



**BRUNSWICK BUYSIDE SURVEY:  
ATTITUDES TO CORPORATE ACCESS**

**Autumn 2008**



# Contents

---

		Page Number
SECTION 01	INTRODUCTION	3
SECTION 02	EXECUTIVE SUMMARY	5
SECTION 03	DETAILED FINDINGS	7
	The Value Of Meetings	8
	Expectations Of Meeting Frequency	10
	The Logistics Of Meetings	13
	Language Is Not A Barrier To Meeting Management	15
	CEO Or Nothing?	16
	What investors Look For In A Meeting	18
	Examples Of Good Communicators	21
	When Good Meetings Go Bad	22
	What To Avoid	23
	Piquing Investors' Interest	24
SECTION 04	COUNTRY FOCUS	25
SECTION 05	LESSONS FOR MANAGEMENT	33
SECTION 06	ABOUT BRUNSWICK GROUP LLP	36

# Introduction

---

01

# Introduction

Companies conduct hundreds of meetings with the buy-side each year. On a multi-day roadshow it is difficult to stop one meeting blurring into another and companies may come to question the value of the time and expense dedicated to this aspect of Investor Relations.

Hence, we felt it would be a useful exercise to ask the buy-side directly what they are looking for when they meet companies. This survey of 120 investors in six different markets (UK, US, Germany, France, Italy and South Africa) has generated some practical guidance for company management regarding the best way of maintaining a direct relationship with institutional shareholders and potential investors.

This report is based on the results of face-to-face and telephone interviews with institutional investors around the globe. These investors comprised both long-only funds and hedge funds. In total the interviews were conducted between May and July 2008.

The research, conducted by Brunswick Group, was designed to provide insights into how investors view meetings with management, what makes for a successful meeting and what investors need for the investment process.

Across countries we saw more similarities than differences. That is not to say that investors' attitudes have become globally standardised – some differences were apparent and we comment on these through the report – but it does suggest that there is some degree of consistency in how best to approach one-on-one meetings around the world.

## Participants\*

Aberdeen Asset Management  
Alliance Bernstein  
Allianz Global Investors  
Banca Aletti & C SpA  
BHF Capital Management  
Buttonwood Capital Partners Ltd  
CA Asset management SGR  
Capital International Funds  
Cominvest Asset Management GMBH  
CQS  
Credit Suisse Asset Management  
LimitedDeka Investment  
DIAM  
DWS Investment GmbH  
Ellerston Capital  
Fidelity International  
Financière Tiepolo  
Française des Placements  
Inflection Point  
Insight Investment  
JP Morgan Fleming  
Jupiter Asset Management  
Lansdowne Partners  
Melville Douglas Investment Management  
New Star  
Obsidian Capital  
OFI AM  
Oppenheim ACA  
Peregrine Capital  
Public Investment Corporation Limited  
RMB Asset Management  
SGAM  
Schroders  
Stanlib Asset Management  
TIAA-CREF  
Tocqueville Finance  
UBS  
Union Investment

---

\* Certain institutions which were interviewed preferred to remain anonymous

# Executive Summary

---

02

# Executive Summary

In today's world of webcasts, digital information and regulation which has led to greater and more regular financial disclosure than ever before, management may well ask, 'What's the point of devoting precious time to face-to-face meetings with investors? What more do they need?'

The research we have conducted with institutional investors (buyside) from around the globe confirmed what most IR Directors know intuitively – that **meetings with management remain a vital component of the investment process for the majority of investors**, despite the wealth of additional corporate and analytical data that is available. Interestingly, investors' views on whether meeting with management is more or less important in the current environment were mixed, reflecting perhaps the complexity and fast changing nature of the current financial crisis.

In general the survey provided results, sometimes nuanced on a regional basis, which we consider to be of relevance to any **CEO, CFO or IR Director drawing up and allocating time to an investor roadshow programme.**

The key findings were:

- > **Almost half of meetings conducted by the buy-side take place with prospective investments** – an important point to note for companies looking to grow their shareholder base. However, it is also clear that meetings only take place after investors' interest has been piqued in some way. Smaller companies in particular will need to give thought to how they get on the radar screen of non-holders.
- > In terms of what makes a successful meeting, investors clearly indicated that **the best meetings result from management understanding who their investors or potential investors are, what their knowledge base is and having a dialogue with them rather than a monologue.** During the course of that meeting investors very obviously expect management to know their business but, interestingly, vision and passion were also deemed important.
- > Perhaps surprisingly, investors also pay more attention than might be expected to management's **tone of voice and body language** and the interaction between for example the CEO and the CFO in meetings.
- > More prosaically investors also like to have their questions properly addressed. Inadequate preparation, standardised presentations, evasiveness and a failure to discover what investors want to get out of meetings cause the most dissatisfaction.
- > Management who are (smart) strategic thinkers and who have an **open and honest dialogue** with their shareholders are the most prized.
- > In terms of logistics, investors expect meetings to take place on a regular and not infrequent basis. There is a **clear expectation of access to the CEO or CFO.** Typically there is more frequent contact with IR but investors made very clear that the calibre of the IR Director determined how acceptable IR is as first point of contact for investors.
- > There is also some evidence that during the **credit crunch investors are keen for more frequent meetings, although investor views are far from black and white on this point.**
- > Investors have a **very clear preference for small or one-on-one meetings** – so while the “bundle them all together in a group meeting” approach can be more efficient in terms of management time, it could meet with more limited success.
- > As capital markets continue to become more global, we investigated how important a good command of English is in communicating with investors. A clear response came back that the seniority of management is more important than their linguistic abilities. **There is a strongly articulated preference to meet the decision makers,** although investors are happy to meet other operational management and IR Directors in certain circumstances.

---

DETAILED FINDINGS

---

The Value Of Meetings  
Expectations Of Meeting Frequency  
The Logistics Of Meetings  
Language Is Not A Barrier To Meeting Management  
CEO Or Nothing?  
What Investors Look For In Meetings  
Examples Of Good Communicators  
When Good Meetings Go Bad  
What To Avoid  
Piquing Investors' Interest

03

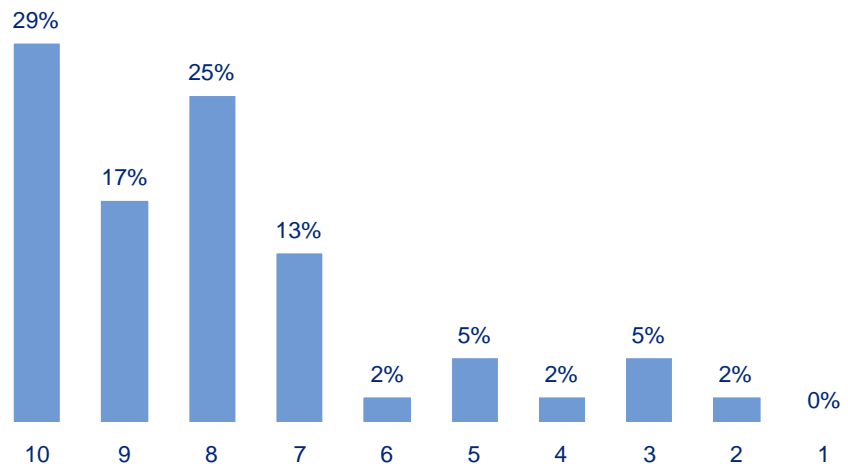


# 3.1 The Value of Meetings

In interviewing fund managers across Europe, South Africa and the US it became clear that for most, **meeting management is vitally important** in the investment decision process. Nearly half of the investors interviewed rated one-on-one or small group meetings as very important (scored 9 or 10 out of 10 where 10 is the most important) in helping them make their investment decisions. Their value was rated consistently high across geography and investment style.

