29th Annual Conference
MULTINATIONAL FINANCE SOCIATY

Cypriot-listed companies' Visibility

by

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Sections

- Disclosure & Visibility
- Current Research
- Primary Findings
- Conclusions

Disclosure & Visibility

Decoding ... *Research & Practice*

Coding ... *What we understand & know*

Why … Disclosure & Visibility

Listed Companies

...aim ultimately…

to

Raise Capital

How to do so?

…by

- ***Identifying***
- ***Attracting***
- ***Persuading***
- ***Retaining***

Retail and Institutional Investors

Information … ***is a very important mechanism***

Info Symmetry (Equivalent Info) & Asymmetry (Discretionary Info)

- **Top Management *(Information Insiders)***
  - ***Communication Executives and***
  - ***Investor Relations Officers***

constantly

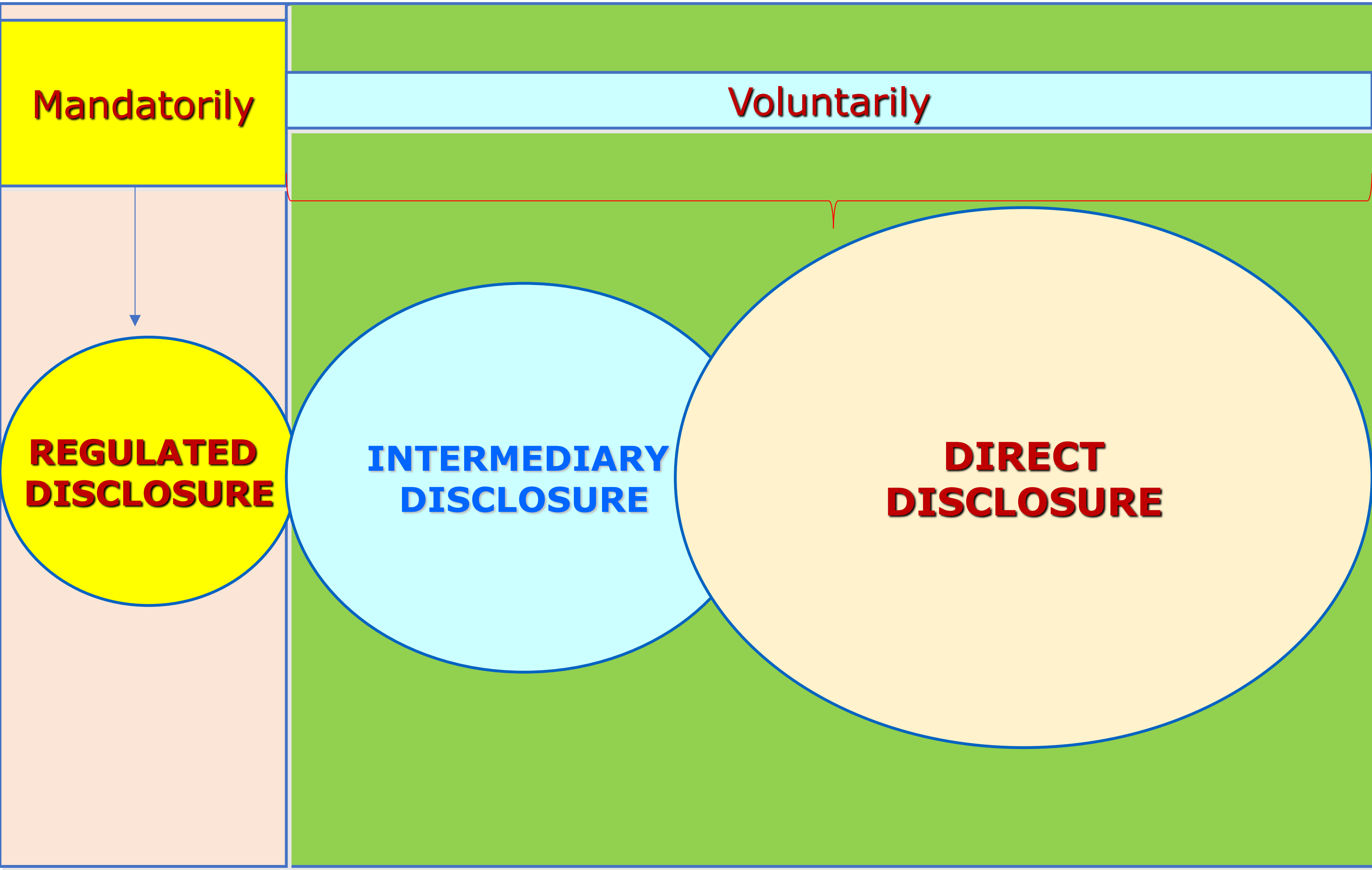
Disclose Company Information

to Investors - Shareholders and Stakeholders

- **either mandatorily**
- **or voluntarily**

via various tools

Disclosure Archetypes: Mandatory & Voluntary



Disclosure Types

<table>
<tr><td rowspan="3">Types</td><td>Mandatory Disclosure</td><td colspan="2">➢ Regulations
➢ Corporate Governance
➢ Equivalent Information
➢ Rules, Laws, etc.</td></tr>
<tr><td rowspan="2">Voluntary Disclosure</td><td>Intermediary Disclosure</td><td>❖ Lead Underwriter, Investment Bankers, Syndicate, Brokers, Agents
❖ Lawyers, Auditors
❖ Media
❖ Analysts, (Sell-side, Buy-Side, Independent)</td></tr>
<tr><td>Direct Disclosure</td><td>❑ Strategic Investors
❑ Retail Investors
❑ Institutional Investors (Mutual, Hedge, Pension Funds)
❑ Sovereign Funds, Private Money, Others</td></tr>
</table>

Disclosure could Affect …

Effects	❑ Increasing **Visibility** ❑ Buying Stock ❑ Raising Capital ❑ Retaining Shareholders *(Subscribers)*
	❖ Stock Increase ❖ Stock Liquidity ❖ Stock Performance *(Sustainable)* ❖ Stock Upgrade *(Dual Listing)*
	✓ Analyst Coverage ✓ Media Coverage ✓ Socially Responsible Initiatives ✓ ESG

… Firm Visibility

“a value relevance variable”

(Isimbabi, 2003)

“a non-financial variable that affects

- ✓ firm valuation,
- ✓ stock trading,
- ✓ equity shareholding and
