IR is a Competitive Advantage: Updated

EXECUTIVE SUMMARY

Five years ago, our Issuer Solutions Team set out to determine how Investor Relations can be a competitive advantage for a public company by analyzing best-in-class IR programs from a quantitative and qualitative perspective.

We revisited this study to understand how IR has evolved over the past 5 years.

Our key findings include:

- Since the pandemic, we found that **many of the fundamentals of IR remain unchanged.**
- Although the fundamentals of IR have largely remained the same, **significant changes have occurred in the profession as well.**
- Companies with award-winning IR teams command an even greater premium in the market while having less volatility than they did 5 years ago:
    - Valuation: 34% premium in 2024 vs. 15% in 2019
    - Volatility: 37% reduction vs. 5% in 2019
- Therefore, IR can be an even bigger competitive advantage today than it was 5 years ago, and **the companies with top IR teams benefit in many ways** as detailed in this report.

"Based on the quantitative and qualitative data refresh embodied in this study, IR remains a meaningful competitive advantage for issuers globally, and in fact, has become even more of an advantage for highly ranked issuers."

BEST-IN-CLASS IR PROGRAMS

+ 34% Trade at an average premium valuation	**37%** Lower volatility on average	**20+** IROs interviewed

Introduction

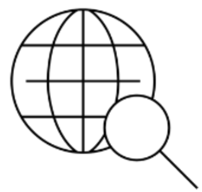
Five years ago, we set out to determine how IR can be a competitive advantage for a public company by analyzing best-in-class IR programs from a quantitative and qualitative perspective. We came away with a greater appreciation for the valuation premium and lower volatility that these companies enjoy.

In addition, we obtained tremendous insights from leading IR professionals globally and shared highlights of our conversations. The timing of our original publication happened just before the pandemic in early 2020, so we decided to revisit the study to answer the fundamental question:

“What exactly has changed in the world of IR over the past five years, and how has IR evolved?”

To answer this question, we did the following:

- Updated our analysis with valuation and volatility metrics for recent IR award winners.
- Interviewed many of the IR professionals we spoke with in our original study.
- Conducted interviews with a new set of world class Investor Relations professionals.
- Reached out to investors to understand their perspective and compared that to the views of IROs.
- Combined the data and interview results to provide an updated view of IR in 2024.



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What has remained the same?

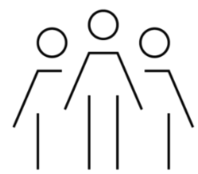
There are clear underpinnings that describe all successful Investor Relations teams. Based on the interviews we've conducted, and our deep experience with and observations of best-in-class IR teams, these are the fundamentals that the investment community and management teams continue to expect to see:

1. Well-Informed Investors and IR as a Proxy for Management are Critical to Success:

Certainly, IR is an advocate, and even a marketer for the company. That said, t**he best IR teams are appreciated for effectively educating the investment community about the company's strategy, investment case, and execution plan.** Those that do this best are rewarded with better-informed shareholders who have a deeper understanding of the company's strategy and management team. As a result, these investors can be counted on through challenging and volatile times, when it matters most. IR teams that have an "investor mindset" as well as the ability to be an effective proxy for management are at a distinct advantage according to our findings.

2. Credibility, Trust, and Long-Term Relationships are Key

This leads to our second fundamental, credibility and trust. Time and again, the feedback we received revolved around these two factors. The best IR teams are viewed as much more than 'cheerleaders' for the company. These teams are relentlessly focused on transparency and openness with investors. By ensuring that they provide what investors need to evaluate their company, they naturally build long-term relationships with the investment community. In addition, these teams also focus on engaging and building relationships with internal stakeholders, so they are viewed as trusted extensions of management and other internal subject-matter experts. Both internal and external relationships are critical to their long-term success.



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3. Responsiveness Differentiates Great IR Teams

This common thread continues to be extremely important to IR constituents, and it came through clearly in our conversations with IR teams and investors. **Shareholders can lose confidence if their concerns aren't addressed in a timely manner.** In some cases, a lack of responsiveness can be one of the catalysts to selling shares or moving on from the investment entirely, particularly if they receive better engagement from a competing company. Consensus tells us that the best programs aim to respond no longer than 24 hours after a request is made, and many of those we spoke with have a scaled process to ensure they are responsive during critical times, i.e., immediately post-earnings. This is both appreciated and rewarded by investors over time.

"In some cases, a lack of responsiveness can be one of the catalysts to selling shares or moving on from the investment entirely . . ."

