

Budget planning in financial communication and disclosure

EY Survey 2017

Published by DIRK with support of GfK

Initiated and sponsored by EY as co-publisher

Mehr Wert im Kapitalmarkt



Survey 2017

Content and
survey details

Content

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Survey details

Budget planning in financial communication & disclosure

Respondents

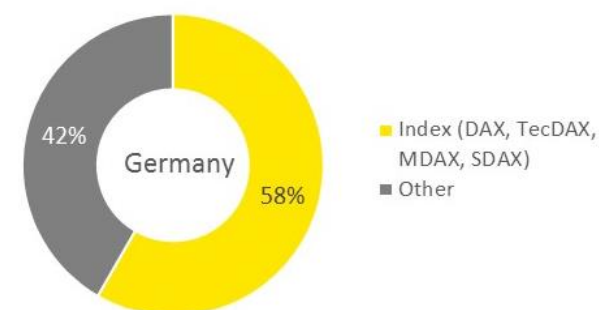
- ▶ Published by DIRK, initiated and sponsored by EY as co-publisher with support of GfK
- ▶ 68 responses from Investor Relations Officers
- ▶ Companies mainly listed in reg. markets
- ▶ Members of associations in Germany (DIRK), Austria (CIRA) and Switzerland (IR club)

Purpose of the survey

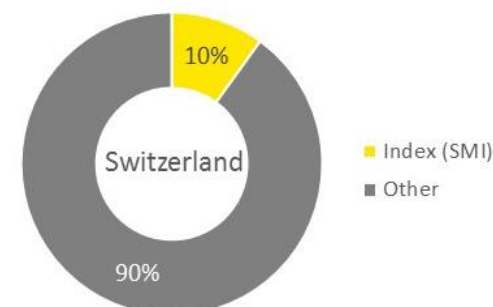
- ▶ Getting an insight of the IR ongoing external costs (no IR salaries) and budget after the IPO
- ▶ Providing an overview to the distribution of the IR budget and costs to individual IR areas
- ▶ Information on cost distribution to capital market disclosure requirements and voluntary events



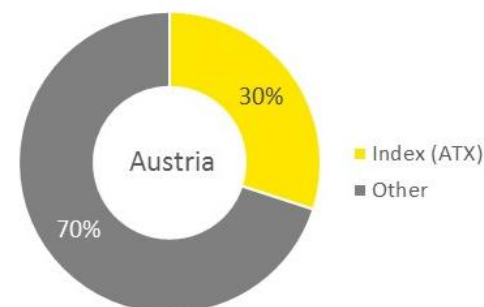
70% DIRK members



15% IR club members



15% CIRA members

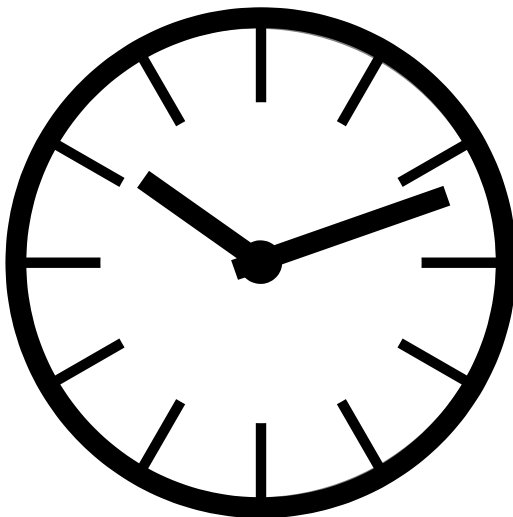




Budget framework in annual
corporate calendar

Regulatory obligations and best practice activities

IR budget planning framework



IR obligations

Annual disclosures

- ▶ Publication annual financial figures
- ▶ Organizing annual general meeting (AGM)
- ▶ Publication CSR report
- ▶ Publication statement of compliance



Interim disclosures

- ▶ Publication half-year financial figures
- ▶ Publication quarterly financial figures

Ongoing disclosures

- ▶ Publication of ad-hoc notifications
- ▶ Compliance with insider trading rules
- ▶ Publication managers' transactions
- ▶ Compliance with closed periods
- ▶ Keeping an insider list
- ▶ Publication of notification of voting rights
- ▶ Publication company calendar