- ✓ share price”

(Bushee and Miller, 2007; Brennan and Tamarowski, 2000)

Research Typology …on … Visibility

Before IPO	Insiders	❑ Quality, Commitment, Credibility,… of Top Management ❑ Organization, Structure (IR), CG ❑ Cheap Talk, Visibility, CSR, ESG, CED *(CIED)*
	Markets	❑ Mature Markets - Emerging Markets ❑ Stock Exchanges - Financial Centers ❑ Comparative Studies
During IPO	Intermediaries	❑ Lead Underwriters, Investment Bankers, Syndicate ❑ Lawyers, Auditors ❑ Media Coverage ❑ Analysts Coverage, *(Sell-side, Buy-Side, Independent)*
	Targets	❑ Financial Centers, Leading Investors, Opinion Leaders ❑ Retail, Institutional Investors ❑ Timing of Roadshows
After IPO	Tools	❑ Conventional & Digital ❑ Dual Listing ❑ CSR & ESG
	Performance	❑ Stock Trading ❑ Stock Liquidity ❑ Shareholders Mix *(Retail, Institutional)*
	Orphans	❑ Country Specific

Tools …for … Visibility

Tools	Conventional	❑ Group Presentations *(General, Specific)* ❑ *Analyst-Media-Industry presentations* ❑ Media Coverage ❑ Analyst Coverage ❑ Feedback on Analyst *(Sell-Buy side)* Reports ❑ Private Meetings ❑ Site Visits ❑ Roadshows *(IPO, Relationship, Proactive)*
	Digital	➢ Email Communication ➢ Website Communication *(SEO, SEM)* ➢ Telephone Communication ➢ Conference Calls Communication ➢ Social Media

Research Findings …on … Firm Visibility

Visibility could affect

- *Local and Global Market Awareness*
- *Soft and Hard Information Flows*
- *Knowledge and Education of Top Management*
- *Firm Evaluation*
- *Stock Liquidity, Marketability, Trading, etc.,*
- *Stock Price*
- *Equity Shareholdings*
- *Market Players' Participation*
- *Industry Knowledge*
- *Investment Decisions and Capital Structure*
- *Corporate Reputation*
- *Agents' role (Agency Theory)*

Current Research

Voluntary Disclosure … to … Visibility

We focus

on the Cypriot Listed Firms'

Discretionary Information Processes and Tools

Primarily

- **WHOM to utilize** ***(Intermediary Com. Strategy)***
- **WHAT com. vehicle to use** ***(Direct Com. Strategy)***

Secondarily

- **HOW to communicate**
- **WHEN to talk**

to make their listed companies

Visible

and

Understandable...

