



The New Rules of Engagement: After MiFID II, the “DIY” model for investor relations takes off



An aerial night view of a city skyline, likely Shanghai, featuring a prominent skyscraper in the center. The image is overlaid with a green semi-transparent box containing white text. The background is a dense urban landscape with illuminated buildings and roads, and a river visible in the upper portion. White glowing lines and dots are scattered across the image, suggesting a network or data flow.

The adoption of MiFID II regulations in Europe in January 2018 had a paradigm-shifting impact on the practice of investment research and corporate access, prompting investor relations professionals around the world to begin to develop a “DIY” approach to buy-side engagement.



Under MiFID II, the long-held practice of passing research fees on to their investors must now be exhibited as a clear line item or taken on by the buy-side as part of its own P&L. For a host of reasons, including the cost of compliance and the arduous nature of the reporting process, IHS Markit has seen most European asset managers choose the latter option. Faced with this new structure and squeezed by the 11-year trend of asset flows to the passive juggernauts, active buy-side managers have taken a hard look at how their euros and pounds are being spent on research (including access to events such as conferences and non-deal roadshows) to better understand where they derive the most value.


As a result of increased scrutiny, the common practice of maintaining extensive brokerage relationships is progressively becoming a thing of the past and relationships with the sell-side are becoming more selective. Moreover, what started as a strictly European regulatory practice is quickly being adopted in North America as the biggest asset managers seek to reduce costs by replacing soft-dollar compensation with service unbundling and hard-dollar research compensation.

The shift is impacting corporate issuers and, specifically, investor relations teams in various ways. A mega-cap global issuer may find that their IR relationships and planning are unchanged and that, barring some adjustments in European marketing, it's business as usual in this post-MiFID II world. A small-cap team, on the other hand, may experience multiple pain points due to a reduction in their research coverage, less visibility into asset manager interest and the prospect of establishing their own self-directed buy-side engagement strategy on a limited budget.

While anecdotal evidence suggests that asset managers have adapted more quickly to MiFID II than issuers have, issuers are catching up. In response to fragmented local markets (resulting in porous NDR schedules) issuers are developing hybrid strategies to fill the gaps.

To drive best practices in both issuer-led direct engagement and sell-side led corporate access, IHS Markit Corporate Solutions gathered expert perspectives from our network of market participants, including IROs, the buy-side and our own expert advisors.

Across our network, we are seeing an increase in direct engagement with the buy-side as IR teams aim for greater self-sufficiency and asset managers aim to control costs by establishing their own corporate access teams.



“Just take the shot”: Tips for success from IR early adopters

For IR teams that are used to engagement being driven by corporate access teams or incoming requests, the concept of reaching out proactively can seem foreign.

Getting it right requires IR practitioners to walk a tightrope between engaging the buy-side effectively and avoiding an approach that’s too “salesy” or promotional. How can IROs meet ambitious targets for bringing new investors into the story, while simultaneously building long-term trust and facilitating the best understanding of the company investment story?

While it’s no easy feat, these IR trailblazers are finding effective ways to balance the dual role of educator and marketer.

“When I first got started in the IR role, I wanted to inundate people with information, data, charts, everything. My response rate was lower with this methodology, and I put myself in their shoes and realized that I usually do not respond to big massive e-mails, no one has the time for that anymore. Now, I would recommend gauging interest first, and then following up with materials.”

Mike Guido, Director of IR at World Wrestling Entertainment

“Just taking the shot. Then, when they ignore you, send a follow up email. Investors haven’t really responded to our emails on the first try. With one of the firms we reached out to, when I followed up, they were very appreciative of the follow up and did take the meeting; they had just overlooked the original email. Don’t give up after the first outreach.”

Stryker Corporation IR Team

“The hardest thing about it is just getting started. We’ve found that people are interested and willing to talk to us; it’s just finding the people you want to talk to and making the initial connection.”