In terms of informing investment decisions, analyst research and set piece presentations by the company (for example, investor days or results meetings), each had their place in the investment process. However they were not considered a substitute for one-on-one meetings which allowed potential investors to **'look into the whites of management's eyes'**.

## Importance of meetings for investment decisions



Q. How important to you is a one-on-one or small group meeting with management in helping you make your investment decisions?

Base: All (120) "Don't knows" excluded

Even under the pressures of Reg FD in the US and similar regulatory requirements in most capital markets, investors are almost unanimous in wanting to retain one-on-one access to management. A small number of non-US funds felt that in the US management has become so conscious of the need for fair disclosure that they are reluctant to disclose anything, thereby rendering meetings pretty redundant. However the majority argued that they very obviously do not look to these meetings for any form of inside information, but rather to **gain a better understanding of who management are and their plans for the business**. One-on-ones' represent an important piece of the investment mosaic.

## 3.1

### The Value of Meetings *continued*

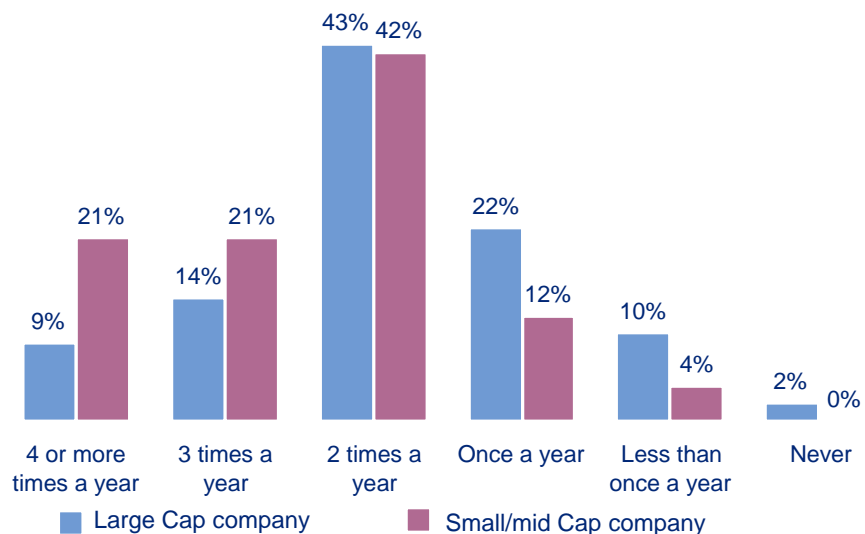
---

- > *“You can get a sense of how things are going; it’s a series of little strokes that enable you to get a sentiment.”* **France, Long-only**
- > *“Our focus is on medium-term strategy and clarity on historical numbers rather than immediate trading prospects – neither of these seems to be compromised by the regulations.”* **UK, Hedge Fund**

## 3.2 Expectations of Meeting Frequency

There are mixed views on the extent to which access to CEOs is expected by shareholders. For a **large cap company**, in which shareholders have a significant position, on average investors look to have **small or one-on-one meetings** with the CEO a **couple of times a year**, as shown in the chart below.

Expectations of meeting frequency



Q. In general, how often do you expect to meet in-person with the CEO of a large cap/small mid cap company in which you have a significant position in a one-on-one/small group setting?

Base: All (120) "Don't knows" excluded

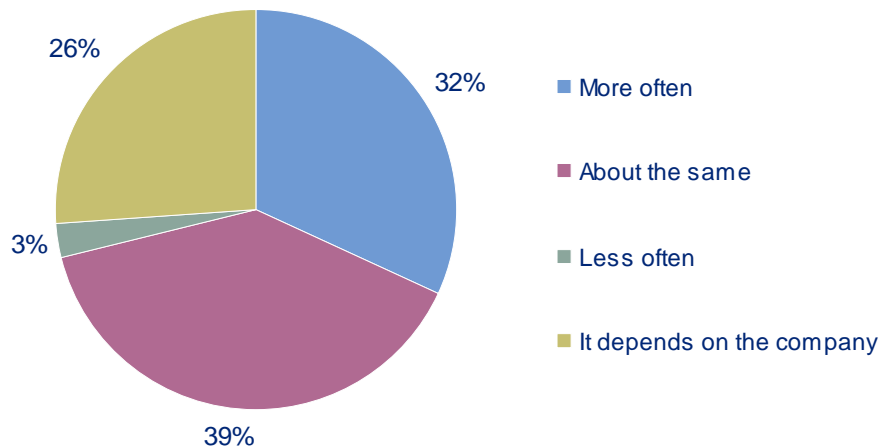
In this case though the median only tells part of the story. The two main differentiators were the size and influence of the investment house and the size of the company, rather necessarily than the size of the holding. **Major long houses clearly get and expect better access**, including to leading companies. Some UK houses commented they found access easier to get with UK corporates than with continental European companies. Indeed we detected a certain pride among some UK institutional investors at the actual level of access they enjoy with some UK CEOs, with one major investor indicating that he could ring the CEO of a top FTSE company and expect to speak in person within a very short time. He added that he used this access judiciously. This contrasted with what we sensed to be an acceptance among some hedge funds that they will naturally get less access than long-only investors. Expectations about the frequency of meetings were higher in terms of holdings **in small/mid cap companies**. Here **four fifths** expected **at least twice-yearly meetings**, but often the desire was for even more frequent access.

## 3.2

Expectations of Meeting Frequency *continued*

This was consistent among types of investors and regions. There was less unanimity regarding the impact of the credit crunch and the accompanying volatile investment environment on investors' desire for direct contact with management. **Around one in three investors wanted to meet with management of companies in which they hold a position more often than this time last year, a figure that peaks at 56% in the US.** A quarter said that the preference to meet more or less with management in the current climate depended on the individual company. However, 39% say it has had little impact in terms of how often they request meetings. Indeed some hedge funds noted that the volatility generated by the credit crunch favours their investment model and actually reduces their requirement for meetings, although these interviews were conducted prior to September 2008.

