their support.

Citigate Dewe Rogerson, June 2015



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Executive summary

From technological innovation to regulation-driven changes to corporate access and financial reporting, the investor relations function has never seen more rapid changes in market dynamics. Against that background of change, the stated focus on investor education about corporate strategy has never been more of a priority. This year we assess how IROs are taking advantage of new tools at their disposal and addressing challenges resulting from recent developments.

Reporting

Despite recent changes to the EU Transparency Directive abolishing the requirement to publish quarterly interim management statements, 84% of companies have no plans to change their frequency of reporting in 2015. The new level of flexibility, however, does allow the 10% of companies that are looking to make use of the new regulation to adjust how and when they report to better reflect the nature of their business.

Expectation management

Guidance

Our research shows that 44% of European companies have had to revise their guidance during 2014, leading us to question the credibility of targets which so often become irrelevant within a quarter or two.

Given the continued volatility in the oil price, changing monetary policy expectations and geopolitical tensions in Europe and beyond, expectation management is likely to remain challenging going forward. As such, increasing the dialogue between investors and companies about long-term strategy to promote a longer-term outlook has never been more critical.

Consensus management

Whilst nearly all European companies collect an analyst consensus, a quarter continue to keep this as an internal document. We see gradual increases in consensus sharing via email, the corporate website and via third parties whilst reliance solely on verbal sharing has more than halved since 2013, from 44% to 20%.

Sell-side research

For the first time in the 7-year history of our survey, the percentage of companies satisfied with their level of sell-side research has registered a year-on-year improvement. At the same time, a slightly lower percentage of companies (34% against 37% in 2014) have told us they have noticed a deterioration in the quality of sell-side research on their company.

Despite the fact that 30% of companies would like to see an increase in the number of sell-side analysts covering their stock, concerns over investor perceptions of paid-for research continue to deter 29% of companies from going down this route. It was also felt that investor education in the absence of sufficient sell-side research was a task for senior management and the IR team, with only 10% stating that budgetary concerns were an issue. Our research shows that only 10% of European companies currently pay for equity research to be undertaken on their company with a further 7% stating this is under consideration.

Engagement

AGM preparation

Findings of our research show that 47% of companies do not review proxy voting guidelines published by their key shareholders and that 56% do not engage with shareholder corporate governance teams in the run up to the AGM. Instead, we see overreliance on dialogue with individual portfolio managers who often do not have the final say on voting decisions.

Key issues on the agenda

The scale of engagement with investors on executive remuneration has almost doubled since last year to 30% of IROs stating they are fully engaged on the topic against just 17% in 2014. In addition to board effectiveness and director tenure, which the majority of IROs in Europe touch on in their conversations with investors, our findings show that more than half of European IROs are engaged with investors on board diversity. In response to increasing demand from investors, 37% of IROs state their companies have made further changes to improve gender diversity over the past 12 months.

This year IROs report a new topic on the agenda: cyber security. Currently, 37% of IR teams are engaged with investors on this issue. With the number of information security breaches rising across Europe, we expect this figure to increase going forward.

Engagement at Board level

Despite investor calls for greater engagement of board directors with company shareholders, nearly a quarter of European chairmen only see investors at the company's AGM. Engagement levels between other board directors (excluding the CEO and CFO) and investors are at even lower levels with as many as 39% of European board members having no contact with investors outside the AGM.

Approach to activist investors

Whilst only 7% of our respondents have been a target of an activist approach over the past 12 months, 60% monitor their shareholder base for activist investors. Beyond monitoring, 46% of companies have evaluated their vulnerability to an activist approach.

As part of ongoing engagement with investors, 75% have sought feedback from the market on their long-term strategy over the past 12 months, indicating that efforts are being made to listen to investor concerns and suggestions. The majority of these companies appear confident that their strategic approach and performance are in line with investor expectations with only 31% stating they have formulated a response strategy in case of an activist approach.

Roadshows and targeting

The percentage of companies with plans to increase roadshow activity has risen further, from 43% in 2014 to 46% in 2015. Over a third of companies are changing their geographical focus when it comes to roadshow activity in 2015. Whilst last year increased efforts were focused mainly on closing any gaps in continental Europe, this year there is a clear shift towards targeting US investors.

Companies are also taking greater control over investor targeting - only 5% rely solely on brokers with the vast majority taking the time to either review suggested targets closely, supply a portion of their own targets to brokers or work with independent consultants on targeting. In 2015, 24% of companies will also be investing in either targeting tools, personnel, or both, with the aim of increasing their in-house competence.

The number of companies actively targeting SRI investors is up, from 20% in 2014 to 28% in 2015. Dedicated conferences provide the most popular forum for meeting such investors (20%), whilst 16% of companies also regularly target SRI investors during roadshows.

Social media

Somewhat counter-intuitively, the popularity of using social media in most IR activities is in decline. Whilst 91% of companies stated they used social media channels to publicise news and events in 2013, this figure has dropped to 65% in 2015. Similarly, the popularity of IR blogs has nearly halved with just 12% of IR teams using them to promote their views against 23% in 2013. European companies also appear to place lower value on social media as market intelligence tools, down from 31% in 2013 to 24% in 2015, with a declining number of companies taking time to monitor rumours generated on these channels at 38% against 43% in 2013.

However, over a third of European companies still have a dedicated IR Twitter account, against 40% in 2013. When it comes to LinkedIn and Facebook, general corporate profiles remain more popular than dedicated IR accounts, which are used by around only one in eight companies. Whilst social media are being used less frequently for investor relations, greater discipline has been introduced with 45% of companies stating they have a formal social media policy, against 38% in 2013.

Use of technology

This year has seen a return in focus on the IR website with 54% of respondents planning to increase video content on their websites. Another 28% will focus on distributing content through IR apps, which nearly half of our respondents have in place.

When asked about technological tools that are shaping the way in which they communicate with investors, 22% of respondents cited online investor targeting tools. Nearly a fifth see online corporate access platforms as a game changer whilst 15% collect feedback following their meetings through online feedback tools. The number of companies taking part in virtual roadshows has also increased, albeit very slightly from 12% in 2014 to 13% in 2015. Virtual conferences are now part of the IR programme for 16% of European companies. At the same time, 5% of AGMs in Europe have now gone virtual.

IR function

Nearly a fifth of IR teams are adding new capabilities in 2015 – these range from targeting tools, new team members with specific skills or posted in additional locations to IR apps. The majority of companies capitalise on the broad-ranging experience of their IROs by involving them in complementary functions within their organisations. In nearly a fifth of the cases this will be related to capital markets transactions or financial media relations, closely followed by corporate affairs.

The IRO skillset is also starting to gain external recognition – 8% of our respondents hold non-executive director positions in other companies.

Within the main criteria used by companies to evaluate the effectiveness of their investor relations, there is much greater emphasis on shareholder base development, which was mentioned by only 4% of respondents in the previous two years but is stated as a key criterion for 62% of companies in 2015.

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Communications context

Key priorities for 2015

Faced with short-termist financial markets and a need to continually differentiate their companies against investment peers, IROs across Europe have placed by far the highest priority for 2015 on making sure investors understand their corporate strategy. Along with a greater focus on mid-term guidance adopted by a number of companies in recent years and increased emphasis on non-financial KPIs, this reflects continued efforts to extend investor focus beyond the current financial year.

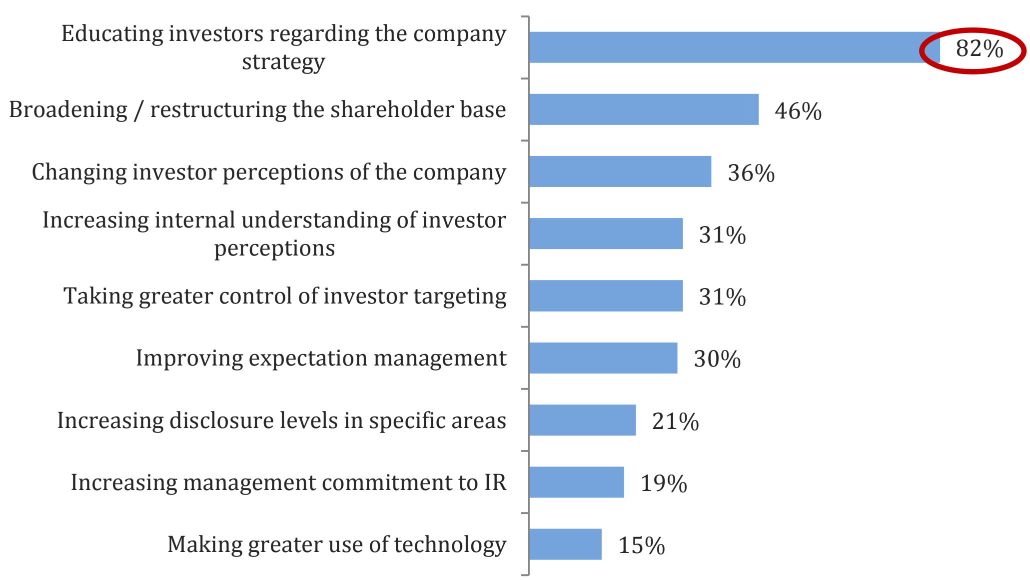
Companies in the market cap category between £500 million and £1 billion are the most likely (71%) to devote time and resources to broadening their shareholder base whilst those with a market cap of less than £500 million come second (58%) with only slightly lower enthusiasm.

