



IHS Markit Perspectives VI (July 28th, 2020)

Investor engagement in the ‘new normal’

IHS Markit’s Perception Analytics team engages in in-depth discussions with investors and analysts daily. In light of market volatility and economic uncertainty, IHS Markit is speaking to investors and analysts on a regular basis to assess how the current situation with COVID-19 is impacting their evaluations of and engagement with corporate issuer.

As the first part of the Perspectives series in mid-March, **we explored the evolution of issuer-investor engagement given global work-from-home mandates** and at the time, it was too soon for investors to tell whether this would **spark a paradigm shift for virtual corporate access**. Now that most companies and investors have adapted to the ‘new normal’, we revisit this topic in the sixth part of our series in order to equip Investor Relations teams with the ‘when’, ‘where’, and ‘how’ of virtual engagement.

‘When’

The buy side shows greater appetite for engagement in recent months and their demand has been met by companies increasing their accessibility to the Street. With less time spent on the road, management and IR should increase the frequency of investor updates and interactions.

- “There is definitely a larger appetite for virtual engagement as a result of COVID-19. It has made people more aware of the option of doing remote meetings or doing conference calls. It has been a positive because **we are much more in touch now because of these remote meetings.**”
Analyst, European investment manager (>\$75B EAUM)
- “One good thing about COVID-19 is that time is being better allocated. Because everyone has been working from home, it is a lot faster for me to get a call with a corporate. **I am surprised that the access that I have in this environment is a lot better** because there are more people willing to speak. The interest in engaging shareholders has actually increased significantly, which is a positive. Therefore, information and the access have improved during this time.” *Portfolio manager, APAC investment manager (>\$1B EAUM)*
- “There have been many conference calls to keep communication ongoing. To make up for the lack of social contact, there have also been video meetings through software like Zoom or WebEx. **I think most companies are trying their best to make up for the lack of contact.**”
Analyst, AR investment manager
- “Because things are changing so quickly, nobody really knows where things are heading. **The frequency of communication is crucial at this point.** It does not have to be big or elaborate

events. Putting out a market release regularly to update investors on information is important. We want to know where things are, where your debt covenants might be, what are you doing with your staff, when are you open for business, and what your intentions are.” *Portfolio manager, African investment manager (>\$1B EAUM)*

‘Where’

Video calls are widely accepted as the most effective tools for conducting virtual meetings in lieu of in-person meetings. Group conference calls with IR, fireside chats with executives, interactive screen share calls, webinars, and virtual Investor Days are alternative events that investors have come to appreciate.

- “Video conferences are becoming more common. **We are moving towards more interactive engagement through video**, which is a good thing.” *Portfolio manager, European investment manager (>\$75B EAUM)*
- “One of the things that we are not getting right now is the personal, social engagement. I have been a portfolio manager for 25 years and I love the classic example of going for a meeting with management and them telling you things that are public information. But, reading between the lines gives you a very strong sense of the team’s strategic agenda and conviction. That, to me, is what gives us the edge when making an investment decision. In the time of COVID-19 where there is less personal engagement and you do not get to see the person, you do not get that. Therefore, it is really important to have video time during the webinars or videoconferencing on Zoom. Having video time is going to be more important than having a webinar where you only listen. The key differentiators that I have seen in the last month or two that are the most valuable are where I see presenters that have engaged via video and given high-level conviction as well as structured delivery of information. **These video conferences should have clear key takeaways.** There are conferences that do not highlight enough and are more like discussion forums, which I feel are a waste of time. We need to make full use of people’s time and the key takeaways should be made clear.” *Portfolio manager, APAC investment manager (>\$1B EAUM)*
- “It is a very good idea to do a **webcast presentation with slides and the opportunity to ask questions and engage with the company, especially if it is recorded and put on the company website.** That is extremely useful. If you are going to have this type of presentation, you might as well get the CEO or CFO to do the presentation because you can reach a huge audience with just a day’s worth of work. You do not have to get on a plane and go to London or New York.” *Portfolio manager, European investment manager (>\$25B EAUM)*
- “I have been invited to meetings every day. Zoom meetings, WebEx meetings, Microsoft Teams meetings, I have never had so much video conferencing software on my laptop. We continue to see companies doing a very creative job of trying to engage the investment community. **Having a well-informed IR team is vital to the effectiveness of these virtual meetings.**” *Chief investment officer, North American investment manager (>\$150M EAUM)*