**The effect of the credit crunch on the frequency of meetings between companies and investors**



Q. Given the current environment, generally speaking do you personally want to meet with management of companies in which you hold a position more often, less often or about the same as this time last year?

Base: All (120)

Meetings between companies and investors can take one of two forms - communicating with existing shareholders or missionary work aimed at seeking to convince prospective shareholders to invest in the company's shares. Of the investors we interviewed, we established that on average **55% of one-on-one meetings with management related to existing holdings, compared with 45% that are with the management of prospective investments.** The split between current investments and prospective investments varies unsurprisingly with investment style. For example, 13% of long-only funds spend less than a fifth of their time with prospective investments (including some of the biggest long-term funds) at

## 3.2

### Expectations of Meeting Frequency *continued*

---

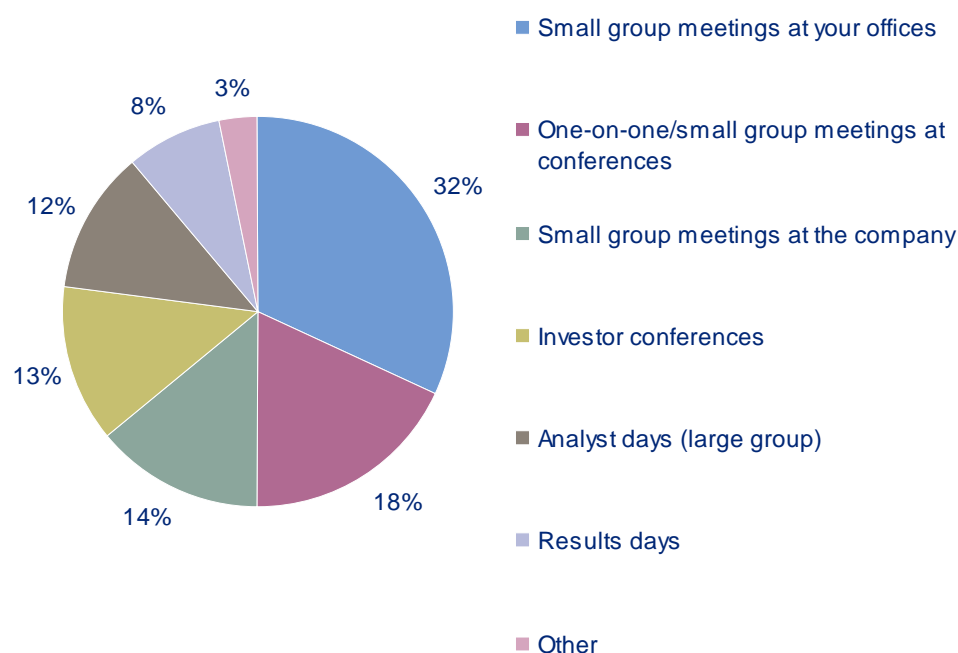
the other end of the spectrum 19% of long-only investors spend over three-fifths of their time with prospective investments. This also suggests that the **functions of investing are more fragmented and specialised at a large house** with different fund managers or analysts allocating their time in quite distinct ways. It is worth noting here that our survey captured a few analysts without portfolio responsibility but the majority of investors interviewed were asset managers. Across markets, again there is little difference between European and American investors. Those in South Africa however have proportionally fewer meetings with their potential investments and greater focus on existing investments.

# The Logistics of

## 3.3 Meetings

As can be seen from the chart below, there is a **clear preference** among investors **for small, more personal meetings with management**. This is opposed to larger ‘set-pieces’ or meetings where a miscellaneous group of investors have been “bunched” together. In practice nearly two-thirds of the meetings that investors hold with management are of a one-on-one or small group nature, overshadowing events such as larger meetings at conferences, analyst days and result presentations. Investors increasingly follow these but do not consider physical participation to be an effective use of their time.

### Nature of meetings with management



Q. Approximately what proportion of your in-person meetings with management would you say are...?  
Base: All (120)

The advent of technologies such as web-casting is **clearly seen as reducing the necessity of personal attendance at results presentations and other large group meetings**. The flipside is that (especially among hedge funds) spending time with management in more personal settings, which are perceived to be less ‘scripted’ than the big events, becomes of greater value.

This pattern was fairly consistent across countries, the only

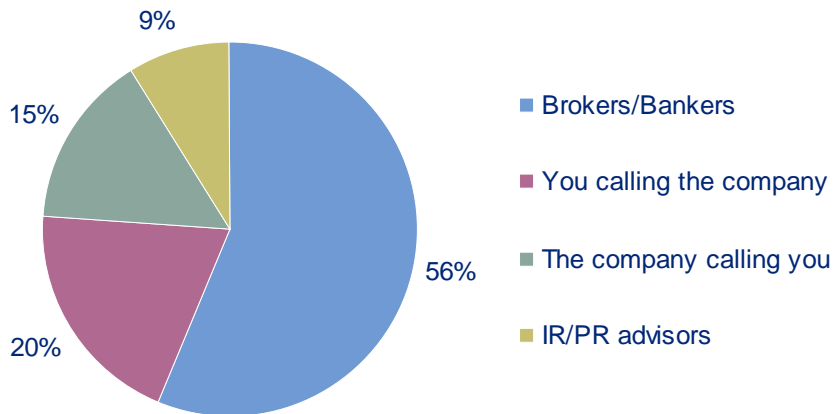
## 3.3

The Logistics of Meetings *continued*

real variation being a slightly greater emphasis among US investors on small meetings at conferences. This probably reflects a very mature conference industry in the US and suggests that management of non-US companies should consider the possibility of combining US roadshows with industry conferences.

The route through which meetings are arranged is seen to be dominated by brokers or bankers – over half of meetings with management are set up this way. Large funds indicated that they often arrange meetings directly with the company, as shown in the chart below.

#### How meetings are set up



Q. Approximately what proportion of your in-person meetings with management are set-up by....?

Base: All (120)

Some large funds also expressed a concern that **companies do not always spend enough time determining which investors they meet on a roadshow and which they do not**. As a result there are times when some long-only funds feel overlooked in favour of hedge funds that might be particularly good clients of the broker organising the event.