Education efforts are also needed to change investor perceptions of the company with 36% feeling misunderstood by the markets. Again, smaller companies are the hardest hit – the majority of those with a market cap below £1 billion have made this a priority for this year.

When it comes to internal understanding of investor perceptions, the size and complexity of a company plays an important role – 39% of the largest companies are increasing efforts to promote internal understanding of investor perceptions in 2015 against 21% of the smallest.

At the same time, 31% of (predominantly smaller) companies plan to take greater control of investor targeting in 2015. We come back to this topic several times throughout the report as we delve deeper into investor engagement.

Figure 1: What are your main IR objectives for 2015?



Given the above-average number of profit warnings issued throughout 2014, it comes as no surprise that expectation management is a key issue for 30% of European companies. This is the most prevalent in German-speaking countries which saw the highest percentage of revised targets last year, according to our research.

When it comes to disclosure levels, just over a fifth of companies are planning to provide more information in specific areas of interest to investors. However, if you are based in France or operate in the healthcare industry, don't expect to see many of your peers making such efforts.

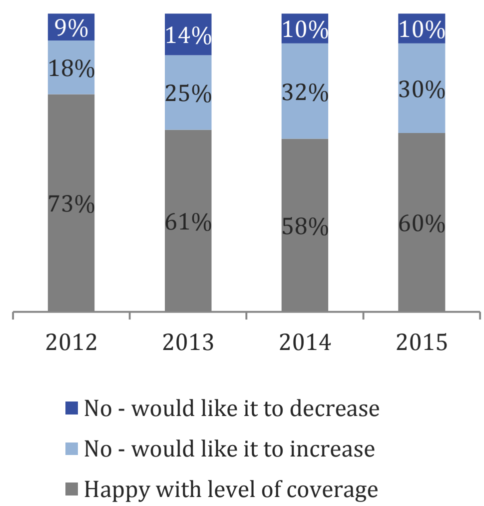
Management commitment to IR remains key to building long-term relationships with investors. A quarter of our smallest companies see room for improvement in this respect in 2015, whilst nearly a third of companies based in Southern Europe and CEE & CIS feel the same. At the other end of the scale, all French IROs feel their management teams are fully committed to IR.

Finally, investor relations activities continue to evolve as a result of technological developments, with 15% of European companies planning to take greater advantage of the latest innovations. This is more so true for smaller companies, which have much to gain from using technological tools for investor targeting or corporate access.

Slowdown in sell-side research deterioration

For the first time in the 7-year history of our survey, the percentage of companies satisfied with their level of sell-side research has registered a year-on-year improvement. At the same time, a slightly lower percentage of companies (34% against 37% in 2014) have told us they have noticed a deterioration in the quality of sell-side research on their company.

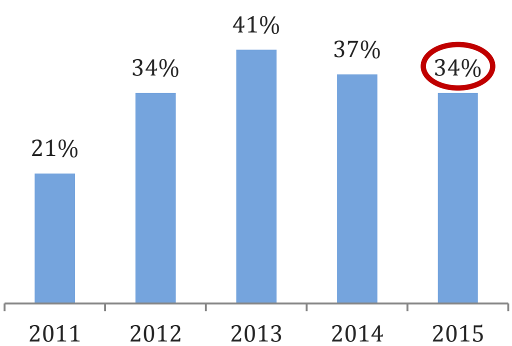
Figure 2: Are you happy with the level of your current sell-side coverage?



Levels of satisfaction with the amount of coverage remain directly proportional to company size with 72% of the smallest companies in our sample wishing for more coverage against 3% of the largest. A geographical breakdown shows that companies in the UK and Benelux are the happiest with their coverage at 82% and 86%, respectively, whilst nearly half of CEE & CIS companies would like to see an increase.

Whilst we are encouraged by these findings – given that global research budgets are expected to decline further to $3.4 billion by 2017, according to research by Frost Consulting, from a high of $8.2 billion in 2007 – we do not expect a significant improvement in sell-side coverage or research quality in the years to come.

Figure 3: Have you noticed a change in the quality of your sell-side coverage over the past 12 months? Yes, it has worsened.



Concerns over the value of paid-for research persist

Despite the fact that 30% of companies would like to see an increase in the number of sell-side analysts covering their stock, concerns over investor perceptions of paid-for research continue to deter 29% of companies from going down this route. Additional comments on this topic provided by respondents show that companies in this camp believe they themselves are better placed to provide an analysis of their performance and positioning than external analysts whose independence and objectivity would be under scrutiny from investors.

As such, it was felt that investor education in the absence of sufficient sell-side research was a task for senior management and the IR team, with only 10% stating that budgetary concerns were an issue.

"I think our resources would be better spent on educating the sell-side rather than on paid-for research."

"I don't think companies should pay for this as a matter of principle. The company might as well just publish its own research."

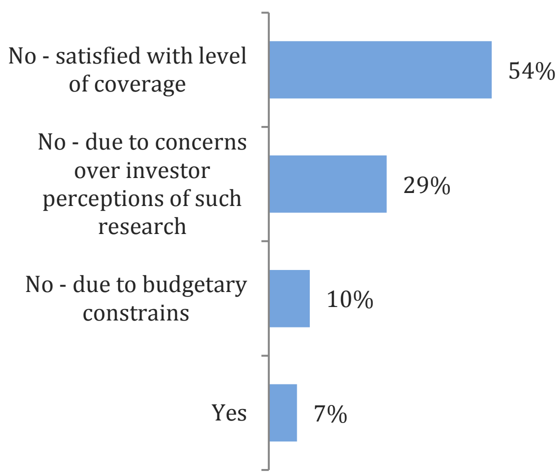
"I think paid-for research is a waste of time. IR is there to educate, we don't need to pay someone else to do it."

"I find it difficult to believe someone from outside the company could do better research on us than someone inside the company with relevant experience."

Findings of our research show that only 10% of companies currently pay for equity research to be undertaken on their company with a further 7% stating this is under consideration. This trend remains driven by small cap companies – 36% of companies with a market cap of below £500 million pay for research; this percentage quickly drops with increasing company size (14% in the £500 million - £1 billion market cap category, 7% among £1 billion - £5 billion...down to 0% over £10 billion).

This figure is almost certainly higher than it was 5 years ago, judging by the significant growth in coverage recorded by independent research providers. As the number of listed companies with either no research or just one analyst covering them continues to rise, efforts will be required to overcome this challenge, be it in the form of independent research, stock-exchange sponsored coverage or increased facilitation of internal buy-side research.

Figure 4: If you don't currently pay for equity research, is it something you are considering or would consider going forward?



Reporting

Reporting frequency: largely unchanged in the short-term

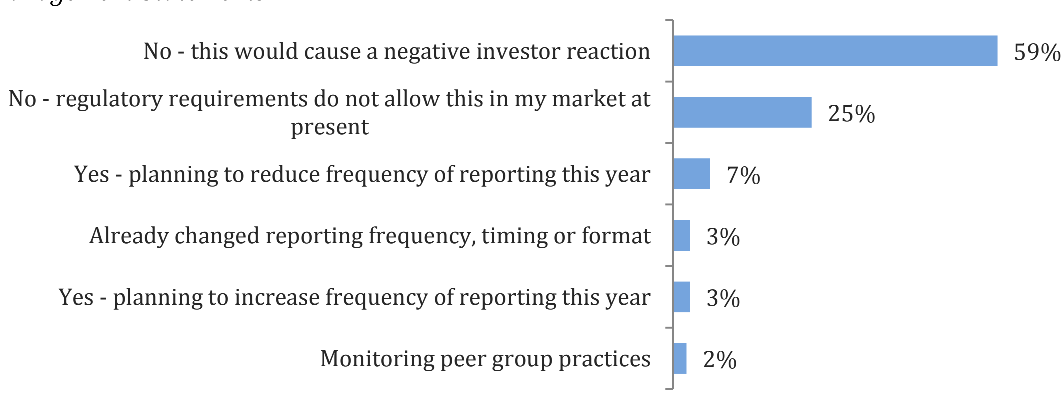
Following implementation of changes to the EU Transparency Directive across Europe, which abolished the requirement for companies with shares admitted to trading on a regulated market in the EU to publish quarterly interim management statements, we asked European IROs to indicate what their intentions were when it comes to reporting frequency going forward.