IR voluntary

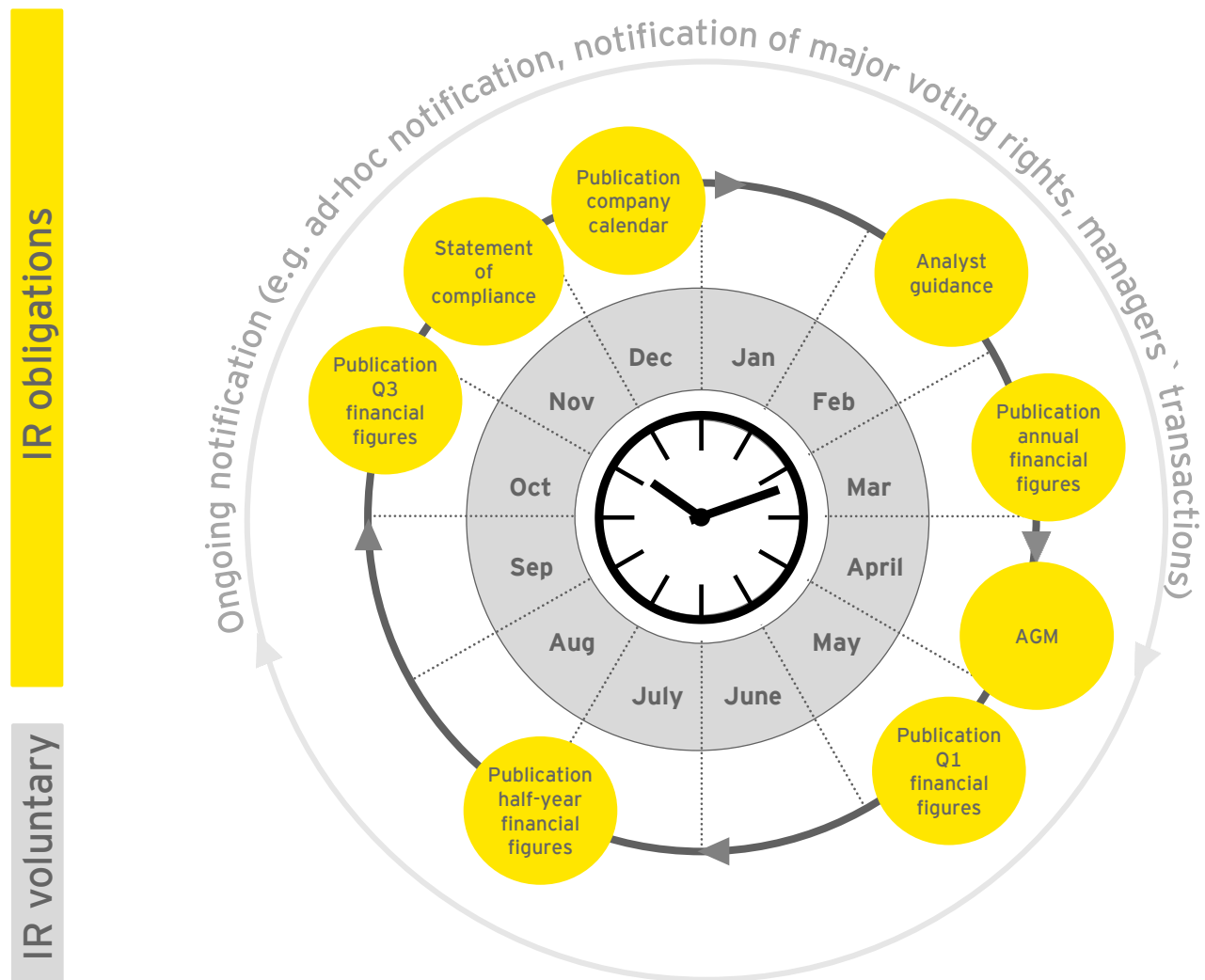
Voluntary best practices

- ▶ Road shows and investor conferences
- ▶ Analyst/ Earnings calls
- ▶ Analyst/ Press conference
- ▶ Analyst guidance
- ▶ ...



Budget allocation funding disclosures and IR

IR corporate calendar and day in & out IR tasks





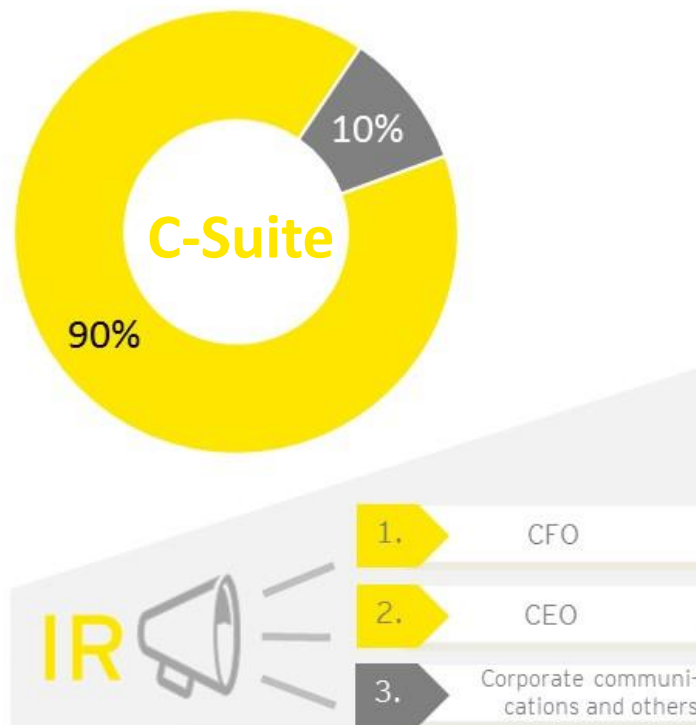
Planning the external budget

Budget owner IR reporting line

Reporting lines

- ▶ IR reports mainly to the management board. Only 10% are reporting to corporate communications or other departments
- ▶ In larger companies IR reports mainly to CFO
- ▶ In smaller companies IR reports mainly to CEO

Q Who does IR report directly to?



Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

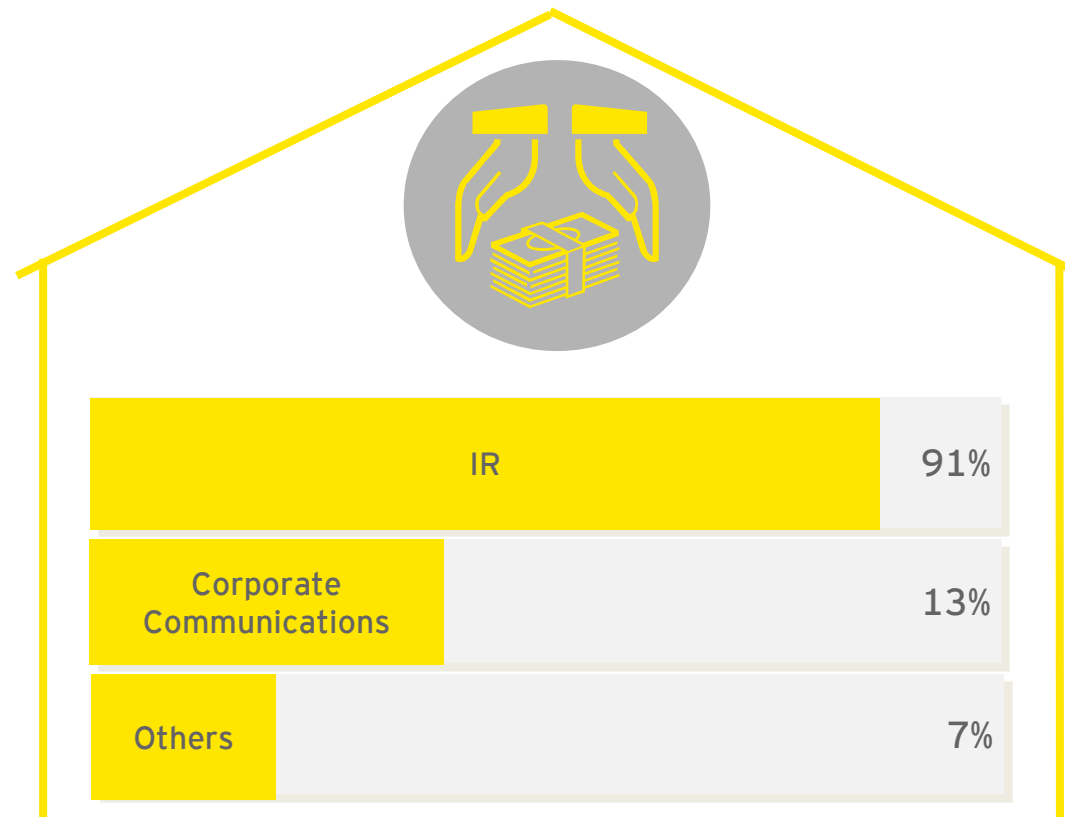
Budget owner

Financial communications and disclosure

Budget owner

- ▶ IR is the dominant owner of financial communications and disclosure budget
- ▶ In some cases corporate communications is in charge

Q Who governs the IR budget?



Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

Development of the budget

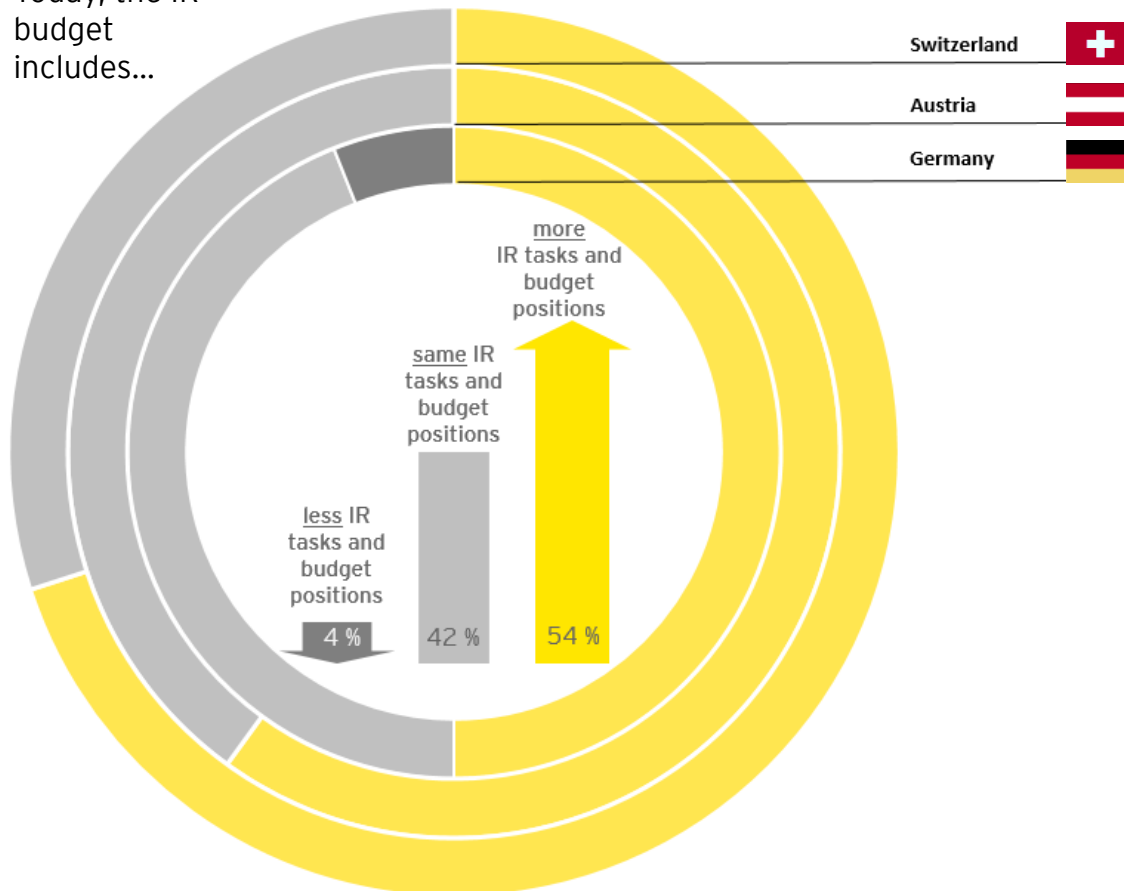
Tasks and budget positions in the last five years

Budget positions

- ▶ Budget positions increased in the past 5 years with 54% of respondents
- ▶ 96% have the same or more tasks and budget positions today

Q How has the IR budget evolved over the last five years?

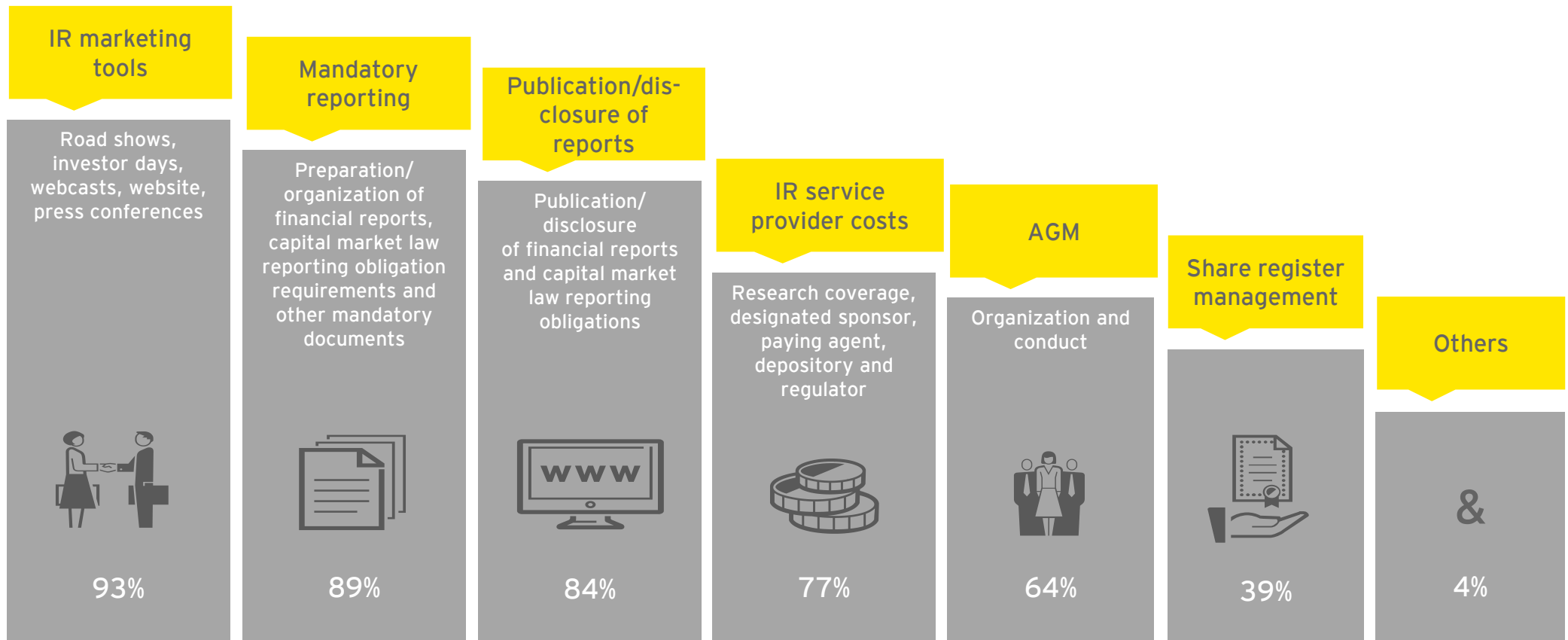
Today, the IR budget includes...



Budget positions

Ranking and coverage

Q Which typical capital market-related positions are largely or completely covered by your IR budget?