> *“As a long-term investor I got to hear about one roadshow just two or three days beforehand, even though hedge funds had already been invited.” UK Long-only*

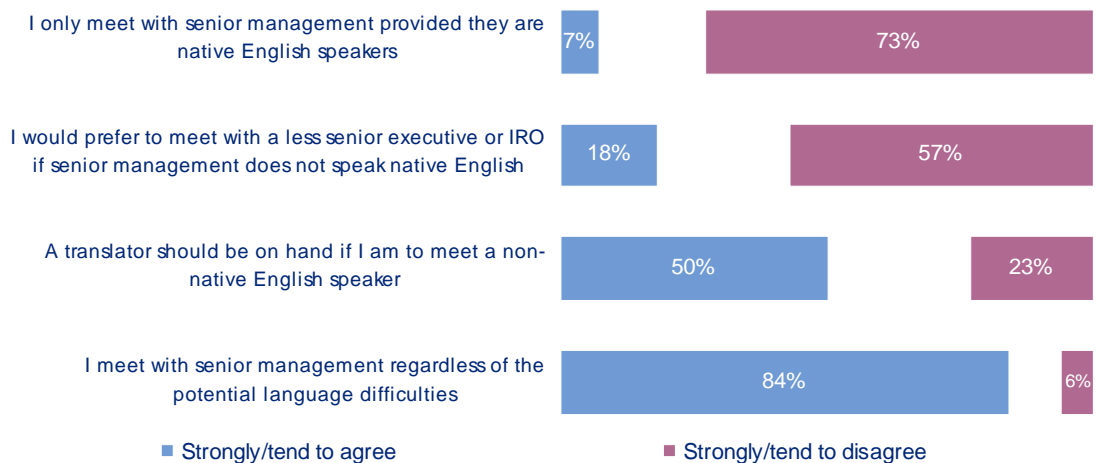
There is some potential for IR/PR advisor agencies to arrange access. A minority of meetings are arranged this way, which peaks in South Africa, representing 25% meetings there.

Relatively few meetings are arranged this way, with the exception of South Africa where IR/PR advisors arrange 25% of all meetings.

## 3.4 Language is not a Barrier to Meeting Management

We discussed with the UK, US and South African investors the potential issues posed by senior management for whom English is not a first language. The overwhelming response was that whatever the possible difficulties, these were easily outweighed by the benefits of speaking directly with those setting the company's strategy. Very few (7%) said they only meet with management if they are native / fluent English speakers (73% disagreed), and whilst a fifth admitted they preferred meeting with a less senior English speaker in such circumstances, a resounding 84% in both countries said they meet with senior management regardless of any possible language difficulties.

### The value of native English speakers



Q. Thinking about potential language issues in your dealings with management, to what extent do you agree or disagree that...?

Base: all UK and US investors (56)

The language issue may cause occasional problems, but translators are widely felt to be an acceptable solution.

> "If the management don't speak at least some English, then it's either Russian, sign language, or a translator – but my translator. Either way we still want senior management." **UK, Long-only**

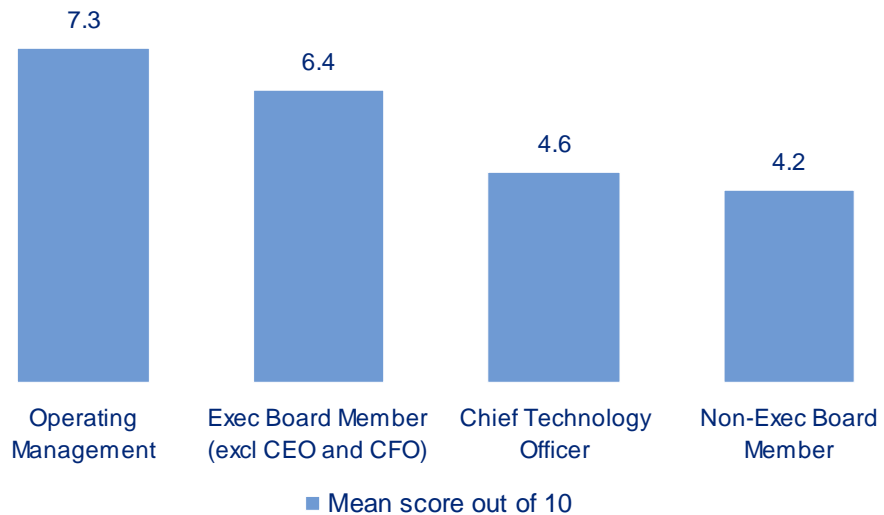
One hedge fund did comment that management of an international company should speak English – this is part of the job description today - but this portfolio manager was also willing to meet less than fluent English speakers, particularly in smaller, less international companies.



## 3.5 CEO or Nothing?

The importance of investors gaining a detailed knowledge of the company is echoed in discussions of the value of meeting people other than the CEO. **Given a choice of other senior roles, meetings with operational management are seen to be the most valuable** - a fact that was again consistent across investment styles and geography. In the UK the practice of major shareholders meeting with Non-Executive Directors has taken hold in recent years and interestingly **meeting with Non-Execs was given marginally higher value in the UK than meeting with operating management.**

### The value of non-CEO/CFO presence



Q. Outside of routine in-person meetings with management, how important to your investment decisions is a one-on-one or small group meeting with each of the following...?

Base: All (120)

While there is an understandable **preference for meeting with CEO/CFOs**, there is an accompanying acknowledgement that this is not always possible. **In their absence though, meetings with the IR team are seen to be an acceptable alternative**, with just 16% finding this option unacceptable.

> *“Some investors are snobbish – meeting the IR can be a great way to get to know the company.”* **UK, Hedge Fund**

There are mixed views within these figures, with many suggesting meetings with the IR team are acceptable, but largely as a stepping stone to further meetings with the CEO.

## 3.5

### CEO or Nothing *continued*

---

A number stated that the bottom line is that **a meeting with IR is only as good as the IR contact** who is running it. Some investors valued an informed IR who talks 'without a script', while others just felt time was too precious to meet in person with someone who isn't a decision-maker.

> *"If management want to delegate to IR, IR has to be part of management."*  
**UK, Long-only**

> *"If you want to get a review of a film, would you rather read the review of someone who had seen it, or the review of someone who had spoken to someone who had seen it?"* **UK, Long-only**