Of the 10% of companies looking to make use of the new regulation, a third have already changed their reporting frequency, timing or format, whilst the rest plan to do so in the course of this year.

Rather than being silent between half-year and annual results, the new approach seems much more focused on providing relevant information to investors at a time when it makes sense and in a format that companies feel is the most appropriate for them.

> *"We are watching this issue very closely. We may consider reducing the frequency of reporting prospectively, depending on peer behaviour and analyst/investor feedback."*

Figure 5: Do you have any plans to change the frequency of your reporting following the removal of the obligation within the EU Transparency Directive to produce Interim Management Statements?



This new level of flexibility also allows companies to adjust how and when they report according to the nature of their business – we expect technology companies to keep the market up-to-date on the fast paced developments in their industries whilst utilities present the most likely candidates for less frequent reporting.

However, a more detailed analysis of this sample shows that first movers are spread out across Europe and found in all market cap categories and most industries.

As expected, the vast majority of 84% have no plans to change their current practice, mainly due to concerns over a negative reaction from their investors to such a move.

"We expect to continue to engage although we may stagger the timing of updates to be more evenly spread throughout the year."

"Reducing the frequency of reporting is impossible with competitors sticking to quarterlies."

"We are a Germany-based company. We would change the frequency of reporting, but only when the majority or at least the bigger German companies have done this."

Expectation management

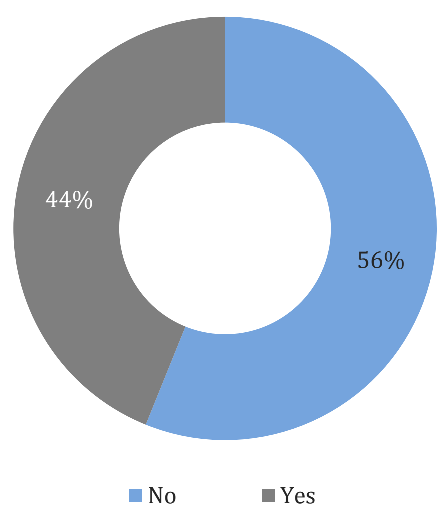
Management guidance – no longer a good guide

Whilst investors continue to seek guidance from companies regarding their future plans and expected performance, findings of our research show that 44% of European companies have had to revise their guidance during 2014. This resonates with the findings of a recent Ernst & Young study which reported 2014 as being a six-year high in profit warnings in the UK, a trend which has continued into 2015 with 77 profit warnings during the first quarter of 2015 largely due to the rapid fall in oil price at the end of 2014, rising market volatility triggered by changing monetary policy expectations and geopolitical tensions, and increased competition.

However, UK companies are not the worst offenders in our sample – companies in German-speaking countries top the list with 56% making revisions to their targets throughout the year. Market uncertainty has had a greater impact on smaller companies with 58% of those with a market cap of below £500 million and 75% with a market cap of between £500 million and £1 billion in this camp. Given the recent trend in the oil price, it comes as no surprise to see that 86% of companies in the oil and gas sector have had to revise their guidance in 2014.

Whilst expectation management is likely to remain challenging in such a market environment, increased dialogue between investors and companies about long-term strategy – advocated in the UK by Professor John Kay in his review of UK equity markets in 2012 – should serve to promote a longer-term outlook which would better enable companies to deliver sustainable long-term economic growth. The fact that educating investors about company strategy is the number one priority for European IROs in 2015, in combination with recent changes to narrative reporting and the removal of the mandatory quarterly reporting requirement, give us hope for such a shift in outlook in the near term.

Figure 6: Have you had to revise your guidance during the last financial year?

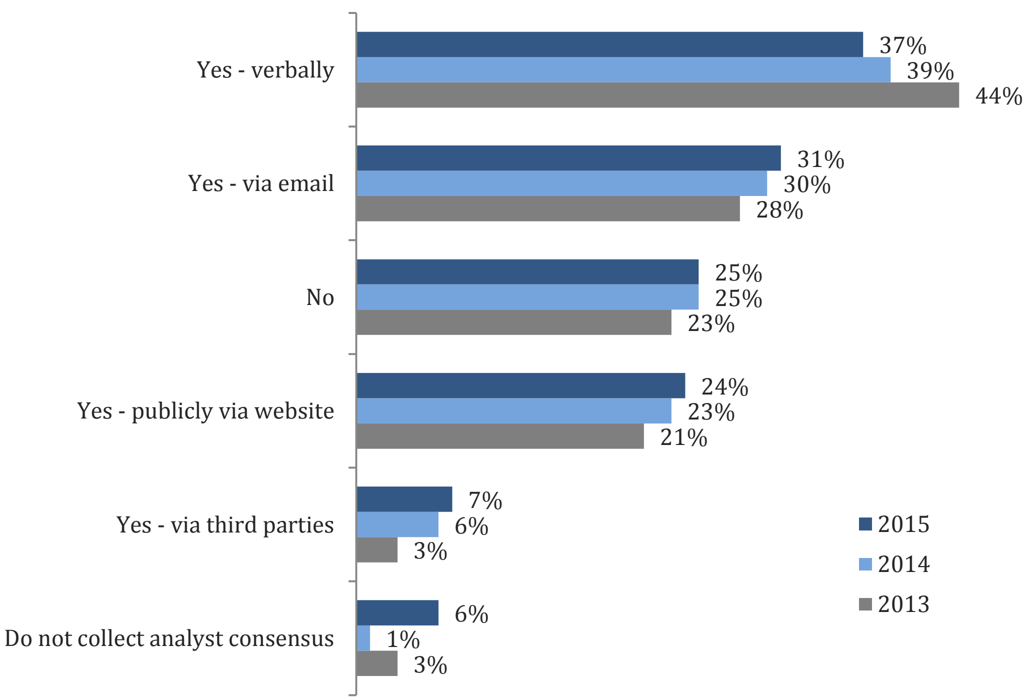


Verbal sharing of consensus in decline

Having established that nearly all European companies collect an analyst consensus, we continue to track how this is shared with the wider market. Whilst verbal sharing remains the most popular option, we are encouraged by the downward trend here, from 44% in 2013 to 37% in 2015. In addition, if we strip out companies that share verbally in addition to distributing consensus through other channels, this percentage drops significantly to 20%.

We see gradual increases in sharing via email, the corporate website and via third parties as positive developments but remain disappointed by the fact that a quarter of companies continue to keep consensus as an internal document. French companies are by far the worst offenders in this respect, with 47% not sharing consensus at all and only 13% placing it on their websites. In Scandinavia, we find a large number of both the best and worst practitioners – 41% of IROs don't share at all whilst an above-average 33% share via their websites.

Figure 7: Do you share your analyst consensus with the wider market?



Outreach and engagement

Significant gaps in AGM preparation

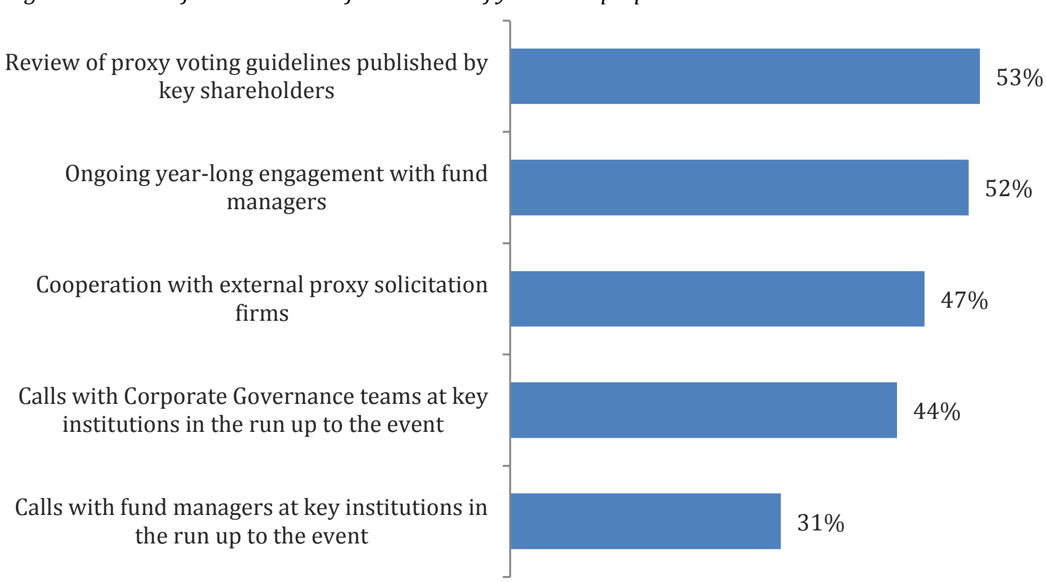
Over the years, we have argued that year-long engagement with fund managers is the best way of ensuring investor concerns over key issues are addressed ahead of events such as the AGM. Looking at the findings of this year's research, we are pleased to see that 52% of European companies agree with us and have adopted this approach in combination with other activities.