What has changed?

Our original study ended just before the pandemic began, and to declare that a lot has changed since 2020 is an understatement. There is an endless list of factors that have reshaped the entire world since that period. In many cases, trends that were already occurring before the pandemic accelerated, and we found this to be the case for IR as well. Our study reflected the following changes over the past 5 years:

1. Valuation & Volatility Advantages are More Pronounced

- Best-in-class IR programs trade at an average 34% premium valuation to issuers within the same market cap range.
- Lower volatility – companies with best-in-class IR teams experience, on average, a 37% reduction in beta-implied volatility versus those with the same market cap.

2. IR Upskilling has Accelerated

Before the pandemic, companies were already recognizing the need for more sophisticated IR functions. One thing that came through in our discussions was that the shock of COVID and abrupt changes to how we work and communicate in the financial community put an even greater spotlight on the need for a more sophisticated and intentional IR function.

As a result, many management teams took the opportunity to upskill the function. Since the pandemic, we have seen the trend of well-networked buy side and sell side hires continue.

Additionally, a greater consideration and resourcing for candidates with soft skills such as the ability to work across teams and functions, as well as a more strategic mindset, has taken hold. Because of this significant upskilling of the IR function, we continue to see more IROs being considered for CFO and even CEO positions at their companies.

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3. Investor Engagement is Evolving

- There is a lot to unpack within this topic. For IR teams, 1X1 meetings, non-deal roadshows, conferences, virtual vs in person, investor days, and the sell side remain the most popular engagement routes. However:

Conferences – Clear Winners & Losers:

- The best, highly-attended, and most well-known conferences in their respective industries still generate significant interest and are perhaps even more of a priority for companies today. These are seen as must-attend events, and are viewed as even more important today due to the presence of the most important long-only investors and the large attendance they draw.
- Smaller conferences, on the other hand, are viewed as not as important. For IR and management teams with limited bandwidth, these are now seen as optional at best. Because of this, many companies are now opting out of these in favor of the handful of industry conferences considered to be the best.

Virtual Benefits Still Recognized:

- The frequency of virtual conferences, roadshows, and other meetings increased substantially during COVID. And they continue to remain at elevated levels due to demand, scalability, and cost reduction for both the issuer and investor, particularly immediately post-earnings.

In-Person is Back and More Favored:

- Although virtual benefits are appreciated more than before, there is clearly a strong preference for in-person meetings as these are trending to pre-COVID levels. This is true, particularly around larger conferences and an increasing number of investor days, which are also offered in a hybrid virtual/in-person format.

4. IR Measurement More Critical than Ever

Stock price, volatility, liquidity, sell-side coverage, and ROI on management's time are all good examples of ways that IR can be measured. Since the last study, it is clear from our interviews that measurement has become more of a focus as management teams place a greater emphasis on IR. The increase in virtual and hybrid possibilities has increased the availability of the C-suite for investor engagement in many cases. As a result, it is even more critical for IR teams to measure ROI for management time and ensure that they are making the most of CEO, CFO, and other executives' time. Interviewees indicated that presenting IR achievements to management every 3-6 months is one of the best ways to drive more executive buy-in.

5. ESG – Now Viewed as Table Stakes

Much has changed over the last few years in the world of ESG. While the narrative has ebbed and flowed due to a variety of factors such as political change, regulation, and levels of corporate buy-in, it has become apparent that ESG is now viewed as table stakes by many in the investment community and this is generally recognized by management teams. While most believe we are still early days (although more advanced in Europe), with many companies only having issued 1-2 ESG reports, ESG's role has evolved into a key component of a company's capital markets positioning, as well as its brand, customer engagement, and employee satisfaction. That said, we seem to have reached a point where companies do not get rewarded for above average ESG as much as they might be penalized for below average ESG.

6. AI – Upside for IR & Need to Understand Buyside Utilization

IR teams are generally in agreement that AI will have a significant impact on their effectiveness and efficiency (peer analysis, putting together presentations and press releases, etc.), but beyond that, there is no consensus on the specifics. However, all IR professionals we spoke with emphasized the importance of understanding the ways investors are using AI tools like sentiment analysis to make decisions and they are very interested in staying ahead of the trends being adopted by the buy-side.

Conclusion

Based on the quantitative and qualitative data refresh embodied in this study, **IR remains a meaningful competitive advantage for issuers globally, and in fact, has become even more of an advantage for best-in-class issuers**.

For our full original "IR is a Competitive Advantage" piece, please click the link here (link).

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