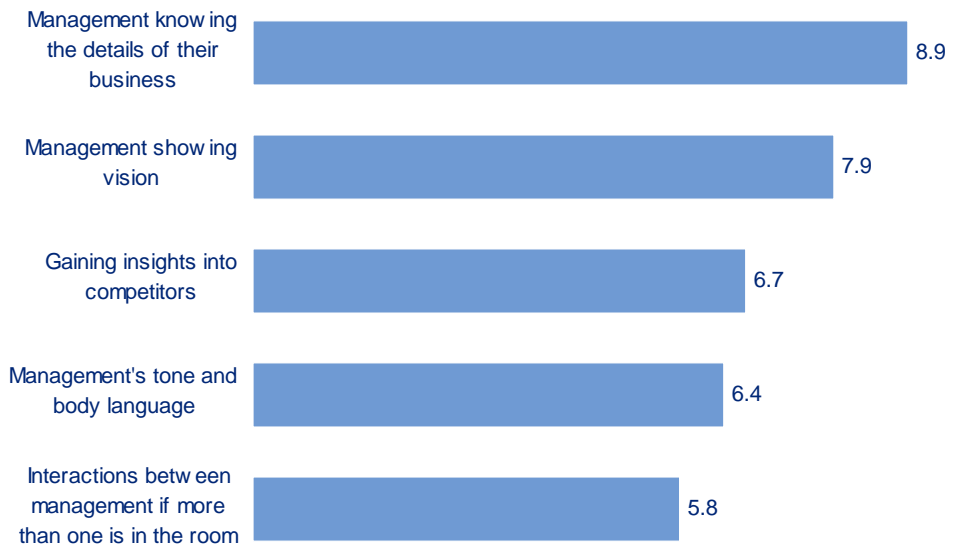
# 3.6 What Investors Look for in a Meeting

A number of investors, especially in the UK, expressed the view that what they want to get out of their meetings with management was **an understanding both of what made management tick and how well their interests are aligned with those of shareholders** – factors that are more difficult to assess at larger presentations.

This can present an opportunity for a management team that is able to convey its strategy with enthusiasm and conviction; it suggests that rigid adherence to scripted presentations is generally not helpful. We did note however that a **small number of generalist investors following a broad range of companies and sectors did actually welcome a formal presentation.**

There are perhaps few surprises at the top of the checklist of factors that contribute to a successful meeting. Investors across the world want to see that management know the details of the business first and foremost, but also that they can clearly articulate a vision of where the business is going. **The importance of vision was shared by long-only and hedge funds.**

## The content of meetings



Q. Still thinking of a one-on-one or small group meeting with management, how important to you is...?

Base: All (120)

## 3.6

### What Investors Look for in a Meeting *continued*

Gaining competitive insights ranked third overall but this was not universal. German investors considered it to be of slightly more importance than average but several investors in the UK indicated this was not on their agenda for meeting management.

What is perhaps surprising is **management's tone of voice and body language and the interaction between for example the CEO and the CFO is clearly observed by investors**. As many as one in three gave tone and body language a rating of 8 or more out of ten when assessing its importance.

> *"Our firm has done neuro-linguistic courses to spot these things such as tone and body language."* **UK, Long-only**

Also of interest is the attention that investors in the UK in particular pay to the interaction between management, 41% rating it 8 or more out of 10, twice the level elsewhere – an important consideration, but something we feel CEOs are often unaware of.

Elaborating on this hierarchy, investors cited a number of factors that help 'sort the wheat from the chaff' in terms of meetings. In addition to the 'hygiene' factors of showing an understanding of the business and articulating a vision, management needs to:

- > Inspire confidence in their management ability;
- > Demonstrate confidence in earnings momentum;
- > Be transparent – answering questions directly and not avoiding reference to past problems and future risks;
- > Show consistency between what they say and what the company does;

> *"I like it when the meeting is more of a conversation than a pitch book like presentation."* **US, Long-only**

Throughout the interviews there was repeated reference to the **need for an open and honest dialogue** – answering questions rather than ducking them, conversing rather than reading from a script, being open about future risks and challenges and being prepared to embrace the investor's agenda rather than just the management's. In fact one individual highlighted the 'Sage of Omaha' as a great example, emphasising that **Warren Buffet was as comfortable talking about failures as he was about successes**.

## 3.6

### What Investors Look for in a Meeting *continued*

---

Given that many meetings are part of a tight roadshow schedule and often no more than one hour, there can be a lot to get through in what are often relatively short meetings. Investors therefore felt that management should be aware that there often isn't much time for social 'chat'.

> *"You have only got 45 minutes. There is nothing worse than when in the first fifteen minutes you haven't even got off their last game of golf or whatever."* **South Africa, Hedge Fund**

# 3.7 Examples of Good Communicators

In order to fully understand where investors consider good practice exists, we asked them for examples of who they felt were the best communicators. Among the best examples were companies who were open and transparent, and who used investor meetings to instil confidence that the management knows exactly what they are doing.

> “You get a sense that **BHP Billiton** management are smart. They are more than operators, they are strategic thinkers...The culture of the company seems to be that they employ very smart executives, who are in touch with the market, focussed and articulate.” **South Africa, Long-only**

> “**Continental** – the meetings are very honest, and the CEO and CFO rotate meetings so there is no one-man show.” **Germany, Long-only**

In the **US Texas Instruments** was also highlighted a number of times for providing regular access to thoughtful, open and articulate senior management.

**HSBC** also received several mentions for its good disclosure and communications. Management were praised for being ‘fully engaged’ and able to tell a clear story.

# When Good Meetings 3.8 Go Bad

Investors have clear views on what makes for a good meeting, but we also heard many examples of what makes for a disappointing or ineffective meeting. Many of the examples fell into two themes – what management say and how they treat the investor. The most **common failings** were:

- > **Being unprepared** in terms of understanding who the investor is (holding, investment style) and what he might be looking for from the meeting;
  - > **Visibly wishing they were somewhere else** – investors accept management may not like investor meetings, but they are necessary and management needs to engage in them constructively;
  - > **Having little to say that hasn't been said before at presentations** – in effect sticking to a well-worn script;
  - > **Failing to answer questions directly**, or in the worst cases, actual evasiveness;
- > *"We look for a positive attitude of management meeting shareholders rather than just a chore to tick on the to-do-list."* **US, Long-only**
- > *"It's terrible when they just launch straight into the presentation without asking if that's what is actually wanted."* **UK, Hedge Fund**

We also heard **investors criticising companies for failing to differentiate between investors** and grouping different types together, for instance including new generalist investors in with experienced sector-focused ones. In one meeting it was felt the different standpoints mean they will have different questions and different areas of interest. A couple of the investors we spoke to admitted that sometimes they are not experts in a particular industry, and so for everyone's sake should not be grouped in with specialist investors, somewhat curiously as they arguably have most to gain from these meetings.

Lastly, investors look to these one-on-one/small group meetings to be just that – once the number of investors gets too large, the value of the meeting is lost. There is clearly a trade off here in terms of what is more time efficient for management and what is most beneficial for the investor.