In addition, to avoid any surprises at their AGM, we have advised our clients not to rely solely on their existing relationships with individual portfolio managers, but also to engage with corporate governance teams that are responsible for voting policies and to familiarise themselves with their shareholders' voting guidelines and history.

Looking at the responses received on these two activities in 2015, we are surprised to find that 47% of companies do not review proxy voting guidelines published by their key shareholders and that 56% do not engage with corporate governance teams in the run up to the AGM. Scandinavian companies, in particular, lag behind in this respect with just 17% reviewing proxy guidelines and engaging with corporate governance representatives at their key investors.

Companies in German-speaking countries are the best organised when it comes to reviewing guidelines (75%), but less so in terms of direct engagement with corporate governance teams (29%) where French companies lead the way (67%).

Figure 8: Which of these elements form a basis of your AGM preparation?



Significant room for improvement exists among CEE & CIS companies in both categories – 74% of companies in these regions neither review guidelines nor engage with corporate governance teams ahead of the AGM. Limited free float is often cited as a reason for such practices, with companies feeling there is not much to gain from more active engagement. However, given the improvement in many other aspects of investor relations across these regions, we feel this is an opportunity for companies which continue to lag behind and that investors would be appreciative of such efforts.

Rising engagement between IROs and investors on executive remuneration

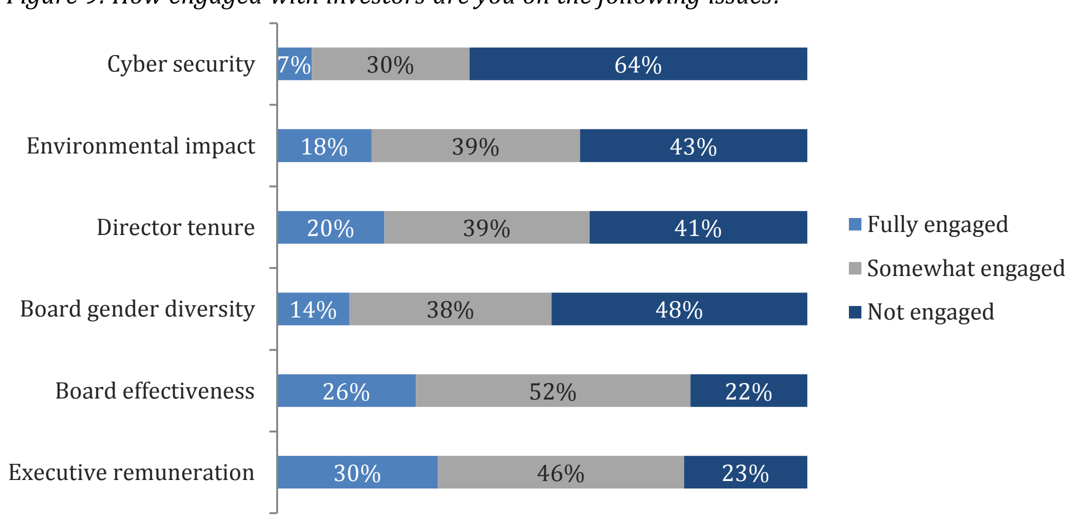
In previous years we asked IROs about their level of involvement with investors regarding executive remuneration and were surprised to find that less than a fifth (17% in 2014) were fully engaged in such discussions, with nearly half of IROs having no dialogue with shareholders on the issue.

Findings of this year's survey show a vast improvement in this respect with 30% now fully engaged and only 23% not engaged at all.

Whilst involvement of a company's Remuneration Committee or Corporate Secretary in these conversations is of course very helpful, our position has always been that IROs, who are the principal contact for investors on all other issues, should not shy away from remuneration questions.

We recognise, however, that this improvement may at least partly be driven by the rising number of investor queries on executive remuneration, which may not have been on the agenda for a number of companies in the past.

Figure 9: How engaged with investors are you on the following issues?



Board diversity: increasingly on the agenda

In addition to board effectiveness and director tenure, which the majority of IROs in Europe touch on in their conversations with investors, our findings show an increasing investor focus on board diversity. More than half of European IROs are either fully engaged or somewhat engaged with investors on this issue.

This comes as no surprise given the recent statements by major asset managers, including Aviva, Old Mutual and Legal & General Investment Management, that they are likely to reject reports and accounts from firms with all-male boards. Whilst pressure was initially applied to large cap companies, institutions are realising the benefits of more diverse boards for smaller companies too. As such, engagement on this important issue has been extended to a much wider pool of companies which is likely to continue to grow going forward.

In response to increasing demand from investors, last year 45% of European IROs told us their companies already had initiatives in place to actively promote female representation on their boards or executive committees. This year we asked IROs whether their companies had made any further changes to improve gender diversity over the past 12 months and found that this was indeed the case at 37%. For the second year in a row, the greatest strides have been made in France where 75% of companies have acted on this over the past 12 months. However, the trend is yet to take off in CEE & CIS where only 6% of companies have increased their efforts to address the issue.

Nearly half of UK companies are also launching new initiatives this year, which we hope will lead to an outperformance against the government's target of 25% of female board representation by 2015. As of March 2015, women account for 23.5% of FTSE 100 and 18% of FTSE 250 board positions, an increase from 20.7% and 15.6%, respectively, in March 2013.

Cyber security – a new valuation driver?

While cyber security has undeniably made it onto the agenda in many boardrooms across Europe, investors have also started to realise the importance of cyber preparedness as a valuation driver.

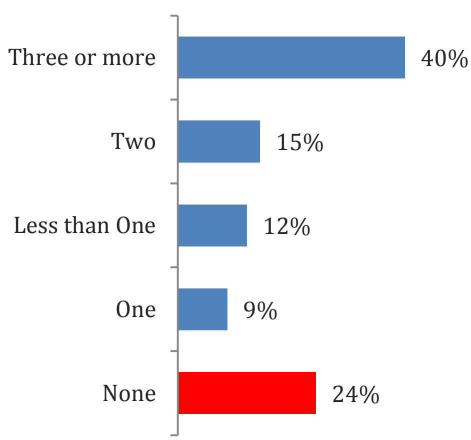
Recent statistics in the UK show that 90% of large businesses in the country had suffered an information security breach, alongside 74% of small and medium-sized businesses. According to UK government research, the average cost of security breaches for companies with more than 500 employees is between £1.46 million and £3.14 million.

With the number of breaches rising exponentially across Europe, we expect all stakeholders to show greater concern for this issue going forward. At present only 7% of IROs are fully engaged with investors regarding cyber security arrangements at their companies, whilst another 30% say they are "somewhat" engaged on the issue. Going forward, we expect investment attractiveness of companies with inadequate policies or systems in place to prevent breaches to diminish as investor scrutiny of their preparedness increases.

Board engagement: a long way to go…

Despite investor calls for greater engagement of board directors with company shareholders, nearly a quarter of European chairmen only see investors at the company's AGM. Southern European countries have the greatest share of such companies (50%), followed by Scandinavia (44%). On the other hand, among UK companies, just 8% of chairmen only see investors at the AGM whilst 45% do so at least three times a year.

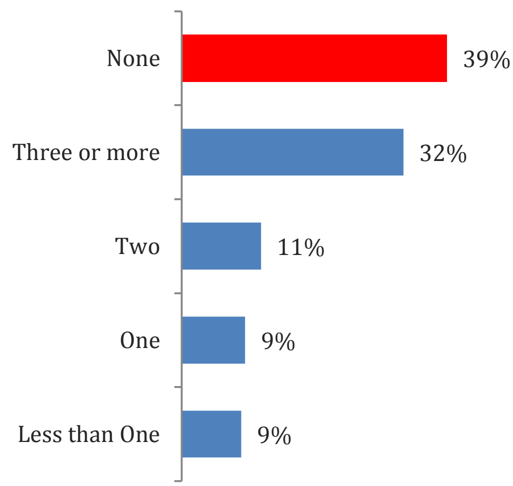
Figure 10: How many days per year does your chairman spend meeting investors (outside of the AGM)?