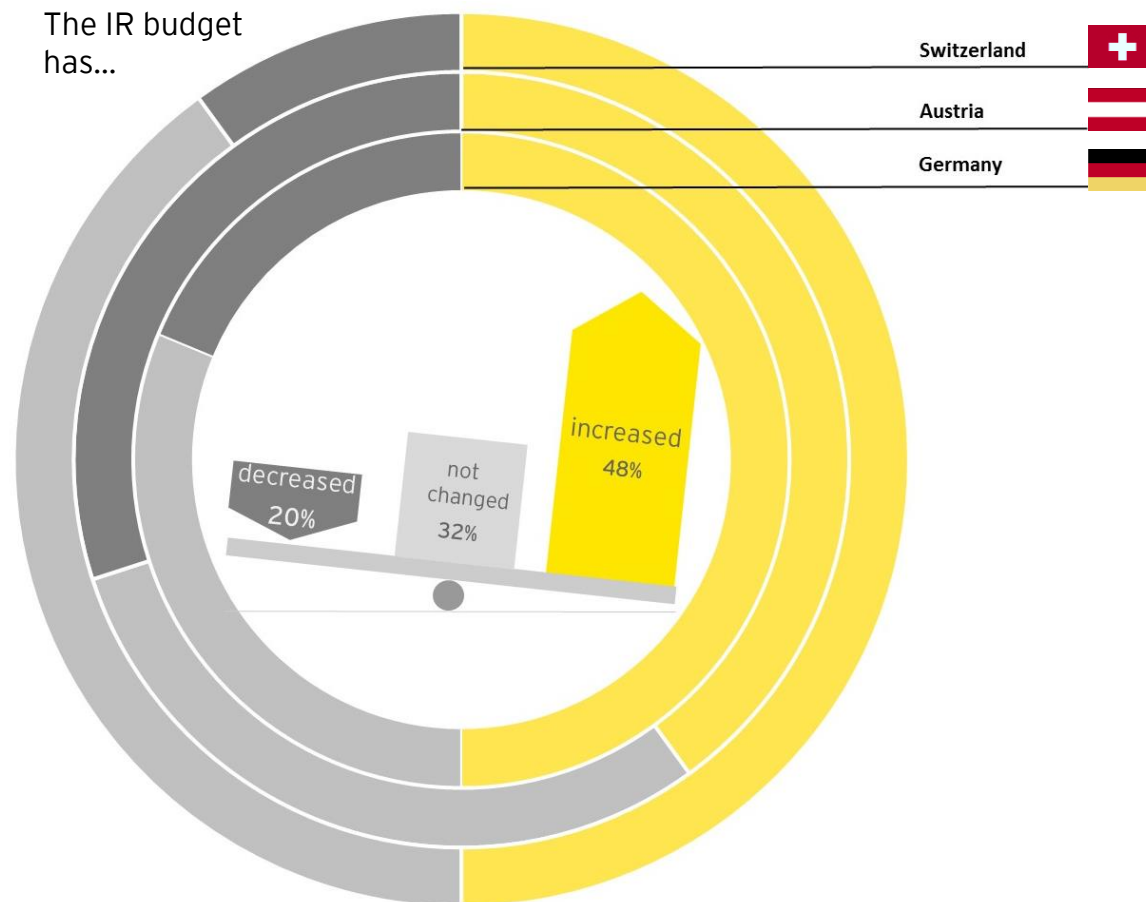
Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

Size of IR budget

Development of size of budget

- ▶ 48% of all companies report an increase of IR budget, 32% kept the budget on the same level
- ▶ A higher degree of 56% of all index companies report an increase of IR budget

Q How has the IR budget evolved over the last five years?