## 3.9 What to Avoid

As a final thought, we probed for horror stories from investor meetings (anonymously of course). In short, a guide to how not to manage a meeting:

- > *“Management answering their mobile phone in a meeting is very rude.”*
- > *“With one company I almost sent them out of the room they were so arrogant.”*
- > *“Once at a meeting the CFO could not answer a question on a chart with regard to whether the cash flow was before or after dividends – none of the team could answer the question.”*
- > *“One CFO responded to a question on margin deterioration by commenting that when he was getting his MBA he learned about P/E ratio and P/S ratio but had never heard of a Price/Margin ratio.”*
- > *“Upon asking a CFO about his company’s exposure to Chile and the political risk, he proceeded to tell me (a woman), how ‘hot’ the new President was.”*
- > *“One company arranged a meeting to tell me that the outlook will be very, very positive and the results will be in good shape, but one week later they announced a profit warning.”*

We leave the last word however to one experienced investor:

- > *“We’ve had disastrous meetings and usually it’s because their management was guilty and defensive – and short-lived.”*

These comments are harsh but reflect the need for very careful planning of communication in tough times.

Many preferred not to mention examples of poor communications by name, but rather gave an outline of how companies typically fail in communicating:

- > *“Companies that always say ‘We have mentioned it before’, ‘You should be informed about this’, ‘We won’t talk about that’..... If they have nothing to say, they should not arrange the meeting.” **Germany, Long-only***



# Piquing Investors’

## 3.10 Interest

As was expected, a vast array of **catalysts** were given by investors as reasons to meet with companies where they do not currently hold a position - from **market rumours**, to **changes in management**, even ‘a product your wife brings home’. Proactive prompts such as **broker reports** were often welcomed, but usually only as a precursor or stimulus to further internal research – there was generally a **greater level of reliance on internal research than external broker reports**. This was particularly true of the larger fund managers who clearly have more resources.

> *“I always do my own research, though of course this could be driven by a broker.”* **UK, Hedge Fund**

> *“If the valuation looks interesting, then I’d be interested in a meeting.”* **US, Long-only**

# Country Focus

---

04

## 4.1 Country Focus

Our interviews covered a range of different markets: France, Germany, Italy, South Africa, UK and USA. Throughout this report we have highlighted some of the major differences between markets in investors' requirements. Here we give a brief overview of the characteristics in each market.

### UK

Meeting with management is clearly established as an important part of the investment process for the UK buy-side. UK investors have established and expect a good level of access to senior management. A quarter of the UK buy-side interviewed **expect to meet in person with the CEO** of their significant investments **at least three times a year** for large companies. This is similar to mainland Europe but indicates higher direct access, or at least the **expectation of a higher level of direct access, than investors enjoy in the USA.**

The organisation of investor meetings with management tends to be the domain of the broker; they set up 60% of meetings – a similar proportion to European markets but higher than in South Africa.

UK investors articulated that **successful meetings are driven by openness and preparation of management** whilst meetings fail because there are too many investors in the room, or that management are opaque. A minority complained about management regurgitating the results presentation. One investor was keen to stress that the Board should remember that they are the agent of the shareholder and taking an arrogant stance or taking shareholders for fools is not a helpful approach. Interestingly, while investors are looking for alignment of interests with management, one also stressed the **importance of driving the business not the share price:**

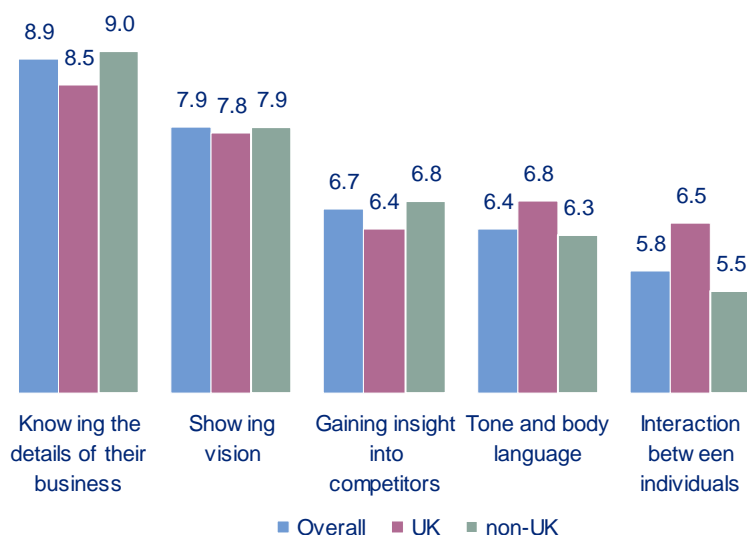
> *“What makes for a bad meeting? The list is endless, but effectively it is delusional management trying to protect a share price.”* **UK, Hedge Fund**

The UK buy-side, both long and short investors, also pay **more attention to the interaction between senior management than elsewhere.** Though by no means the most important element of a one-on-one meeting it is not to be ignored – 41% rating it 8 or more out of 10, twice the level elsewhere and 65% rate it 7 or more out of 10 in importance, compared with 45% elsewhere – IR Directors need to be making a point of briefing management on this aspect when presenting in the UK.

## 4.1

Country Focus *continued*

## Relative importance of factors in management meetings



Q. And still thinking of a one-on-one or small group meeting with management, how important to you are each of the following? Where 1 is “not at all important” and 10 is of “critical importance”.

Base: All (120), France (13), Germany (29)

As previously mentioned, the UK buy-side are rarely put off seeing senior management on account of language barriers, and are even more adamant in this regard than their US counterparts. In fact UK investors are **less likely to want to defer to a less senior executive or an IR Director on the grounds of language than in the US** (which possibly suggests that the IR role in the UK is less consistently developed). Instead UK investors are more likely to request a translator for senior management.

### Mainland Europe: France, Germany and Italy

The buy-side investor communities of France, Germany and Italy are consistent in what they look to achieve from management meetings. They are also broadly similar to the UK and US, with the exception of South Africa.

But there are some differences in mainland Europe, and a picture emerges of **French and Italian investors being more proactive in reaching out to companies**, whereas German investors seem to receive high degree of service from investment banks. There are a number of factors to this:

- > In setting up management meetings **German investors are least likely to cold-call prospective investments themselves**. Only 13% of meetings are set up directly by investors compared with a quarter of meetings in France.