Mike Cieplak, Senior Director of Investor Relations at McDonalds

“I strongly encourage IR teams to reach out and to not be afraid of a negative response or a non-response. I think they’d be surprised by how many buy-side firms are ready and willing to meet, especially if it’s directly from the company to them.”

Nick Johnson, Director IR at Coca-Cola

“Having been in the seat for several years, being able to leverage already existing relationships and contact lists was invaluable to successfully executing our first self-directed NDR. When you have a good relationship with the buy-side, proactive outreach generally leads to positive outcomes for both sides.”

Tina Romani, VP of IR at Gap Inc.

“People who are new to the IR role should understand that they have more leverage than they believe. IR drives engagement with investors, not the sell-side. When you first IPO, you start with a ‘group of friends’ to cultivate relationships with, but these relationships evolve as the story, and thus the stock performance, evolves. With conference schedules, you are in the driver’s seat. Conferences are your opportunity to be proactive and take the reins in shaping the investor base.”

Rebecca Gardy, SVP IR at GreenSky Inc.

“We’re old school; we always call first because it’s much harder to ignore a phone call. We receive a response 95% of the time. When we do send an email, it’s always short and sweet, and we NEVER include attachments. We start a relationship with analysts because they’re more specialized, but once Ford has the relationship, we’ll call the most influential PM at a firm directly to share news or updates.”

IR Team at Ford Motor Company

“The biggest difference for self-directed NDRs is purely logistics. Since you are coordinating your own meetings, the person putting together the cars and reservations is not the person making the trip, making it harder to coordinate in real-time during the meeting days. Test it out on an IR-only roadshow first, and if it’s successful move forward with management-ready roadshow coordination. Also, from the corporate perspective - Once the sell-side realizes that you’re willing to do it without them, it ups the value of when you are willing to set up meetings with them.”

IR Team at Procter & Gamble

Transparency is key: Insights from analysts and the buy-side

The dynamics driving buy-side and sell-side communications are changing rapidly, and IR practitioners must adapt in order to thrive.

An IHS Markit survey found that 50% of long-only respondents expressed an increased interest in setting up meetings directly with companies outside of third-party sponsorship. Hedge fund respondents, however, shared that they were primarily engaging through legacy sell-side channels.

Large, “long-only” mutual and pension funds are typically able to get the access they’re seeking with or without sell-side introductions due to the perception of investment transparency, lack of shorting strategies, significant purchasing power and relatively longer investment horizons.

Conversely, this changing dynamic is pushing the historically guarded hedge fund community to reevaluate their corporate access strategies in order to combat the legacy perception that they are more aggressive in research and interaction, and more likely to show higher turnover in portfolios.

Analysts and portfolio managers in IHS Markit’s network had valuable feedback to share on outreach through direct channels and through covering sell-side analysts.



“Timing is the most important thing—and then hitting the right person. Reaching out to the founder or the PM is the wrong move. If you can hit the number-two, like me, that’s ideal, as they are typically the ones whose job it is to get in touch with the issuer.”

Analyst at a \$383.0M (EAUM) Alternative Hedge Fund

“Companies should be engaging directly with their shareholders or the investment community who are not their shareholders. With today’s technology, one would expect that the company could engage shareholders and non-shareholders directly to set up meetings. One of the difficult aspects of our job is dealing with various brokers, all of whom want to bring the company in to see us. It just multiplies the number of brokers we have to deal with.”

Portfolio Manager at a \$7.1B (EAUM) Value-Based Investment Manager

“The sell-side seems to want to be paid à la carte for everything they do. For instance, the sell-side will often say, ‘We have XYZ management coming through your area. Would you like a meeting?’ In years past, I would say, ‘Of course.’ Now, the answer is still yes, but I am not going to pay them for it, because XYZ see the greatest value from the meeting.”

Analyst at a \$491.8B (EAUM) GARP Investment Manager

“We are trying to arrange some corporate access meetings ourselves. We will reach out to companies and set up meetings if we are around, rather than rely on the outside. We are also trying to be more economical by reaching out directly to IR teams and having conversations over the phone.”