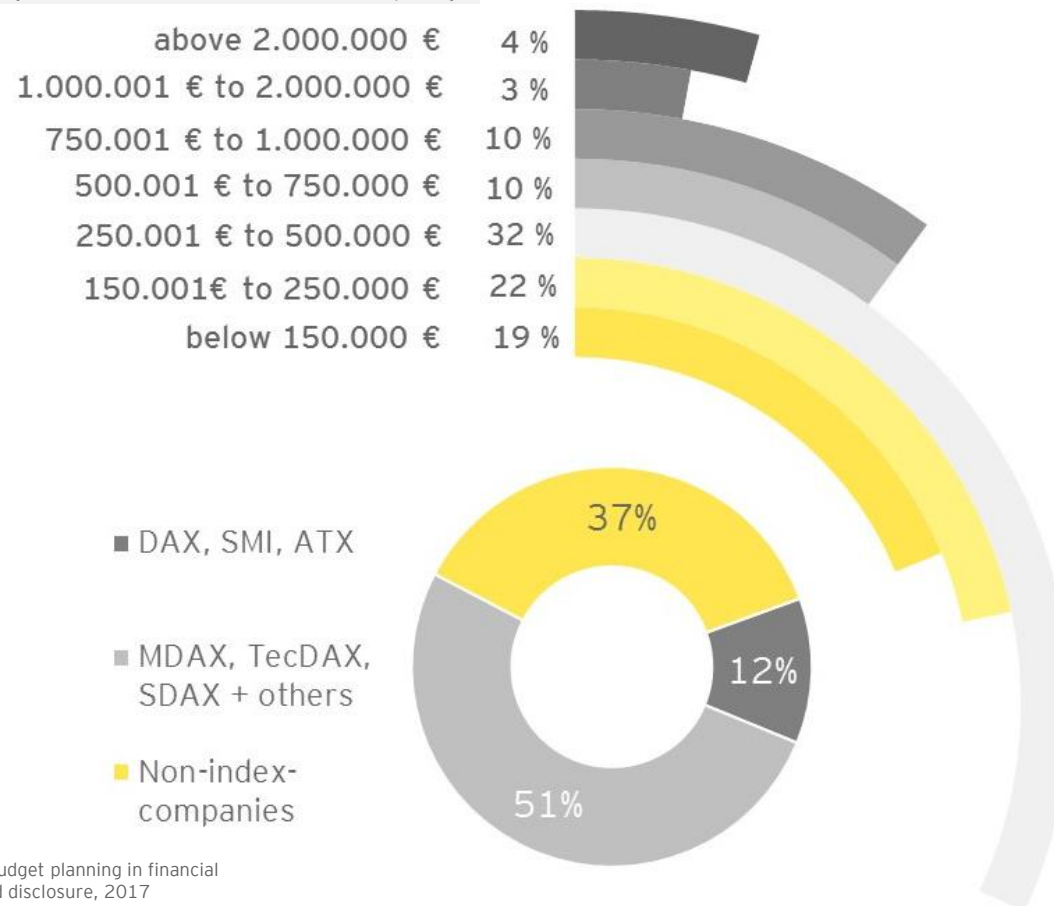


Amount of total IR budget

Size of company has an impact

Amount of budget

► Positively correlated to size of company



Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

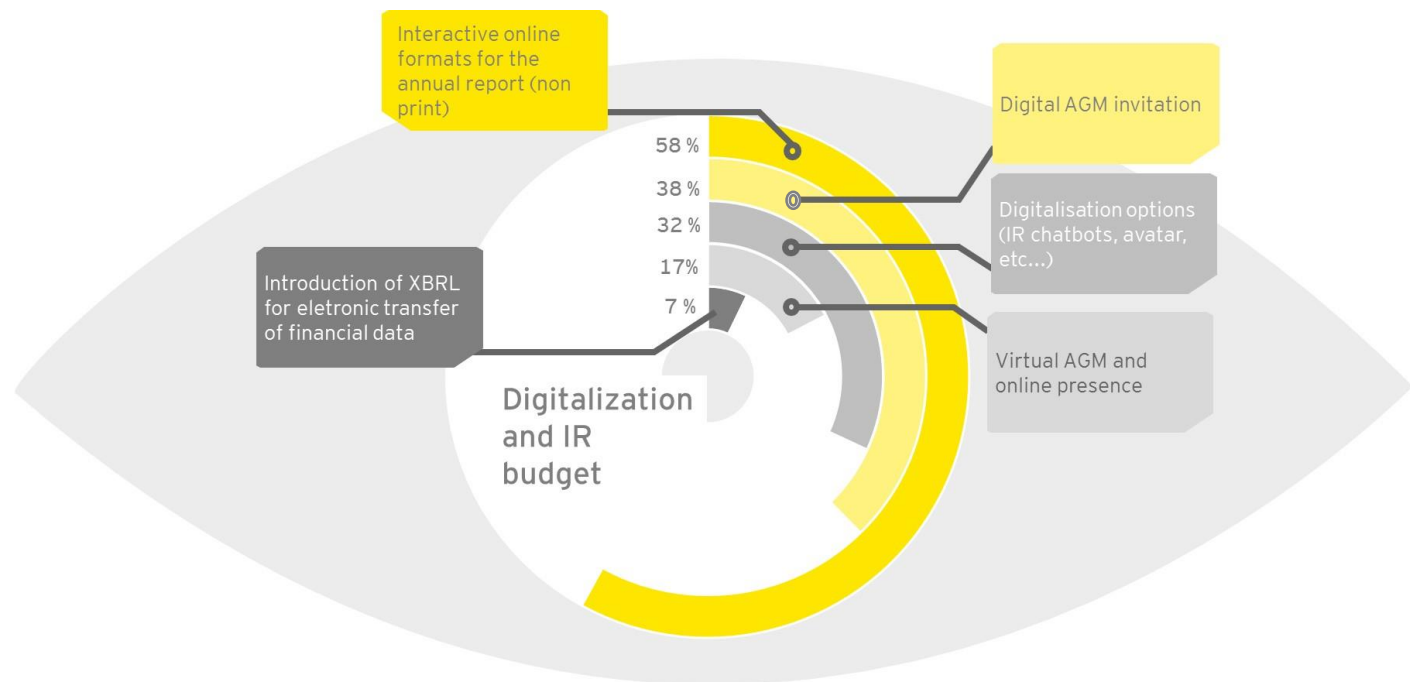
Efficiency improvements of future IR budget

Disruptive technologies

Cost savings in budgets

- ▶ Interactive online formats provide the highest cost savings in the budget
- ▶ AGM is identified as a budget position where digitalization can save substantial costs
- ▶ Mainly DAX and TecDAX companies see potential in improving efficiency by digitalization options like chatbots or avatars

Q Which potential for savings and efficiency improvement can you envisage for the future of the IR budget?



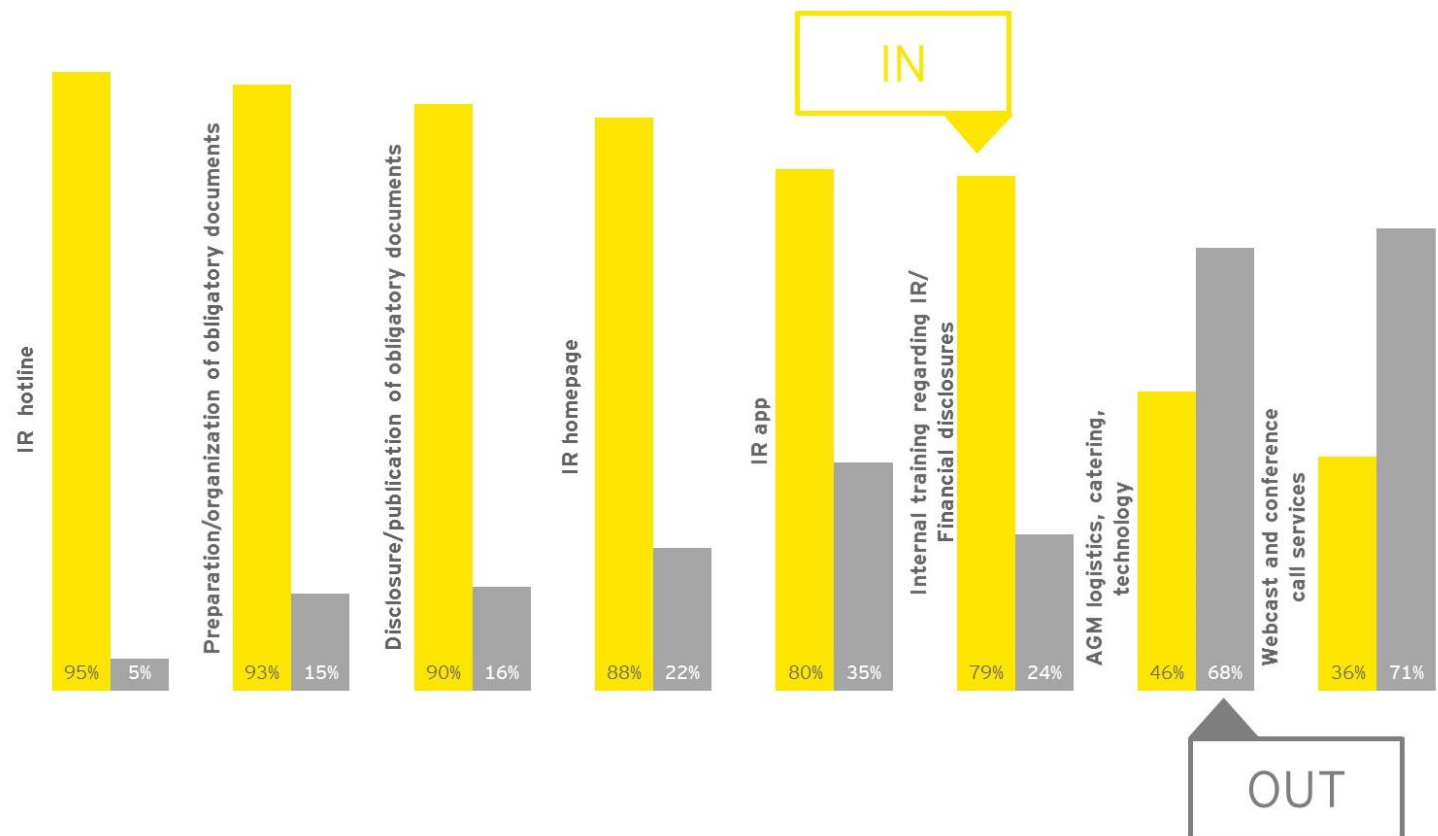
In- and outsourcing IR budget components

Components of outsourcing

- ▶ Most IR tasks are executed with internal resources and budget
- ▶ Webcast and conference call services ranked first in the field of outsourced tasks/support
- ▶ AGM budget is largely allocated to external providers and outsourced in the field of logistics etc.



Are the following capital market-related duties budgeted internally or outsourced?