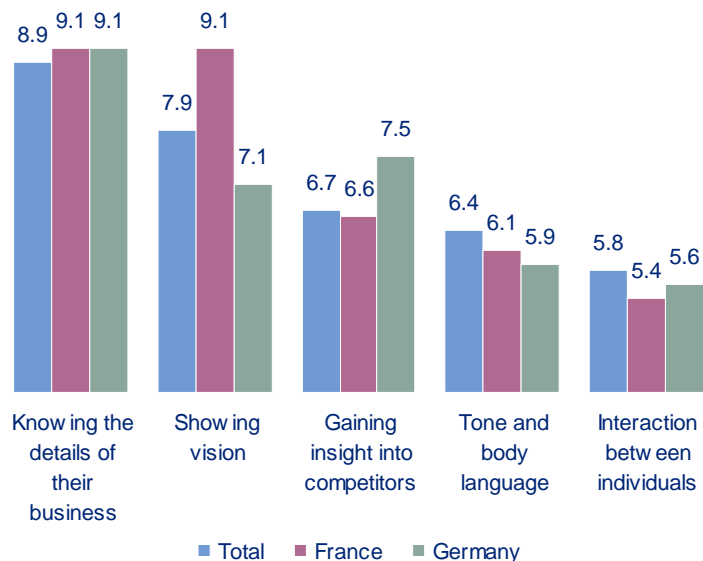
## 4.1

Country Focus *continued*

- > More meetings in Germany are held at the investor's office (when the company is on the road) than at the company itself. **Almost half of all meetings with management are held at the investor's office**, compared to only a quarter in the US and less than a fifth in South Africa.
- > Interestingly **German investors indicate less of a need to see more of management in the current challenging economic circumstances than other markets**. A higher number of investors in Germany state that the frequency of meetings depends on the company in question, rather than adopting a blanket approach.
- > A relatively high proportion of German investors would accept a meeting with IR in the event of the CEO and CFO being unavailable (**86% of German investors would meet with the IR compared to only 68% overall**). This might indicate the senior position of IR Directors in several German companies, as well as their longevity in the role.

Subtle differences appear in what the French and German investors look for in meetings. As previously mentioned, the ability of management to demonstrate they know the details of their business is the most important attribute, but differences do appear beyond this. **"Showing vision" is more important to French investors** than it is for investors elsewhere (including in Germany) but it is **German investors who are more interested (like the South Africans) to gain insight into competitors**. A summary of these factors is shown below.

#### Relative importance of factors in management meetings



Q. And still thinking of a one-on-one or small group meeting with management, how important to you is each of the following? Where 1 is "not at all important" and 10 is of "critical importance".

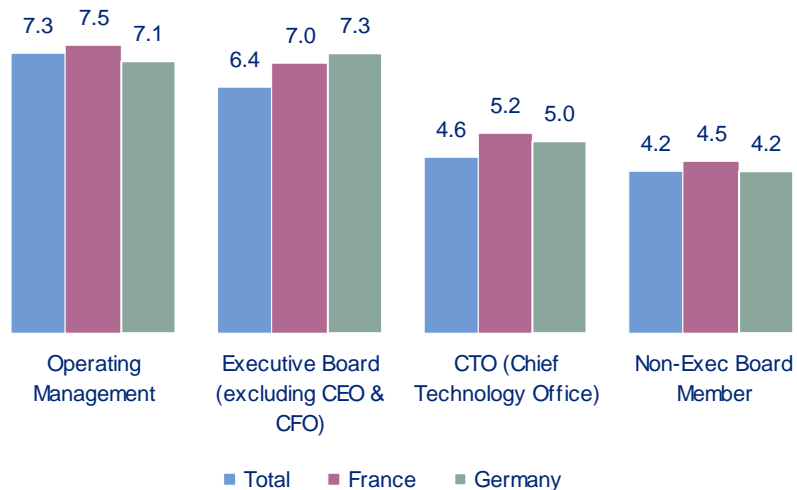
Base: All (120), France (13), Germany (29)

## 4.1

Country Focus *continued*

With regard to meeting management other than the CEO or CFO, we see that there is very little difference in the views of the French and German investors. As one would possibly expect given the respective structure of the Board in Germany and France, a high value is placed upon meeting Executive rather than Non-Executive Board members. This is particularly the case in Germany where investor meetings with Supervisory Board members are rare. French investors showed a slightly higher interest than average in meeting with operating management.

#### Relative importance of meetings with management positions



Q. Outside of routine in-person meetings with management, how important to your investment decisions is a one-on-one or small group meeting with each of the following... Where 1 is "not at all important" and 10 is "critical importance". Base: All (120), France (13), Germany (29)

#### South Africa

This is possibly the first detailed survey of the views and preferences of the South African buy-side with regard to corporate meetings. Broadly speaking we were struck by the similarities to our other groups. However, there are a few areas which do stand out, and are perhaps worth bearing in mind for companies who are roadshowing in South Africa. Many of these differences focus on the practice of meeting with management as opposed to content and requirements once there.

**More face-to-face meetings** with management in South Africa occur **at results days** than in other markets (five times more than in the US, and three times more in France and Germany). However, **small group meetings** (either at the company or at the investor's office) remain the **most common way to meet management**. The **proportion of meetings with existing investors is also greater than elsewhere**, possibly reflecting the

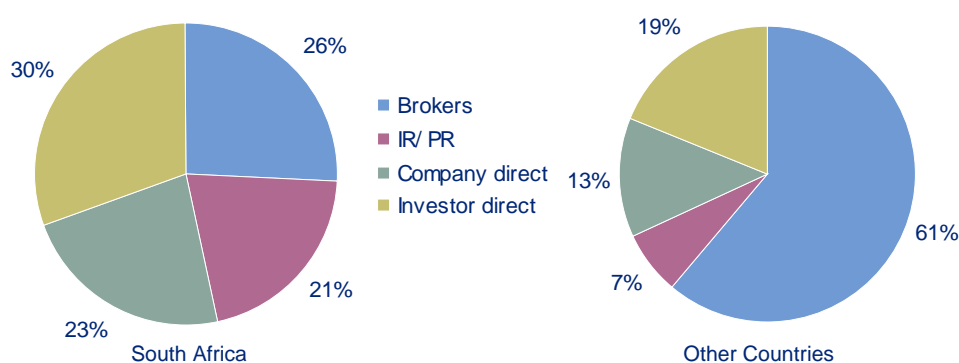
## 4.1

Country Focus *continued*

strong sector and regional bias of this investment community.

Unlike in Europe or the US, the **majority of meetings are not set up by brokers** (a fifth are in South Africa compared with 56% across the survey). Instead, meetings are split relatively evenly across the four main categories as shown below. Of particular note, is the role of **IR and PR advisors**; in **South Africa they are involved in setting up around a fifth of all management meetings** – far more than elsewhere.

### Who instigates meetings?



Q. Approximately what proportion of your in-person meetings with management are set up by ...?

Base: South Africa (16), Other countries (104)

As in other markets, meetings retain their importance in making investment decisions. Just as pronounced as in other countries, management knowing their business and showing vision are paramount. In addition, it is relatively important to South African investors to **gain insights into peers and competitors through their meetings**.

Of the management teams known for the quality of their meetings, **BHP Billiton stands out for their strong views and knowledge of their business and their straightforward manner**:

> “You get a sense that management are smart, they are more than operators. They are strategic thinkers...The culture of the company seems to be that they employ very smart executives, who are in touch with the market, focussed and articulate.” **South Africa, Long-only**

There were also several mentions for **Implats**, as being open and forthcoming. Others mentioned include **Sasol** for excellent investor relations, **First Rand** for knowledge of their business, **Standard Bank** for their clear and consistent messaging and more generally also for communications regarding **Mittal Steel**.