… Data gathered from three groups …

We have gathered the
opinions, perceptions, and experience
of three important players:

- **Company Executives** - **information producers**
- **Analysts *(sell-side)*** - **information intermediaries**
- **Fund Managers** - **information users *(end clients)***

about Cypriot listed firms' efforts

to make their investment cases known
to local and global investors, and
related stakeholders.

Grounded Theory - Qualitative & Quantitative Research Methodology

- The grounded theory research was employed to detect and collect *(empirical)* data from the three targeted groups.

- **Semi-structured interviews were used.**

- **A large questionnaire *(unfortunately)* was used:**
  - *to extract what they think, plan, and do*
  - *to understand the interviewees' perceptions and opinions*
  - *to identify practices, policies, and trends*

- **Statistical SPSS** also was used to summarize, compare and get averages, etc.

Sample

<u>We investigated:</u>

how effectively and …*efficiently*

✓ **<u>the 20 largest CSE companies</u>**

produce and transmit information
to Market Players

<u>We also asked:</u>

✓ **<u>20 Analysts</u>**

✓ **<u>20 Fund Managers</u>**

if communication strategies and tools used
are effective
in attracting attention and
putting CSE-listed companies under their radar …

Insiders-Analysts-Fund Managers interviewed

1) *Interview data were collected from* ***20 top executives of Cypriot-listed companies:***
   - ***14 CEOs***
   - ***6 CFOs***

2) *Interview data were also collected from* ***20 sell-side analysts:***
   - ***5 locals***
   - ***15 global***

3) *Finally, from* ***20 institutional investors:***
   - ***5 locals***
   - ***15 global***

- **Interviews** were done physically but also via Skype, telephone, Viber, Teams, etc., due to the pandemic situation and distance issues.
- **Companies, Analysts, and Fund Managers** were selected in consultation with CSE.
- We started middle of September 2021 and finished by the middle of November 2022.

Cyprus Stock Exchange *(CSE - XAK)*

FTSE/CySE 20 Index

- ✓ The FTSE/CySE Index is a joint venture between FTSE Russell and the Cyprus Stock Exchange (CySE).
- ✓ **It is the performance benchmark for the largest and most liquid securities trading on the Cypriot market.**
- ✓ The index has a transparent set of rules overseen by an independent advisory committee.
- ✓ CySE is responsible for the daily operation of the index, as well as monitoring all relevant corporate actions.
- ✓ FTSE is responsible for monitoring changes to the index and auditing its operation and advises CySE on the treatment of complex corporate actions.
- ✓ **The real-time FTSE/CySE 20 Index, which is derived from the FTSE/CySE Index, comprises the largest 20 securities by full market capitalization and it is liquidity screened and free-float adjusted.**
- ✓ It can be used as a tool in the creation of index-linked derivatives.

Primary Findings

1. Evaluation Criteria for Visibility

The three groups interviewed identified the following criteria for visibility:

1) The number of citations, references and stories appearing in the print and digital media locally and globally.

2) The number of references and stories on specialized and popular visual media locally and globally.

3) The number of references on social media.

4) The number of real visits on company's website.

5) The number of local sell-side analysts covering the stock.

6) The number of local buy-side analysts covering the stock.

7) The number of global sell-side analysts covering the stock.

8) The number of global buy-side analysts covering the stock.

9) The number of local fund managers buying the stock.