Source DIRK/EY: Budget planning in financial communication and disclosure, 2017



Important budget items

Preparation and organization costs Ranking

- Q** Evaluate the IR budget for the preparation and organization and put the costs for the following positions in an order beginning with the highest costs

1.	Annual financial report
2.	Half-year financial report
3.	Quarterly financial report/ quarterly statement
4.	Ad hoc notification
5.	Manager and insider list
6.	Voting rights notification
7.	Managers' transactions
8.	Statement of compliance
9.	Analyst guidance
10.	Corporate calendar

Ranking

	Preparation annual financial report	Preparation half-year financial report	Preparation quarterly financial report/ quarterly statement	Preparation ad hoc notification	Running and maintaining manager and insider list	Preparation voting rights notification	Updating the statement of compliance	Preparation analyst guidance	Preparation and updating corporate calendar
94	0	2	0	3	2	0	5	2	0
0	83	6	2	8	4	5	0	5	7
0	4	74	7	0	9	7	3	7	0
0	0	2	52	5	15	7	13	7	2
0	2	4	15	35	26	5	5	7	5
0	4	2	11	10	22	23	5	7	10
0	0	6	4	3	9	23	29	12	7
0	0	4	4	10	4	21	26	21	2
0	7	0	2	5	7	0	13	21	34
6	0	2	2	23	2	9	0	10	32

Rank 1

Rank 3

Source DIRK/E
communication

Rank 1 Rank 2
Rank 3 Rank 4

Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

Publication and disclosure costs Ranking

- Q** Evaluate the IR budget for the publication and disclosure and put the costs for the following positions in an order beginning with the highest costs

	Annual financial report	Half-year financial report	Quarterly financial report/ quarterly statement	Ad hoc notifications	Voting rights notification	Managers' transactions	Statement of compliance	Analyst guidance	Corporate calendar
1. Annual financial report	94	0	0	0	2	0	3	3	3
2. Half-year financial report	1	79	8	7	0	5	3	8	3
3. Quarterly financial report/ quarterly statement	0	11	70	9	9	2	5	0	3
4. Ad hoc notification	0	0	11	44	23	5	3	13	5
5. Voting rights notification	0	4	2	18	40	17	8	5	8
6. Managers' transactions	0	0	4	9	9	44	18	8	3
7. Statement of compliance	0	0	2	9	9	15	45	5	10
8. Analyst guidance	0	5	2	4	5	7	13	50	5
9. Corporate calendar	4	2	2	0	2	5	5	10	62

Rank 1 Rank 2
Rank 3 Rank 4

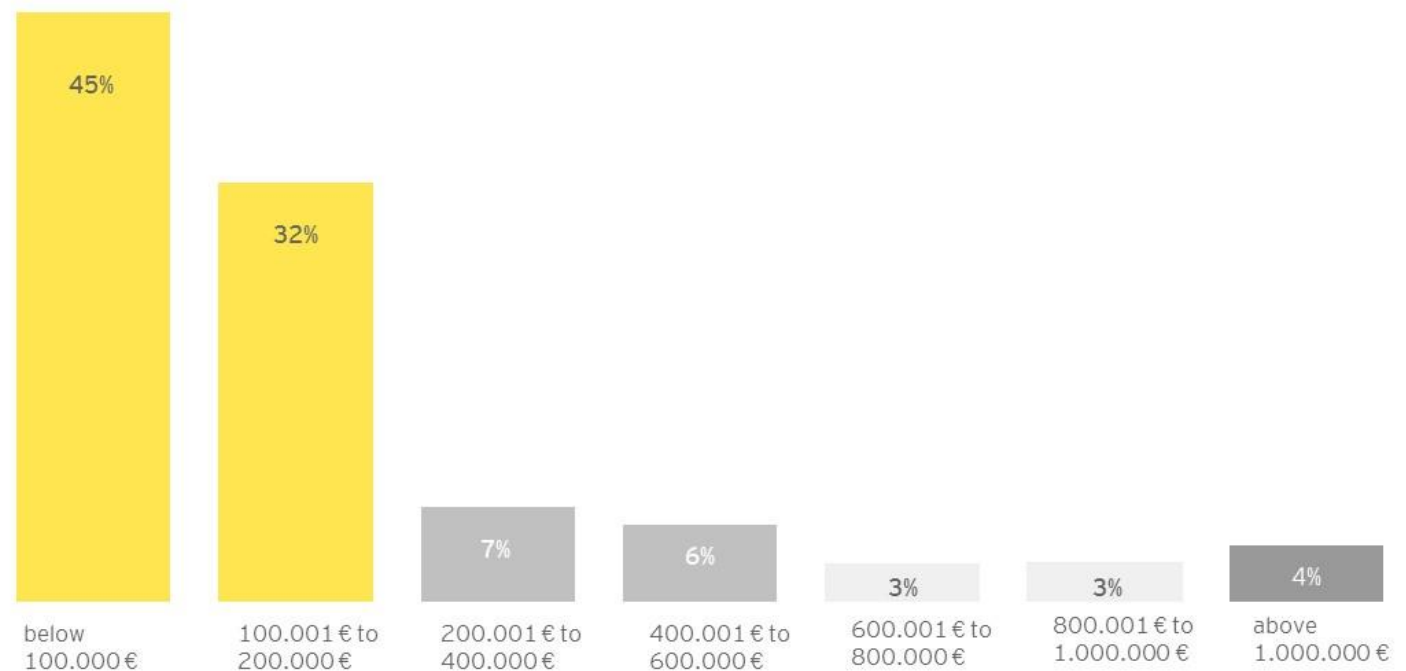
Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

Annual General Meeting (AGM) Amount of external budget

Size of external AGM budget

- ▶ With non-index and smaller companies the range of budget is mostly below 100.000 €
- ▶ External budget of larger companies is above 100.000 €

Q What are your external costs in connection with the AGM?



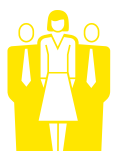
Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

AGM-related budget positions

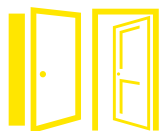
Ranking and size of budget positions

Important positions

- ▶ AGM service provider and the conference room for an AGM are the biggest cost positions of many companies
- ▶ Legal advice and catering costs are mentioned on rank 3 and 4



41% AGM service providers



34% Conference rooms

Q What are your costs in connection with the AGM? Please put the costs for the AGM positions in an order beginning with the highest costs.

		High costs ← → Low costs							
Ranking of general meeting related costs	1. AGM service provider	41%	24%	17%	12%	2%	2%	2%	
	2. Conference rooms	34%	15%	21%	13%	7%	6%	2%	2%
	3. Legal fees	12%	16%	18%	21%	9%	14%	5%	2%
	4. Catering	9%	22%	7%	17%	31%	5%	9%	
	5. Notary	6%	7%	15%	18%	24%	13%	11%	3%
	6. Bank-related costs	10%	5%	14%	8%	3%	33%	14%	5%
	7. Printing costs		9%	13%	10%	19%	15%	26%	8%
	8. IT costs		7%	2%	2%	12%	8%	15%	42%
	9. Publication expenses	4%	6%	2%	5%		6%	9%	23%