## 4.1

Country Focus *continued*

## USA

As elsewhere, one-on-one management meetings are critical to the investment process. In the USA, **small-meetings at conferences are more prevalent than elsewhere.**

US investors also **want to meet more often with management of companies in the current economic climate** compared with other markets, more than half (56%) say they want more meetings compared with a survey average of a third (32%).

According to the US buy-side, successful meetings depend on **creating an open dialogue**, in both tone and content. Companies must be willing to **address weaknesses and not hide behind Reg FD** – as some are seen to do. Investors are generally exceptionally wary about gaining material information others don't have, not least because of the regulatory consequences, but they do value one-on-one meetings as a means to get a better understanding of the company and how management thinks. Investors concede that **valuable one-on-one meetings in the US have become less likely because of Reg FD**, but argue that there is plenty of depth and colour the company can add to its public statements without risking a violation.

- > *“My least successful meeting was when the company had an upcoming catalyst. The CEO was so scared of misleading me or violating Reg FD that he came across as not having confidence in his ability to deliver.”*  
**US, Long-only**
- > *“Reg FD makes the average meeting less valuable but a good meeting more valuable due to its scarcity.”* **US, Long-only**

Although marginally fewer US investors were interested in meeting with an IR Director instead of senior management, IR can still play a prominent role. **Over half say they are interested in seeing the head of IR – if of a suitable calibre and well informed.** Investors are also interested in meeting with operating management as well – though again slightly less so than elsewhere. Given the limitations of Reg FD, investors sometimes think they can get more out of other executives and will check the consistency of their answers with top management's views. Less cynically, we find that investors also **like to probe deeply into key business segments to improve their fundamental understanding.**

Investors are **most interested in learning about long-term strategy**; two-thirds mentioned it as one of the key takeaways they want to achieve from a one-on-one management meeting. Discussions with US investors indicate that the majority have a long-term view, even if they trade around positions (essentially taking short-term bets on long-term outcomes).



## 4.1

Country Focus *continued*

*"I want a better understanding of long-term goals and how they will be achieved."* **US Long-only**

**Most investors are not put off by potential language barriers.** However, US are slightly more concerned by non-English speakers than their UK counter-parts with 60% of US investors disagreeing with the notion that "I only meet with senior management provided that they are native English speakers" compared with 84% of UK-based investors – as shown in the table below.

		Agree strongly	Tend to agree	Neither agree nor disagree	Tend to disagree	Disagree strongly	Don't know/ Not stated
... I only meet with senior management provided that they are native English speakers (%)	US	0	8	20	16	44	12
	UK	3	3	6	19	65	3
... I meet with senior management regardless of the potential language difficulties (%)	US	40	44	8	0	0	8
	UK	61	23	3	6	3	3

This almost certainly reflects the size of the US capital market. While US investors have diversified their portfolios' international exposure in recent years, many will have cut their teeth on US companies.

# Lessons for Management

---

05

# Lessons for

## 5.1 Management

We trust these findings have provided fruitful reading, and have crystallised a number of issues that should underpin successful investor meetings. Our research has demonstrated that one-on-one meetings are key to the investment process and therefore should be built into senior management's schedules. However, we are aware of the time constraints facing management and also of the frustration sometimes felt when encountering an investor who is manifestly not up to speed on the company.

The survey does in effect highlight measures companies can take to gain the most out of meeting with investors. We summarise below the lessons management can derive from this survey.

- > **Spend time planning roadshows.** Not all meetings are of equal value. Push back on whoever is organising the meeting – why are you meeting this particular investor, what is his motivation? If you are not comfortable with the answers, it might be that this is not the right meeting for your company. But do also bear in mind the missionary quality of many meetings and the need to reinforce the shareholder base.
- > **Make sure management understands who they are meeting and why** – both in terms of the individuals themselves and the funds they represent. There is also an element of courtesy here.
- > **Why are you meeting investors? What do you want to say? Make sure as a company that you have a clear message** when meeting with investors, and this should typically go beyond the results presentation.
- > **Be prepared to be flexible** and shape the meeting to the requirements of the investor – different investors will have different priorities and will want to ask different questions.
- > **Don't be afraid to show your enthusiasm for your business.** It can be contagious. **Be confident in the facts and figures and the company's story,** but not at the expense of demonstrating passion.
- > **Senior management should be aware of body language** in particular with how they interact with colleagues during a meeting. Even the most quantitative investors seem to be up to speed in analysing this softer factor.
- > **And very importantly, a word to the Board. Have a good IR Director on side.** The buy-side argued clearly a

# 5.1 Lessons for Management

---

willingness to engage with a high calibre IR Director. It is very clear that this enhances communications with investors and ultimately can also achieve time efficiencies for senior management.

# About Brunswick Group LLP

---

06

# About Brunswick

## 6.1 Group LLP

Established in 1987, Brunswick Group LLC is a leading corporate communications consultancy around the globe. The firm provides strategic advice to businesses and other organizations, helping them address critical communications challenges that may affect their valuation or reputation. Brunswick advises on Investor Relations, M&A transactions, shareholder activism, financial media programs, corporate reputation, and crisis and litigation management.

Brunswick has 15 offices in 10 different countries and therefore is able to advise clients on a seamless basis, globally.

Brunswick also has one of the leading IR advisory practices in the world with IR partners in all the major financial centres. These partners have either held senior IR positions in-house or have acquired IR expertise in investment banking or consulting backgrounds. Brunswick's IR practise therefore has an unparalleled in-depth expertise across a range of sectors or geographies.

For more information about this survey and its results, or to find out more about Brunswick's Investor Relations practice, please contact

**Gillian Karran-Cumberlege**  
+44 20 7396 5393  
[gkarrancumberlege@brunswickgroup.com](mailto:gkarrancumberlege@brunswickgroup.com)

**Gundolf Moritz**  
+49 69 24 00 55 62  
[gmoritz@brunswickgroup.com](mailto:gmoritz@brunswickgroup.com)

**Jerome Biscay**  
+33 1 53 96 83 88  
[jbiscay@brunswickgroup.com](mailto:jbiscay@brunswickgroup.com)

**Michele Loguidice**  
+1 212 333-3810  
[mloguidice@brunswickgroup.com](mailto:mloguidice@brunswickgroup.com)

**Anne Dunn**  
+27 11 502 7404  
[adunn@brunswick.co.za](mailto:adunn@brunswick.co.za)

**Valerio Vago**  
+39 02 9288 6202  
[vvago@brunswickgroup.com](mailto:vvago@brunswickgroup.com)