



Markit Perspectives – March 17, 2020

The evolution of issuer-investor engagement (as a result of market forces)

IHS Markit's Perception Analytics team engages in in-depth discussions with investors and analysts daily. Given recent market volatility and significant economic uncertainty, IHS Markit will be speaking to investors and analysts on a regular basis over the next few weeks to assess how the current situation with COVID-19 is impacting their evaluations of and engagement with corporate issuers.

In a recent IHS Markit survey of IROs, 97% state that the emergence of COVID-19 has changed their IR plans for the next 12 months and 94% show an emerging interest in implementing a virtual investor activity. **Thus, the first topic we elicited feedback on is how the reliance on technology as a conduit for corporate access is evolving given the mandated influx of social distancing and work-from-home scenarios.**

Some investors and analysts believe that the current crisis will lead to a long-term structural change in the way that issuers engage with the Street and they are placing their bets on the companies that facilitate these technologies.

- “We are dependent on having phone calls with management teams or going to visit them. **I am all for IR finding creative, non-sell-side dependent ways to get in touch with investors such as group video chats.** Those are all good things that are also more cost efficient.” *Portfolio manager, US investment manager (>\$1B EAUM)*
- “We just got an email yesterday telling us to travel as little as possible for work. In terms of the long term, we own the shares of Citrix and we are positive on them for that exact reason. In the long term, there is a secular benefit for them. I do not really see a huge benefit to meeting management in person in the first place. If I can get my questions answered in the phone, that should be more than enough. **What is the point in spending a few hundred dollars on a flight and hotel? It does not really incrementally add to our understanding.**” *Portfolio manager, US investment manager (>\$10B EAUM)*
- “There is no question about this being a paradigm shift in the way that companies are engaging with investors given what is going on in the market. There is a shift towards engaging more using technology and relying less on in-person engagement. We have completely virtualized our IT system so I can operate from anywhere. **The complete virtualization of the professional**

service economy to the extent that you do not have to be in direct client contact, that is happening and has happened.” *Portfolio manager, US investment manager (>\$10B EAUM)*

- “We are seeing the number of cases in the US of coronavirus continue to increase, so I would imagine that events continue to be cancelled. It presents the opportunity for videoconferencing and technology to continue to be used even if coronavirus goes away.” *Analyst, US investment manager (>\$1B EAUM)*

A group of respondents believe that this is a near-term phenomenon and there is no true substitute for in-person, face-to-face engagement with management teams.

- **“There will definitely be some changes, but it will mostly be temporary.** Going forward, remote working will be higher for sure, but not as high as it is right now. The magnitude will be temporary, but in terms of trends remote working will become higher for sure. We have already reduced our number of company visits. We tend to talk through teleconferences, even during normal times.” *Analyst, Boutique European sell-side firm*
- “Using technology in this way already has been a long-term trend. I think the virus might accelerate it a little bit, but it is not going to cause a monumental shift. It might cause a slight increase relative to what was already happening. IR teams should also ramp up on this technology, but from our perspective **we are always going to value visiting companies on site, and we will continue to do so**, but it never hurts to have the capability to be able to have videoconferences. It is not for every case that we have to see them on site, but over the course of our ownership that is something we value.” *Analyst, US investment manager (>\$10B EAUM)*
- “I believe that there will be a movement to try to engage less in person and leverage technology to engage with investors. Markets are funny because you make money when you can exploit inefficiencies and opportunities. **There is a fundamental reality in the fact that these businesses are run by human beings and I have never found a substitute for sitting in front of a human being to ask questions and learn something.** The nuance is different on camera. If I had the CEO, CFO, and Head of Sales in a room and I can watch their body language, ask them questions, and watch their interactions, I can learn something that is almost irreplaceable.” *Portfolio manager, US investment manager (>\$500M EAUM)*
- “Both sides, companies and investors, desire to have in-person meetings because there is a lot that is accomplished through in-person interactions. I do not anticipate any long-lasting changes. I think there are temporary accommodations that everyone accepts as necessary. But the minute that the need for that is taken away, I anticipate that things will go back to how they were because that is the way that all parties want it to be. **There is a lot of benefit in sitting in a room with a management team and reading their body language and them reading your body language.**” *Portfolio manager, US hedge fund (>\$1B EAUM)*
- “I think two things are going to happen. One is that companies are having people work from home and **a lot of conferences are going from being in-person to being virtual such as the Barclays conference. That is great as a back-up, but I do not think that is going to be the**

way of the future. I still think that we need to have in-person meetings and in-person conferences. Two, as conferences are becoming virtual and companies are sending employees to work from home, they are going to realize quite quickly that they are not prepared enough. Although companies thought they were well prepared because of WebEx and Citrix and that the process would be seamless, they will realize that they need to invest more. Therefore, I think that is going to be a paradigm shift where companies realize that they are not as prepared for remote working as they thought they were, and thus more money is going to have to go towards that. However, it is not going to eliminate in-person meetings and conferences. This is going to be more of an internal evolution and is not going to drive the way companies communicate externally with investors.” *Portfolio manager, US investment manager (>\$10B EAUM)*

Many are uncertain given the rapidly evolving situation and state that IR should prepare alternatives to events, conferences, and NDRs that have been cancelled. However, investors and analysts wonder if this will truly mark a paradigm shift.

- “No one is taking in-person meetings right now. It is either virtual or phone. That is just the responsible thing to do until we know more. We have seen some big industry conferences being shifted from meetings to virtual events. Clients want to do calls with me instead of meeting in person. That is more efficient for everyone anyway. Over the long term, the telling tale will be how efficient people prove to be when they must work remote. **If I can be just as efficient and if I still get votes from clients because I am doing calls versus meetings, that will result in a structural change and this will become a sustainable shift.** People have to prove that it works, and they are just as efficient and effective as they were.” *Analyst, Bulge bracket US sell-side firm*
- “Regarding the way that I engage with companies, I am not sure if this is a paradigm shift or a small blip, perhaps it is only a blip, but I think there is a paradigm shift occurring in the way people work. Admittedly cultural biases are fairly deep, but I can foresee a time where a greater proportion of the workforce is working remotely than has been the case previously. There are of course some benefits of being in the same place because it is easier to communicate, for example, but **this situation might be something of a catalyst for companies to say that perhaps they can reorient the way their workforces work.**” *Analyst, US investment manager (>\$1B EAUM)*
- “If we assume the coronavirus goes away by the summer, this shift will only be a near-term thing. So, if it does go away, I do not think there will be any secular change. **People do like to see each other in person, the virtual engagements may be more of an occasional event rather than a norm.**” *Analyst, Boutique US sell-side firm*
- “We see that while investors are cancelling meetings with companies due to this disease, IR departments should be ready to make conference calls in order to maintain relations with investors. That is both with the investment community and with analysts. **They should not slow down their public and investor relations. The technology is quite developed to do this.**” *Analyst, Boutique European sell-side firm*