- “The last few weeks have shown that companies are still able to communicate with investors without having to travel. **IR is perfect for these calls.**” *Analyst, European investment manager (>\$75B EAUM)*
- “Virtual Investor Days will be useful. There are companies already doing this, especially where they have a **large investor base that is outside of the home country.** If this situation does go on for many more months, more video calls could be helpful.” *Analyst, AR investment manager*
- “Video calls are useful if you have something like a Board meeting because it is good to see the reaction of the people you are talking to. A good tool that these apps are providing is **being able to share your screen.** This allows companies to share materials during meetings. That is very helpful.” *Analyst, North American investment manager*
- “The most interesting virtual engagements I have had with companies has been either on Zoom or WebEx. You still get the same feel of a face-to-face meeting. As long as that person’s internet is fast enough, it should be fine. Several sell-side firms have had **webinars to have a fireside chat with someone from management.**” *Analyst, North American investment manager (>\$10B EAUM)*
- “Webcasts and Investors Days are very important ways for companies to continue communicating with investors in this environment. Virtual does not replace that real-world feeling, but it is all about prepping adequately and spending the money to improve the event. There are guys that just go into a boardroom and do a generic webcast for an Investor Day. You need to have prepped appropriately so people are able to understand the look and feel of the company. **Spending time and effort on production will pay off.**” *Portfolio manager, APAC hedge fund (>\$300M EAUM)*

‘How’

There is an increasing trend of direct engagement between corporate issuers and the buy side, given the ease of facilitating access without the logistics of an NDR or conference. IR should be proactive in offering calls or virtual meetings directly to investors. Transparency and openness are critical to establishing trust and credibility in this environment.

- “I would hope that it would encourage companies to **strengthen their investor relation functions.** There is going to be more engagement happening in the coming future. That started happening because of MIFID. The trend is to cut out the sell side and engage directly ourselves. We should be engaging virtually more often. There is no need to get on a plane for this.” *Analyst, European investment manager (>\$75B EAUM)*
- “People have become more proactive in terms of phone calls, and that is actually useful for us. A lot of brokers have found themselves without the ability to organize massive conferences; therefore, you just get more access to conference calls. **Companies themselves have been more proactive by engaging with investors.** However, the content does not appear to have evolved. It is the same as it was 20 years ago. You talk about what is happening in the quarter, try to get some granularity, and try to get an understanding of strategy. The only differentiation

just depends on who is talking and how transparent are they willing to be, even given the uncertainty. **Being able to speak transparently helps investors and the company's share price.** *Analyst, European investment manager (>\$10B EAUM)*

- “There is a lot going on in all different areas. The biggest things we are focused on are company news and updates, rechecking fundamental factors about companies, and trying to get some sort of details about the impact COVID-19 has had on companies. **Frank and open conversation is something that is very important in this type of situation.** It is a matter of being open as much as you can be.” *Portfolio manager, North American investment manager (>\$75B EAUM)*
- “IR teams are being **much more proactive.** Most of our companies are reaching out to us rather than us reaching out to them.” *Analyst, North American investment manager (>\$25B EAUM)*
- “It is important that both management and IR **maintain a relationship with investors.** The CEO is not always going to be readily accessible and some of the questions are not necessarily a good use of time for CEOs. Therefore, IR teams need to **find a balance** between when to provide access to CEOs and top management and providing access to IR.” *Analyst, North American investment manager (>\$1B EAUM)*
- “A good way to do it is if IR knows some investors are focused on a specific topic, then it should get those investors on the same call so that the questions are relevant. In that case you would also need a **specific business head on call to be able to answer questions.** It saves time for management and also does not waste time for investors and analysts.” *Portfolio manager, APAC investment manager*