Engagement levels between other board directors (excluding the CEO and CFO) and investors are at even lower levels with as many as 39% of European board members having no contact with investors outside the AGM. Belgian companies are at the forefront of board engagement with 56% of board members seeing investors at least three times a year, whilst among their Scandinavian peers 67% have no engagement with investors outside the AGM.

Significant room for improvement also exists in France where only 42% of companies' directors see investors outside the AGM with the same situation recorded in Southern Europe.

Figure 11: How many days per year in total do your board members (excl. chairman, CEO and CFO) spend meeting investors (outside of the AGM)?



Judging by recent news flow, this issue is unlikely to go away any time soon. Since January 2015, Vanguard, the world's second-largest fund manager, has been approaching companies it invests in urging them to create 'shareholder liaison committees' to give investors more opportunities to express their opinions to directors and suggest issues directors should raise with management.

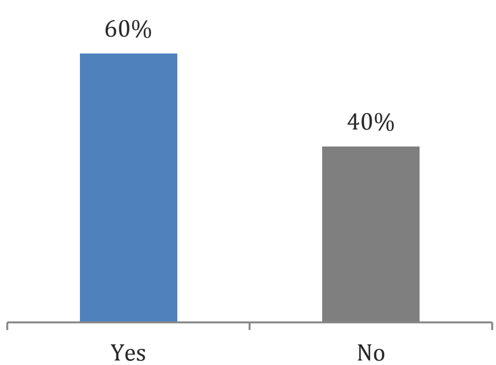
Vanguard is not the only institution to express concerns over the fact that many directors never meet personally with shareholders. As such, our advice to companies is to proactively increase engagement at board level before investors come knocking on their door.

Activist shareholders: coming soon to a boardroom near you…

Whilst only 7% of our respondents, the majority of which are based in the UK, have been a target of an activist approach over the past 12 months, this is clearly a concern for a much wider pool of companies.

As we would expect, 60% of companies monitor their shareholder base for activist investors. Of those who do not, a number have ownership structures which preclude them from being targeted. The worst offenders in this respect include companies based in Southern Europe and Scandinavia, of which only 17% and 33%, respectively, monitor their shareholder base for activist investors. At the other end of the scale are companies based in Benelux (75%), the UK (74%) and German-speaking countries (73%). A sector breakdown shows that consumer goods and services companies are the most concerned about activist shareholder approaches with 73% and 82%, respectively, keeping an eye out for such investors.

Figure 12: Do you monitor your shareholder base for activist investors?

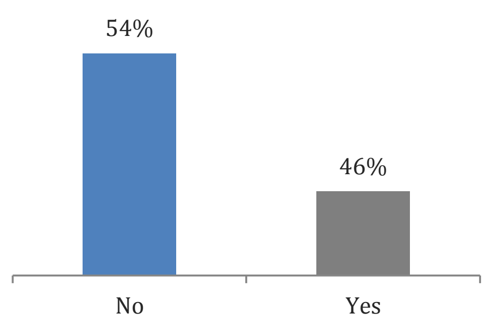


This should come as no great surprise given the trend witnessed for those industries facing the biggest attack from activists based in the US shifting from the technology sector to consumer cyclicals.

Large cap companies, traditionally the most likely to attract activist investor attention, are no longer the only ones concerned. Our research shows that only among the smallest companies with a market cap of below £500 million are the majority not conducting this type of monitoring – in the next market cap category (between £500 million and £1 billion), 86% of companies have adopted this practice.

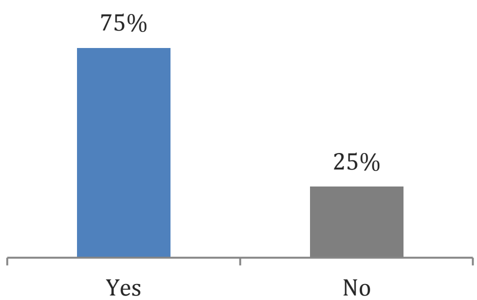
Beyond just monitoring, 46% of companies have evaluated their vulnerability to an activist approach in the past. However, the majority have yet to take this step.

Figure 13: Have you evaluated your company's vulnerability to an activist approach?



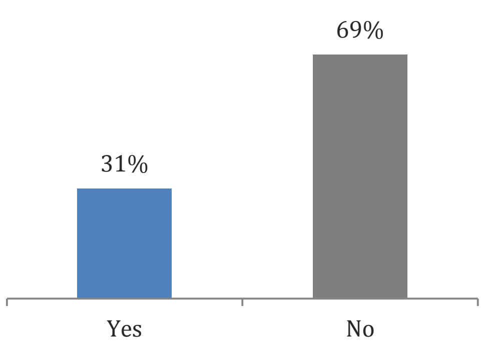
As part of ongoing engagement with investors, however, 75% have sought feedback from the market on their long-term strategy over the past 12 months, indicating that efforts are being made to listen to investor concerns and suggestions.

Figure 14: Have you sought feedback from your investors on your long-term strategy over the past 12 months?



The majority of these companies appear confident that their strategic approach and performance are in line with investor expectations with only 31% stating they have formulated a response strategy in case of an activist approach. Once again, Benelux companies lead the way with 50% ready to implement such a strategy, whilst only 17% of companies based in Southern Europe have gone through the same level of preparation. Interestingly, although 73% of companies in German-speaking countries monitor for activist investors, only 24% have a formulated a response plan. Similarly, only 33% of consumer goods and 35% of consumer services companies have a response plan in place, despite the fact they are the most active when it comes to monitoring.

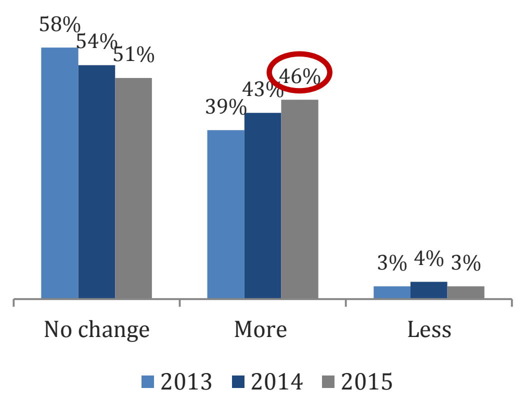
Figure 15: Do you have a response strategy in case of an activist investor approach?



Increasing scope of roadshows and investor targeting

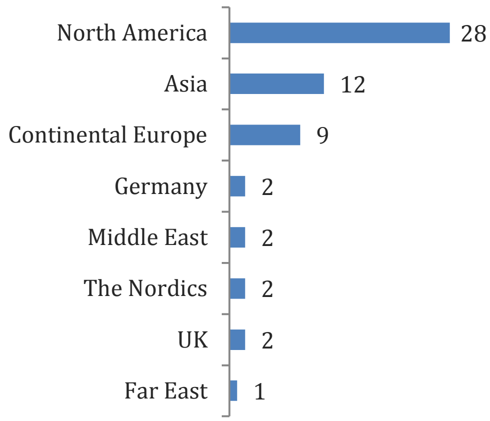
For the third consecutive year, the number of companies with plans to increase roadshow activity is on the rise. This trend is driven mainly by smaller companies with 86% of those with a market cap between £500 million and £1 billion and 54% of those with a market cap of below £500 million planning to intensify their efforts. At the other end of the scale, among companies with a market cap of over £10 billion, only 26% plan to increase roadshow activity in 2015.

Figure 16: Are you planning to devote more / less time to investor roadshows over the next 12 months?



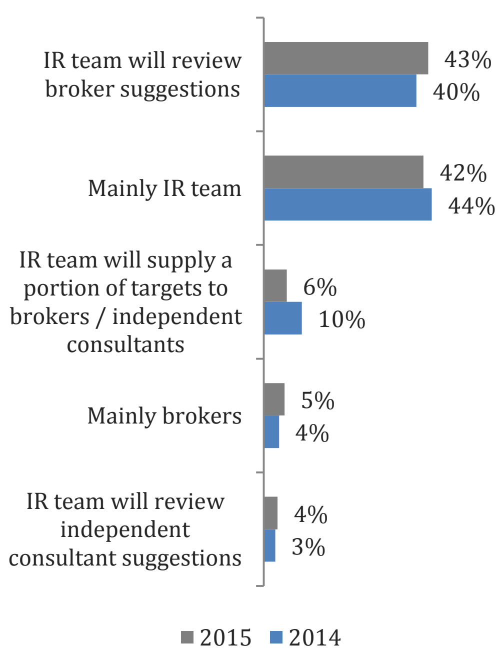
Over a third of companies are changing their geographical focus when it comes to roadshow activity in 2015. Whilst last year increased efforts were focused mainly on closing any gaps in continental Europe, this year there is a clear shift towards targeting US investors.