Rank 1 Rank 2
Rank 3 Rank 4

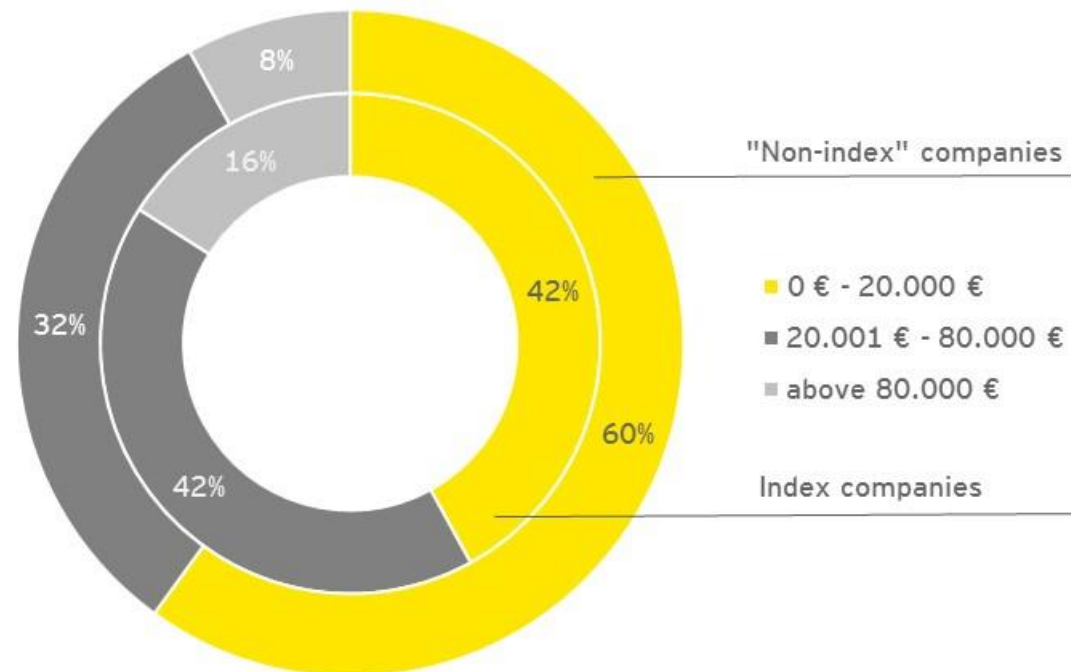
Other IR marketing tools

Amount of external budget

Important positions

- ▶ Smaller companies are spending up to 20.000€ on other IR marketing tools
- ▶ Bigger companies investing up to 80.000€

Q What are your total annual costs for the remaining and other ongoing IR marketing tools?



Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

Costs for registered shares

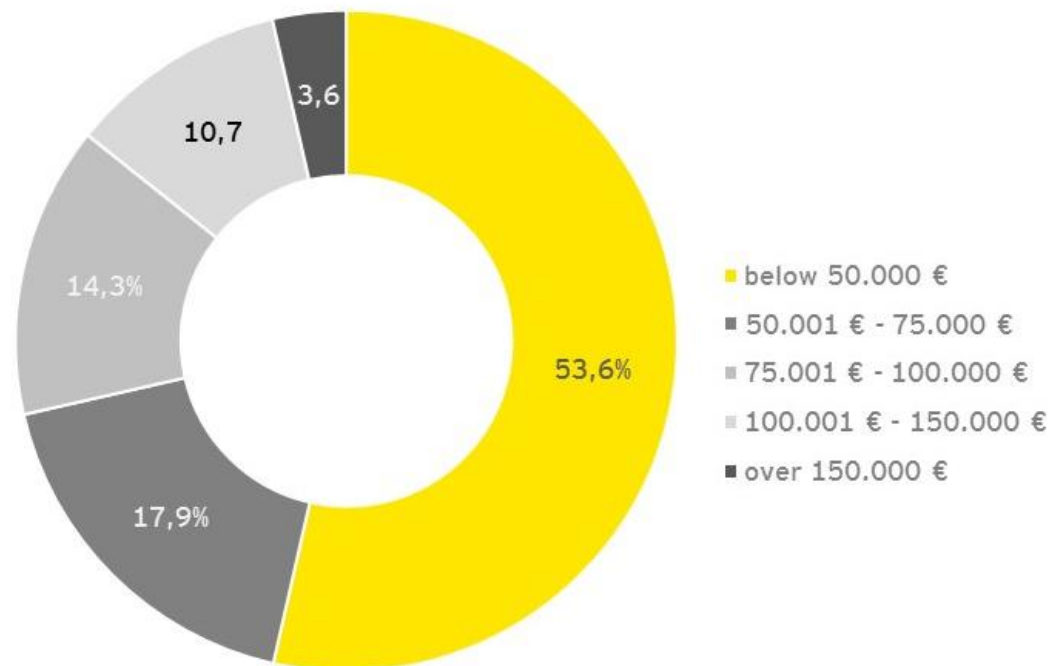
Budget for the share register

Registered shares

- ▶ 41% of companies are using registered shares (mostly by index companies)
- ▶ 54% (smaller companies) spend below 50.000€ p.a.
- ▶ 44% of the larger companies budgeting above 50.000€ up to 150.000€ for the share register



Q What are the annual costs in relation to registered shares and the share register?