Analyst at a \$65.6B (EAUM) Growth-Based Investment Manager

“We do not use the sell-side very much. We encourage all companies to do NDRs on their own. A lot of companies are living in the past and spending too much time with hedge funds. It makes it much more difficult to cultivate a strong investor base. I eliminate a lot of companies from my investment purview because the IR program mismanages meetings and investors by attracting hedge funds. We can trade those stocks, but we cannot own them.”

Analyst at a \$218.1B (EAUM) Value-Based Investment Manager

“IROs need to get on the phone, identify the person responsible for an investment in their stock and build that relationship over time. There is a lot of change-over on the long-only side, but some people stay there for a while. Find the holders you want and go get them.”

Portfolio Manager at a \$3.4B (EAUM) Growth-Based Investment Manager

“Our engagement practices have not changed following MiFID II. I think roadshows with banks are the best way to engage. Not always seeing the top five accounts in a given market would help their investor base.”

Analyst at a \$3.9B (EAUM) Alternative Hedge Fund

“I recommend continuing with the usual methods like emails, calls, and investor days. If a team is doing a roadshow or a headquarter visit and they’re trying to proactively target existing or prospective investors, that can go a long way. A lot of the time, we don’t hear about visits or roadshows because the banks want to target who they want to target.”

Analyst at a \$20.0B (EAUM) Growth-Based Investment Manager



Research and planning pay off: Advice from IHS Markit Corporate Solutions

As a solution and service provider to Investor Relations teams worldwide, IHS Markit has had an opportunity to observe and advise on thousands of direct and indirect buy-side engagements.

Across our client base, IR teams have strong relationships with their sell-side analysts and the corporate access teams that have historically taken on the costs, strategy and execution of NDRs, conferences and HQ visits. Nevertheless, the changing regulatory environment necessitates that IR teams adapt their long standing practices.

Based on our experiences, we consider these to be key areas of focus for IR practitioners who need to successfully navigate the new rules of engagement.



Working with the sell-side

We encourage our corporate clients to initiate a conversation about buy-side engagement with their sell-side partners each year. Topics should include where (geographically) the firm is strongest, the relative strength of conferences and other events, any new and creative initiatives. This puts all parties in a position to work together successfully, but doesn't commoditize the process.



Directly engaging the buy-side

To increase your direct outreach, take a close look at your company style and determine whether self-led NDRs are appropriate or whether self-organized HQ meetings might be a better fit. Plan to launch the first test flight as an "IR-only" event, and then bring in management when there is a familiarity and comfort in logistics and planning. Take extra care when you're going on the road in unfamiliar territory. If it's your first trip to a particular region, we recommend working with a partner in the region, such as the sell-side. If you're familiar with the region, have strong relationships across the space and can confidently manage the logistics and planning, focus on developing the appropriate targets where you typically look for support.



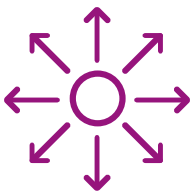
Deciding where to go

We recommend going into the fiscal year with an organized annual IR strategy and clear KPIs that align with the investment story and the IR and leadership calendar. We collaborate with our clients to analyse the data and see what it indicates for effective coverage of current relationships and holdings, and targeted engagement of prospective holders. While you will always need to be nimble and adapt to changes to the story and the macro environment, taking this kind of data-driven approach enables you to make more informed decisions about how to prioritize your time.



Finding the right contact

Finding the right contact at a large asset manager can be a challenge, so make sure you allocate enough time to collect and verify those contacts on a regular basis. This is even more important if your business line is nuanced and does not fit as neatly into more conventional sectors. At IHS Markit, our global teams of researchers are on the phone with the buy-side daily to collect the most up-to-date data and ensure we're aligning our clients with the most appropriate contacts in a high-turnover environment. Our accuracy is also driven by a network of thousands of corporate teams and hundreds of research, sales and trading desks providing user-driven updates by the hour.