Figure 17: Increased roadshow activity in the following geographic areas (number of mentions):



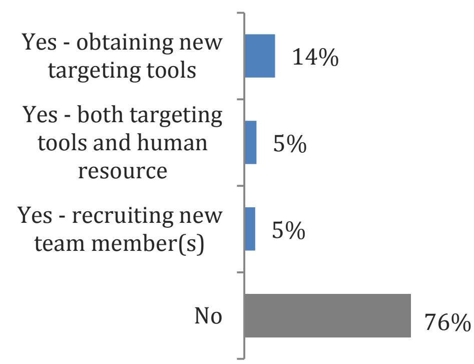
Our research contains multiple indications of companies taking greater control over investor targeting, a trend that was identified in 2014 and is expected to continue going forward.

Figure 18: Who will determine your roadshow targets in 2015?



Only 5% of companies remain confident in their brokers' ability and willingness to find the best match for them when it comes to investors included in roadshow schedules, with the rest taking time to either closely review suggested targets, supply a portion of their own targets to brokers or work with independent consultants on such tasks. A geographical breakdown shows a similar trend across different regions in Europe, with the exception of Scandinavia where none of the companies who took part in our survey have plans to dedicate additional resources to these competencies.

Figure 19: Have you increased or are you planning to increase in-house competence / resources with respect to investor targeting and roadshow organisation?



In 2015, 24% of companies will also be investing in either targeting tools, human resources, or both, with the aim of increasing their in-house competence with respect to investor targeting.

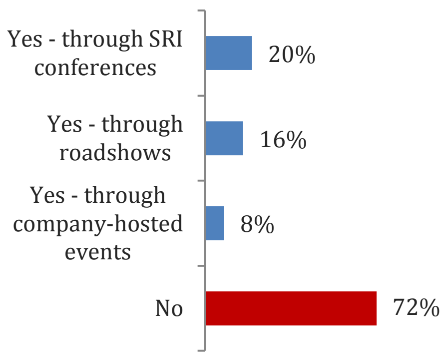
A geographical breakdown shows a similar trend across different regions in Europe, with the exception of Scandinavia where none of the companies who took part in our survey have plans to dedicate additional resources to these competencies.

Increased focus on SRI investors

We are encouraged to see a rise in the number of companies stating that they actively target SRI investors, from 20% in 2014 to 28% in 2015. Dedicated conferences provide the most popular forum for meeting such investors (20%), whilst 16% of companies also regularly target SRI investors during roadshows.

Large cap companies continue to lead the way here, with 46% of companies with a market cap of over £10 billion stating they target SRI investors against 13% of those with a market cap below £500 million.

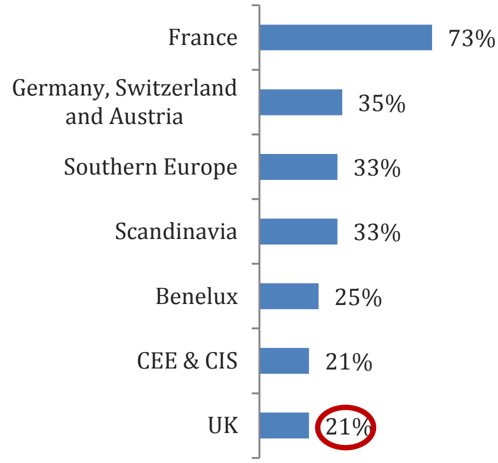
Figure 20: Do you target SRI investors?



A geographical breakdown shows that French companies are far ahead of the rest of Europe with 73% of companies actively targeting SRI investors. Following a significant improvement in CEE & CIS countries, where only 7% of companies targeted SRI investors in 2014, the region has now caught up with the UK which continues to lag behind its Western European peers.

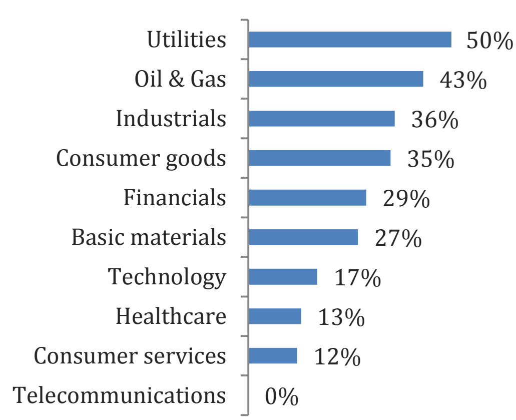
A sector breakdown throws up some interesting findings, as shown by Figure 21. We certainly would have expected to see more telecom companies targeting SRI investors than oil and gas companies.

Figure 21: Percentage of companies targeting SRI investors by country



Consumer services companies, our worst performer in 2014, remain at the bottom end of the scale whilst utilities take the lead with 50% of companies in the sector actively targeting SRI investors. It seems that companies that have spent a lot of resources on promoting and evaluating their long-term sustainability are capitalising on these efforts by proactively communicating them to SRI investors, whilst those in industries which are perhaps a more natural fit are missing an opportunity due to a lack of focus on such issues.

Figure 22: Percentage of companies targeting SRI investors by sector



Social media

Waning excitement

Looking back two years, when social media were expected to have a profound impact on the dynamic of communication between companies and their investors, it seems excitement levels have since dropped significantly.

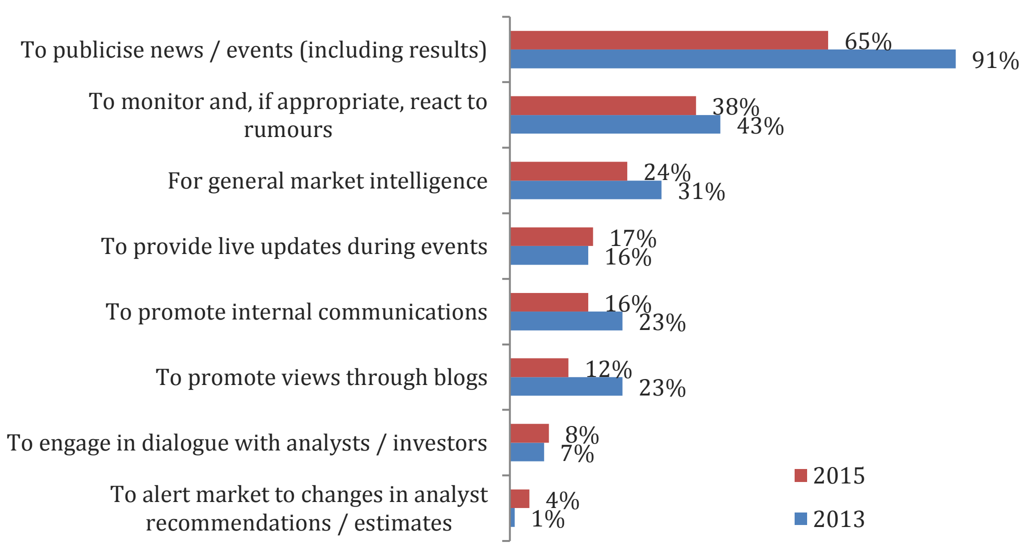
The findings of our survey show a decline in the popularity of social media when it comes to five out of eight IR activities shown in the figure below. Whilst nearly all companies used these channels to publicise news and events in 2013, this figure has dropped 26 percentage points to 65%. Another notable change can be seen in the popularity of IR blogs – only 12% of IR teams use these to promote their views against 23% in 2013.

European companies appear to place lower value on social media even as market intelligence tools, down from 31% to 24%, with a declining number of companies taking time to monitor rumours generated on these channels at 38% vs. 43% in 2013.

These trends show a divergence between Europe and the US, where according to recent research by Investis the use of social media continues to rise.

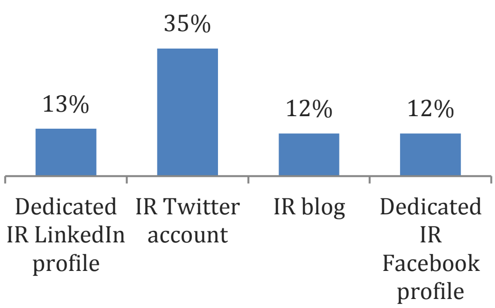
Increases in the remaining three categories shown on the chart below - which include providing live updates during events, engaging in dialogue with analysts and investors, and alerting the market to changes in analyst recommendations - remain insignificant and by no means compensate for the declining use of social media for other activities.