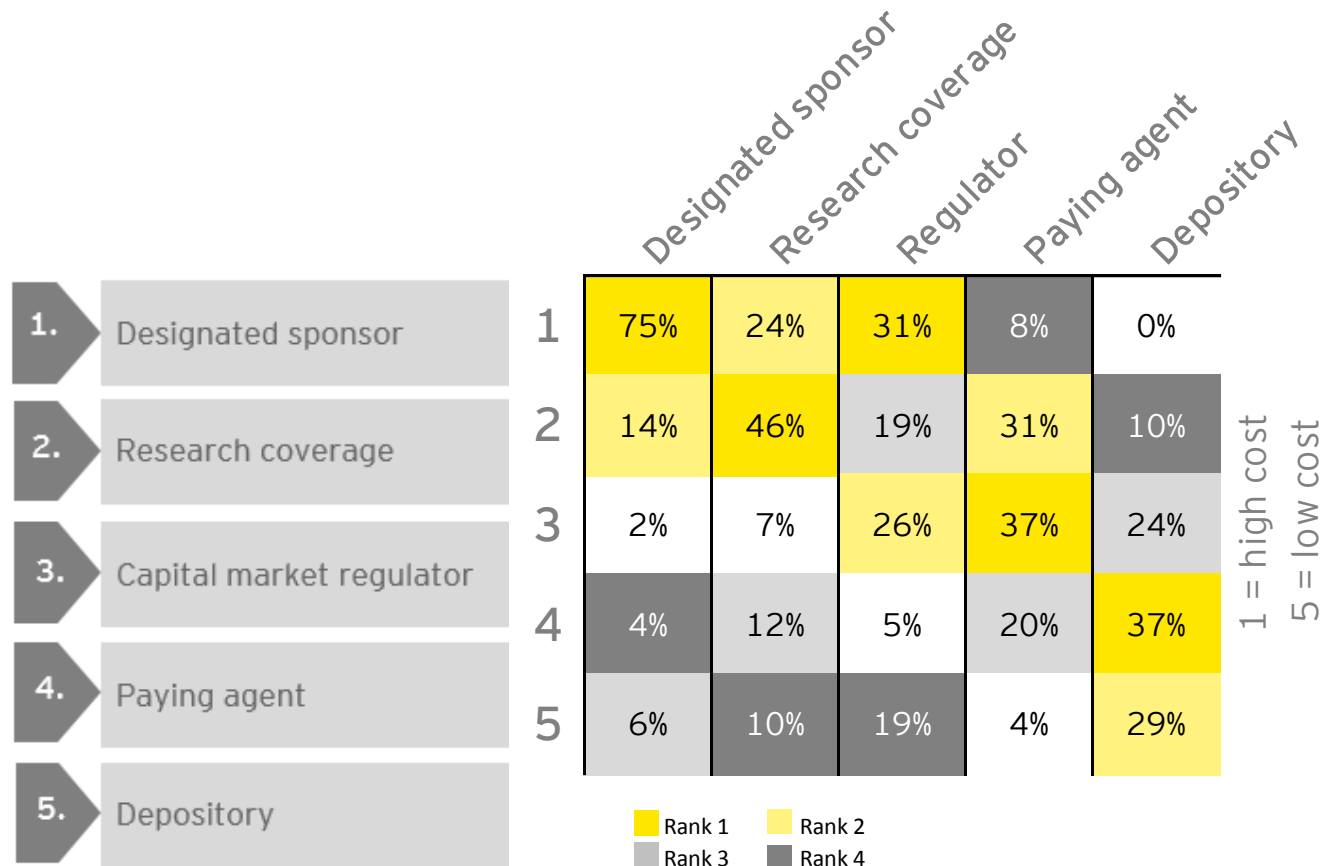


Budget for regulator and other capital market institutions

Ranking of budget positions

- ▶ 75% ranked the budget for designated sponsors as highest
- ▶ 46% put research coverage on second rank closely followed by the regulator

Q Put the costs for the following positions in an order beginning with the highest costs



Source DIRK/EY: Budget planning in financial communication and disclosure, 2017

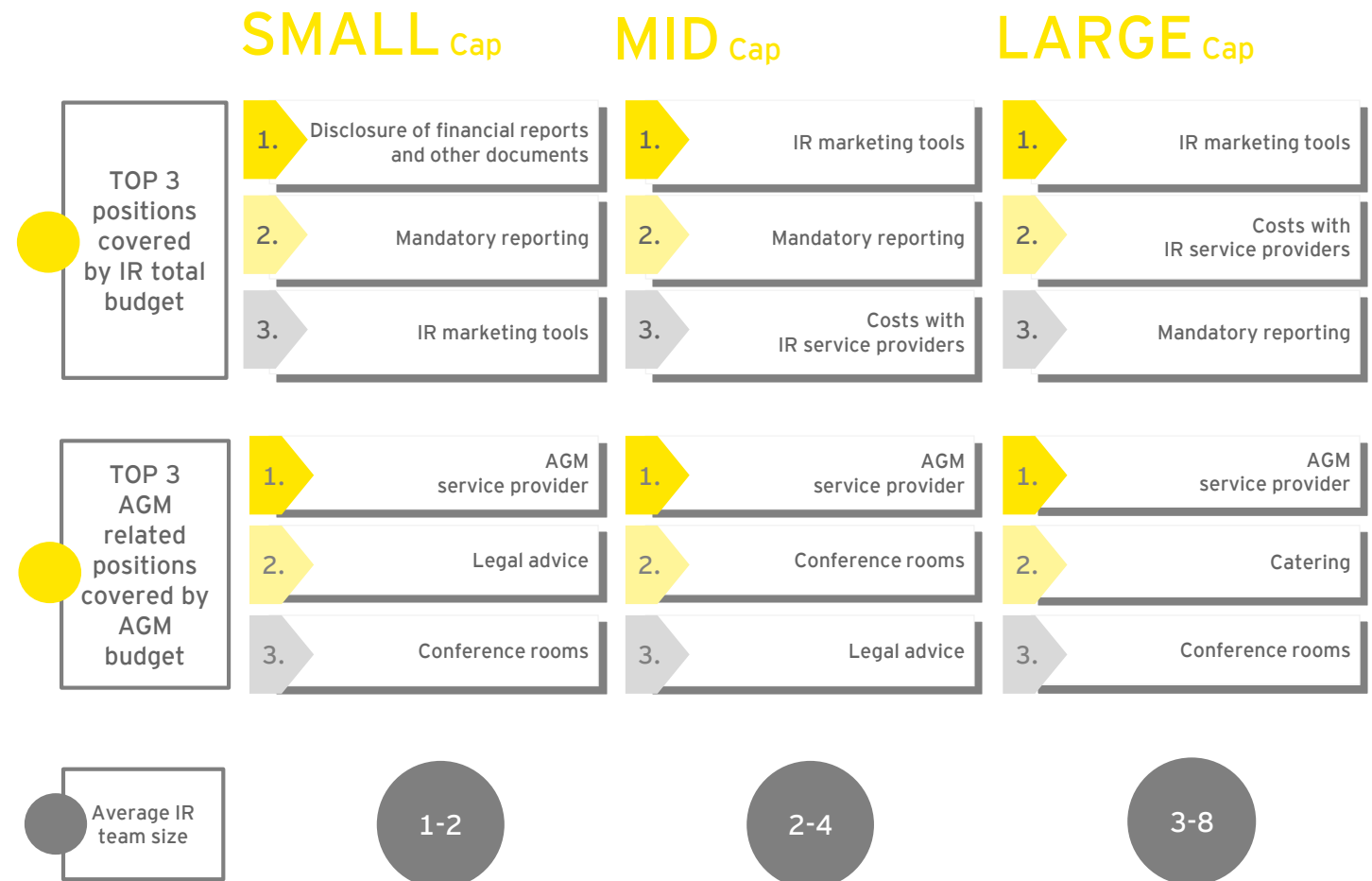


IR budget allocation

Budget positions and size of company

Estimates of budget allocation

- ▶ The larger the company the more budget is allocated relatively to IR voluntary activities



Main survey findings

1 Budget framework

- ▶ Owner of the financial communication and disclosure budget is IR
- ▶ IR is reporting to the C-suite
- ▶ Corporate calendar and allocation of IR budget is prioritized and driven by capital market regulations

2 Planning the external budget

- ▶ Tasks and positions covered by the IR budget increased (54%) or remained the same (42%) over the past 5 years
- ▶ Size of IR budget increased (48%) or remained the same (32%) over the past 5 years
- ▶ Most respondents can build on a total external IR budget between 250.000 and 500.000€
- ▶ Cost savings in budgets are identified in: Interactive online formats of annual report, digitalization of the AGM and IR chat bots or avatars

3 Important budget items

- ▶ Time invested for the preparation and organization of disclosures relates primarily to the financial statements and communication of annual and half year reports as well as and quarterly information
- ▶ One major IR budget position is the AGM amounting with the most respondent between 100.000 to 200.000€

4 IR budget allocation

- ▶ Positive correlation between size of company and the size of budget
- ▶ The bigger the size of company - the bigger the flexibility investing in and the share of voluntary IR activities in the IR budget



Contacts

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