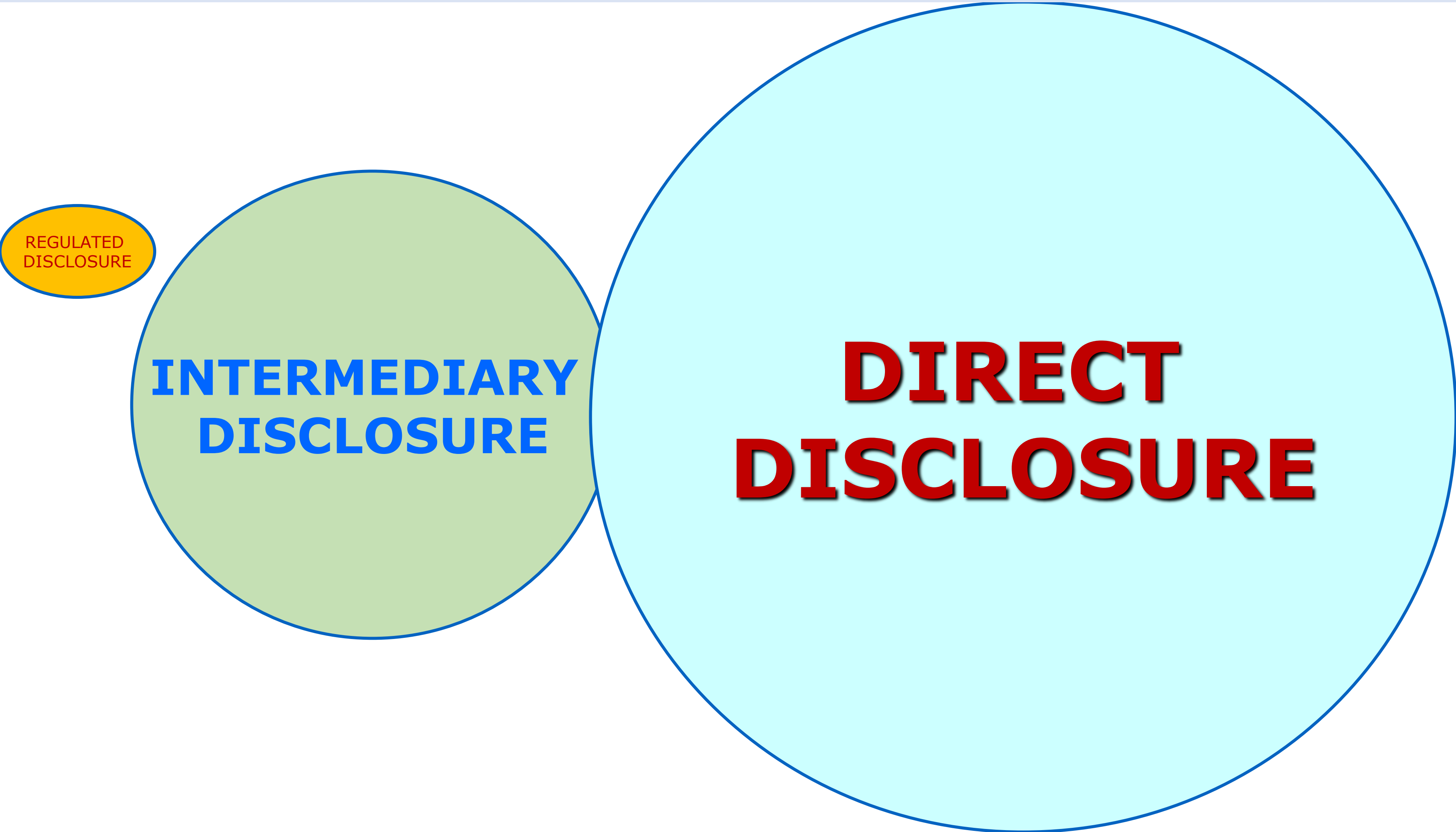
10) The number of global fund managers buying the stock.

11) The number of retail investors buying the stock.

12) Increases in daily trading of the shares.

2. Voluntary Disclosure Imperative for Visibility

The three groups ranked Discretionary Disclosure a MUST for Visibility



3. Visibility is positively related…

1. ***Investors Interest***
2. ***Attraction of Capital***
3. ***Retention of Capital***
4. ***Firm Evaluation***
5. ***Share Liquidity***
6. ***Stock Price***
7. ***Capitalization***

4. Visibility helps …

Insiders	○ *Reaching Investors' Radar* ○ *Attracting new investors* ○ *Retaining existing shareholders* ○ *Getting feedback from the market*
Analysts	❑ *Discovering new investment cases* ❑ *Increasing analyst coverage* ❑ *Updating business model* ❑ *Getting & giving feedback from/to management*
Fund Managers	❖ *Knowing & identifying new investments* ❖ *Meeting insiders & management* ❖ *Appreciating consistency & credibility* ❖ *Diversifying their investment portfolio*