Figure 23: In what way do you use social media channels?



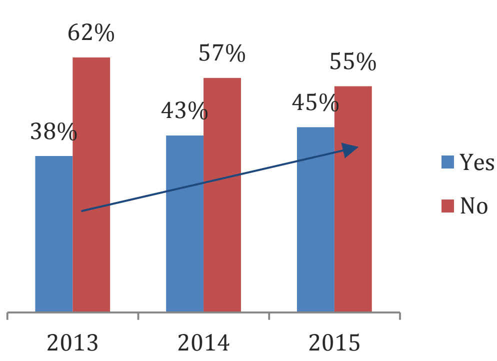
Whilst the frequency of use has tapered off, 35% of European companies still have a dedicated IR Twitter account, against 40% in 2013. When it comes to LinkedIn and Facebook, general corporate profiles remain more popular than dedicated IR accounts, which are used by around only one in eight companies.

Figure 24: Please select which of the following, if any, your IR department currently has.



On the positive side, whilst social media are being used less frequently for investor relations, greater discipline has been introduced with 45% of companies stating they have a formal social media policy, against 38% in 2013.

Figure 25: Do you have a formal social media policy?



Use of technology

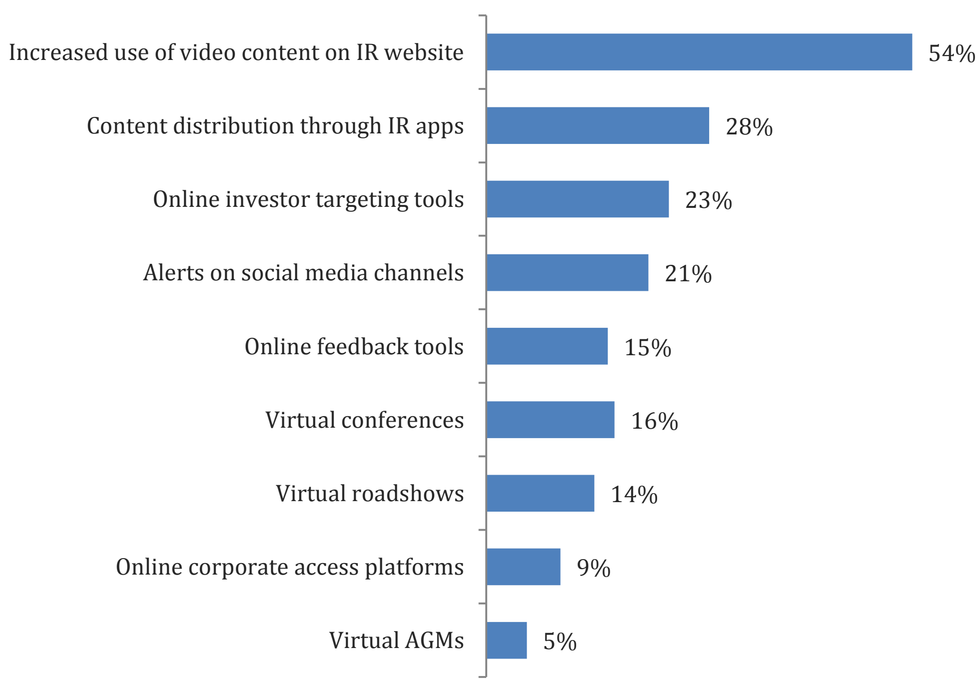
Time to revamp the IR website

In the midst of technological developments of recent years, the majority of European companies have come to realise that their IR website – the traditional online IR tool – was still the most powerful and relevant platform for engaging with the investment community.

As such, 54% of our respondents plan to increase video content on their websites, whilst another 28% will focus on distributing content through IR apps in 2015. The latter will be particularly prevalent among companies in German-speaking countries and Benelux (39% and 57% of respondents, respectively, see this as a key tool for investor engagement).

Our research shows that nearly half of companies in Europe already have an IR app, which is often seen as an extension of the corporate website. In addition to above-mentioned countries, the UK is in the top three with 55% of companies stating they have an IR app. Interestingly, only 29% of technology companies have an IR app whilst the consumer goods sector leads the way with 75%, closely followed by financial institutions at 69%. The size of a company also plays an important role in this respect – 73% of companies with a market cap of over £10 billion have an IR app against 31% of those with a market cap of below £500 million.

Figure 26: Which of these technological tools are shaping the way in which you communicate with your investors?



Changing dynamics in corporate access

When asked about technological tools that are shaping the way in which they communicate with investors, 22% of respondents cited online investor targeting tools. This represents a significant increase on 2014, when only a handful of IROs raised this issue, and reflects a focus beyond the 14% of our respondents who already have budgets set aside for this purpose. However, despite the fact that regulatory changes and industry debate on corporate access originated in the UK, when it comes to online targeting tools, fewer UK companies expect these to play a major role than their peers based in Scandinavia (50%) and the CEE & CIS (44%).

However, companies across Europe are relying less on brokers beyond investor targeting. Nearly a fifth see online corporate access platforms as a game changer whilst 15% collect feedback following their meetings through online feedback tools.

Virtual engagement on the rise

As expected, the number of companies taking part in virtual roadshows has increased, albeit very slightly from 12% in 2014 to 14% in 2015.

In addition to the convenience this offers for quick updates in between face-to-face meetings and for engagement with investors in remote geographical locations, this trend is supported by the fact that most brokers now offer videoconferencing as part of their corporate access service.

Video conferencing platforms – aimed at promoting engagement between companies and retail investors through online one-to-ones and group meetings – present another opportunity, especially for smaller companies.

Virtual conferences are now part of the IR programme for 16% of European companies. At the same time, 5% of AGMs in Europe have now gone virtual.

IR function

Is your skillset evolving with changing market dynamics?

From technological innovation to regulation-driven changes to corporate access, the investor relations function has never seen more rapid changes in market dynamics. To assess how IR teams are aligning their skillsets and resources to take advantage of new tools at their disposal and address challenges resulting from some of the recent developments, we asked European IROs whether they would be adding new skills to their departments or dedicating more resources to particular activities this year.

Nearly a fifth (19%) confirmed new capabilities would be added in 2015, ranging from previously discussed online targeting tools, dedicated team members in additional geographic locations, IR apps, to the training of existing team or recruitment of new members with greater experience of accounting and financial analysis. One in four companies stated they would be amending their budget allocation to facilitate these changes.

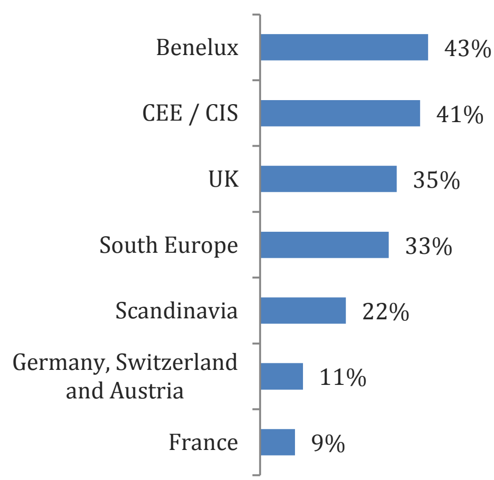
Where to go if you are seeking influence at board level

Given the fact that two thirds of IROs remain excluded from board meetings, this year we looked at the most promising options for IR professionals seeking greater influence at board level in terms of company market size, sector and geographic location.

That analysis shows a strong correlation between company size and Board access – the larger the company, the less likely the IRO is to have regular access to the board of directors. At companies with a market cap of over £10 billion, this percentage stands at 16%, whilst at the opposite end of the scale it reaches 48%.

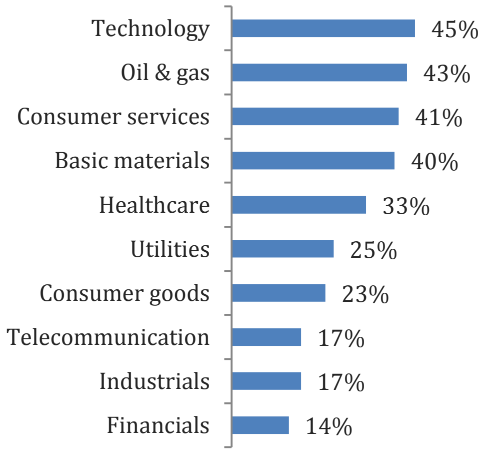
A geographical breakdown shows that Benelux companies are ahead with 43% of IROs attending board meetings, compared to just 9% in France.