Expanding the discussion

Leading IR teams are becoming more holistic in terms of their outreach goals and recognize the need to bring more metrics into the mix, as well as address investors across the capital structure. We see more firms building a focus on fixed income investors and becoming much more programmatic in ESG considerations such as sustainability, governance and proxy matters.

Building a DIY direct engagement toolkit

To create and maintain an effective direct engagement program, IROs need new tools to help them succeed as their roles expand.

As IR teams add a DIY approach, they need to take on new responsibilities and gain new efficiencies. Essential IR capabilities in a post-MiFID II world include the ability to target investors, communicate effectively, manage events efficiently and measure impact.

For IR practitioners who seek to create and maintain an effective direct engagement program, we recommend these tools for success.



Identification and planning



Kamar Green

Director, Global Client Services

BD Corporate

“IHS Markit’s BD Corporate solution provides access to accurate, detailed and global institutional contact data and investor profiles to use in tandem with our integrated relationship management and investor communication tools to build and maintain connections. That, alongside comprehensive ownership data, a variety of reporting options, and insightful analytics provides a complete investor relations solution. This solution is available on the desktop as well as a mobile app.”



Ari Davies

Global Head of Corporate Analytics

Investor Targeting

IHS Markit analysts maximize company valuation by identifying and prioritizing the most appropriate investor interactions.

“For direct engagement purposes, IHS Markit’s Investor Targeting analytics empower IR teams to identify the opportunities in the market and isolate key decision-makers and relationships to proactively build on the buy-side.”



Execution and support



Michael Miller
Director, Corporate Advisory

Benchmarking

“As the IR landscape continues to evolve, the importance of benchmarking IR activities is at an all-time high because it promotes the efficiency and effectiveness of investor meetings. When choosing targets or prioritizing meetings at conferences and NDRs, qualitative information about each investor’s preferences helps the IR team customize the approach.”



Meghan Charkoudian
Head of the Events Platform Team

Events

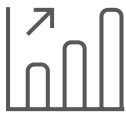
“Integrating event management with the CRM simplifies the prepwork for meeting planning by keeping your contact, ownership, targeting and advisory intelligence data all in one place and aligned with your calendar planning.”



Maheen Sayeed
Senior Associate, Corporate Analytics

NDR Analyst Support

“In a post-MiFID II world, more and more of the planning and coordination is falling to the IR team, and alleviating the uncertainties in a rapidly changing landscape is essential. Our NDR analyst support services ensure that our clients have proactive lists of primary contacts for current shareholders and prospective targets in each city.”



Reporting feedback and measurement



Kevin Roy
VP, Corporate Advisory

Global Markets Intelligence

“Today’s IR teams need real-time shareholder intelligence and a seasoned advisor to help them interpret the data. IHS Markit’s Global Markets Intelligence program acts as the IR team’s eyes and ears in the market, providing actionable insight on shareholder movements, sentiment and market dynamics aligning with proactive direct engagement efforts.”



Preston Gelman
Director, Perception Analytics

Perception Studies

“IR practitioners need to be able to increase market conviction in the upside story. IHS Markit’s Perception Studies enable IROs to uncover and address the specific quantitative and qualitative factors that its target and non-holder investment communities are using to evaluate a potential investment in the company.”



Justin Vieira
Head of International Shareholder Intelligence

International Shareholder Intelligence

“IR teams that travel outside North America and conduct meetings in EMEA or APAC need global visibility into current ownership, to maintain relationships and measure the impact of investor outreach to the regions. IHS Markit has the advanced capabilities to gather real-time ownership updates from asset managers and uncover holdings of managers who do not publicly disclose.”

IHS Markit. IR solutions that accelerate your evolution

The industry's most trusted IR solution provider has joined world leader in business data and financial technology. Ipreo acquisition by IHS Markit gives IROs access to an integrated suite of workflow and analytics technologies, expert advisory services, and the wildest range of social, behavioral, financial, industry and regional data.

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