Figure 27: Percentage of IROs who regularly attend Board of Directors meetings by country



Similarly, technology companies, which are perhaps less hierarchical than the rest, are in the lead in our sector breakdown (45%). Financial institutions are at the bottom of the scale, partly due to their larger size and possibly a more traditional corporate culture.

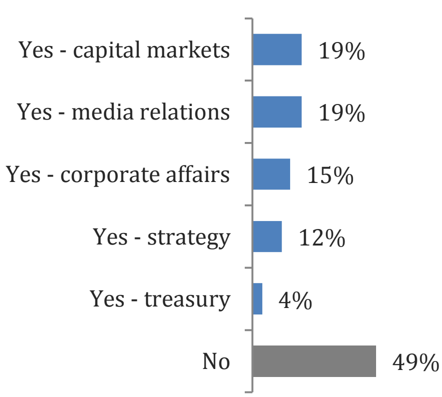
Figure 28: Percentage of IROs who regularly attend Board of Directors meetings by industry



Increasing value of IRO experience – internally and externally

The majority of companies capitalise on the broad-ranging experience of their IROs by involving them in complementary functions within their organisations. In nearly a fifth of the cases this will be related to capital markets transactions or financial media relations, closely followed by corporate affairs.

Figure 29: Do you have any additional responsibilities outside of IR?



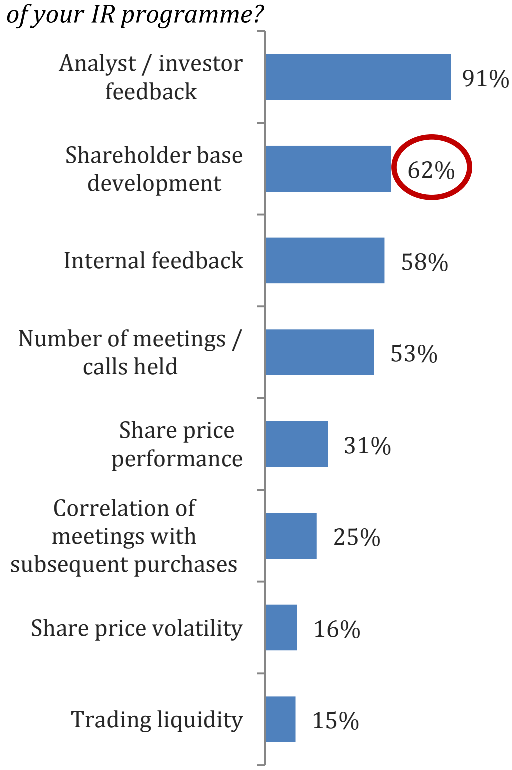
In addition to increasing internal recognition, the IRO skillset and experience are starting to gain recognition outside of their companies. In our sample, 8% of IROs currently hold non-executive director positions in other companies.

Evaluation: greater emphasis on attracting new shareholders

Looking at the main criteria used by companies to evaluate the effectiveness of their investor relations, the majority of responses remain very much in line with those provided in previous years.

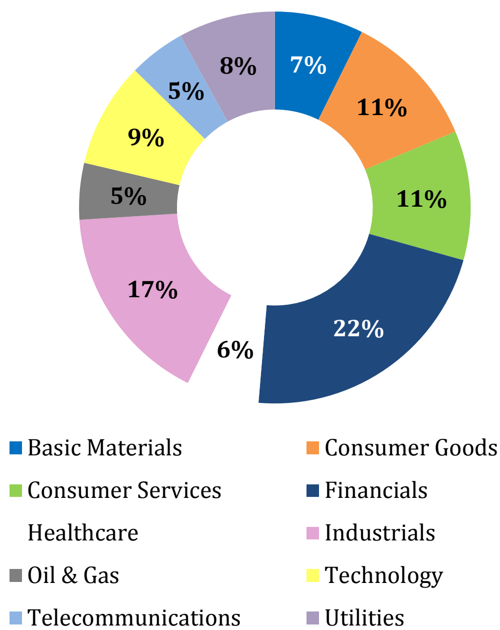
The main exception is the much greater emphasis on shareholder base development which, surprisingly, was mentioned by only 4% of respondents in the previous two years but in 2015 is cited as a key criterion for 62% of companies.

Figure 32: How do you measure the success of your IR programme?

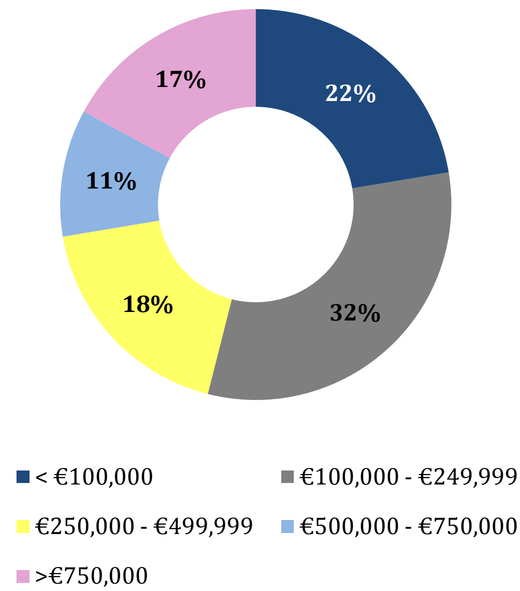


Respondent profiles

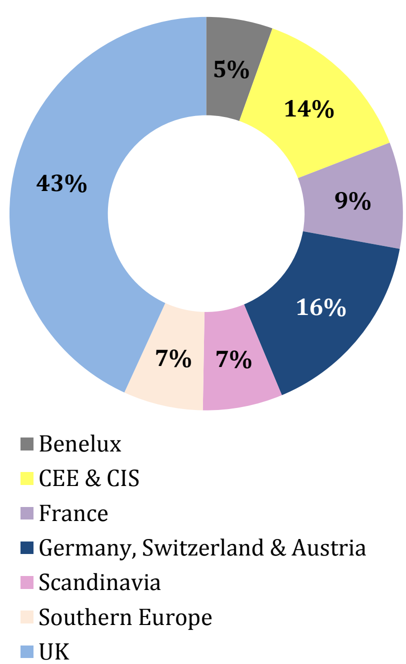
Respondent profile by industry
(excluding undisclosed)



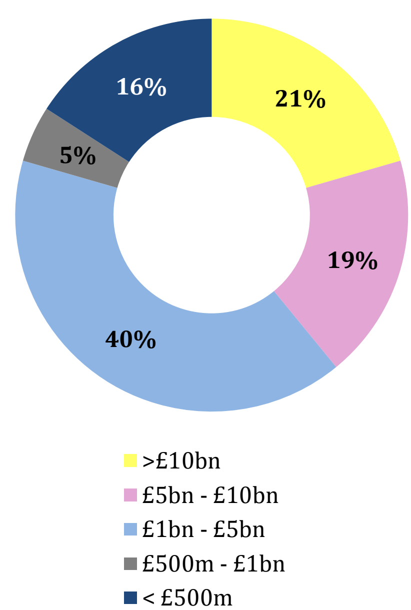
Respondent profile by size of IR budget
(excluding undisclosed)



Respondent profile by location
(excluding undisclosed)



Respondent profile by market cap
(excluding undisclosed)



About Citigate Dewe Rogerson

Citigate Dewe Rogerson is a leading international consultancy specialising exclusively in financial and corporate communications including:

- Full service investor relations advice and support;
- Financial calendar work;
- M&A, demergers, restructurings;
- IPOs and all other capital market activities;
- Shareholder activism;
- Corporate reputation and positioning;
- Crisis communications and issues management; and
- Public affairs consultancy.

We have more than 90 experienced consultants in London including a dedicated team of 10 IR specialists. Our more than 300 clients in 37 countries include 100 of the top 500 companies in Europe, and we are justly proud of our strong relationships with the IR community and international media. Headquartered in London, Citigate Dewe Rogerson has an extensive global network of wholly-owned or affiliate offices in key financial centres, many of which are also leaders in their respective markets.

Investor Relations

Our dedicated team of investor relations consultants combines backgrounds in investment banking, equity analysis, fund management, accountancy and in-house investor relations to bring an unparalleled breadth of financial markets expertise and an in-depth understanding of the international investment community's IR requirements. Add to that our rigorous analytical skills and extensive access to the buy- and sell-side and you start to understand why we are consistently ranked among the leaders in our field.

Our independent strategic advice is exactly that - influenced by nothing other than our clients' best interests. And as a full-service consultancy, we also have the experience and technical - as well as human - resources to support a company's investor relations team in successfully executing its IR programme.

Our client list is drawn from all over the world and represents a wide spectrum, both in terms of industry and company profile. But they all have one thing in common: a desire for exceptional service and advice that is tailored to match their precise needs.

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