5. Insiders-Analysts-Funds: Tools for Visibility

No & Min use of both …

Public Voluntary Disclosure	Private Voluntary Disclosure
Group Presentations	Roadshows
Industry Conferences	One on One Meetings
Country Presentations	Private Conference Calls
Analyst Presentations	Telephone Conversations
Group On-Site Visits	Feedback on Analyst Reports

6. Areas identified for Visibility

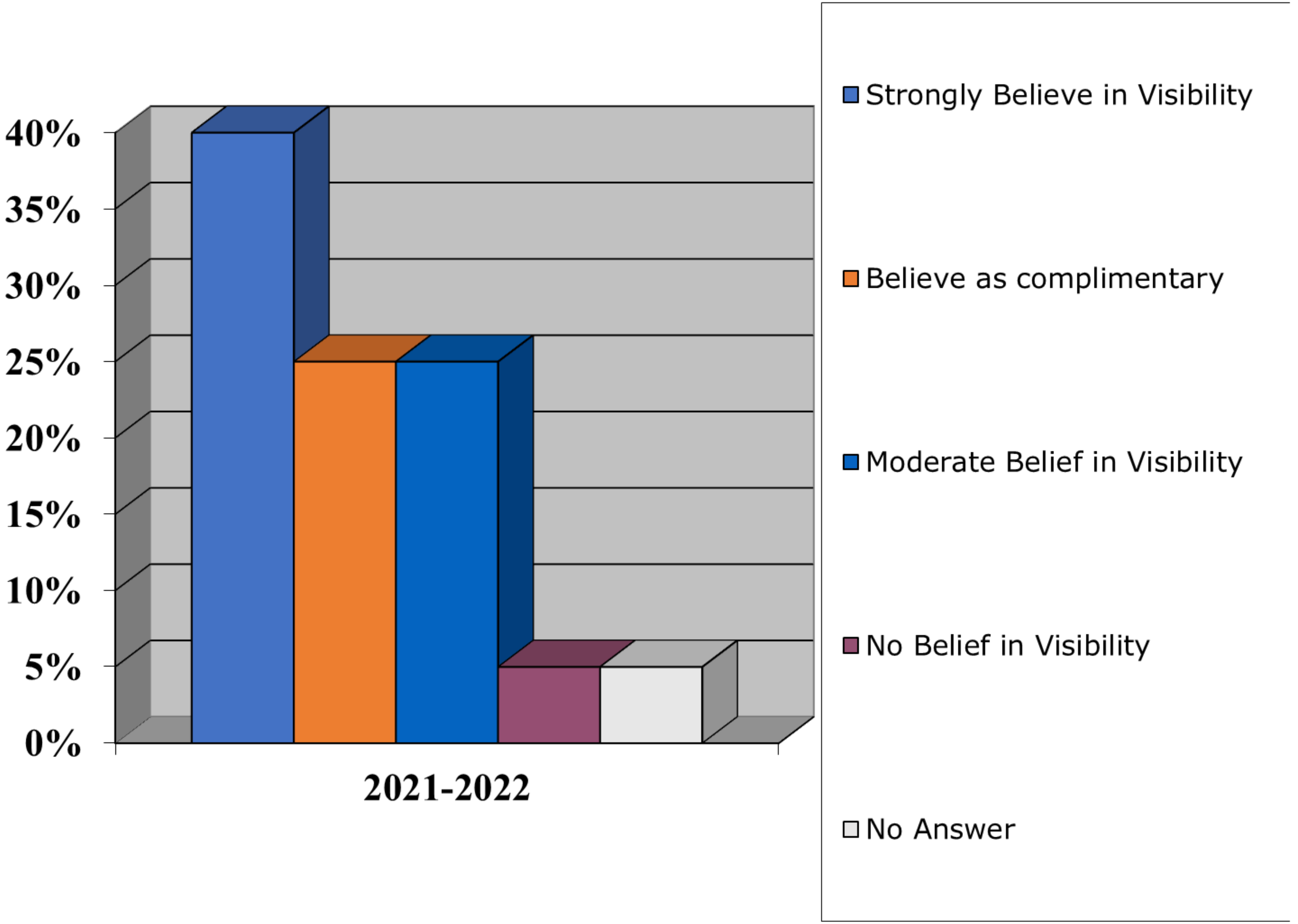
The three groups
interviewed
identified
three groups of interest
in terms of
Visibility

1) **Motivation - Commitment - Participation**

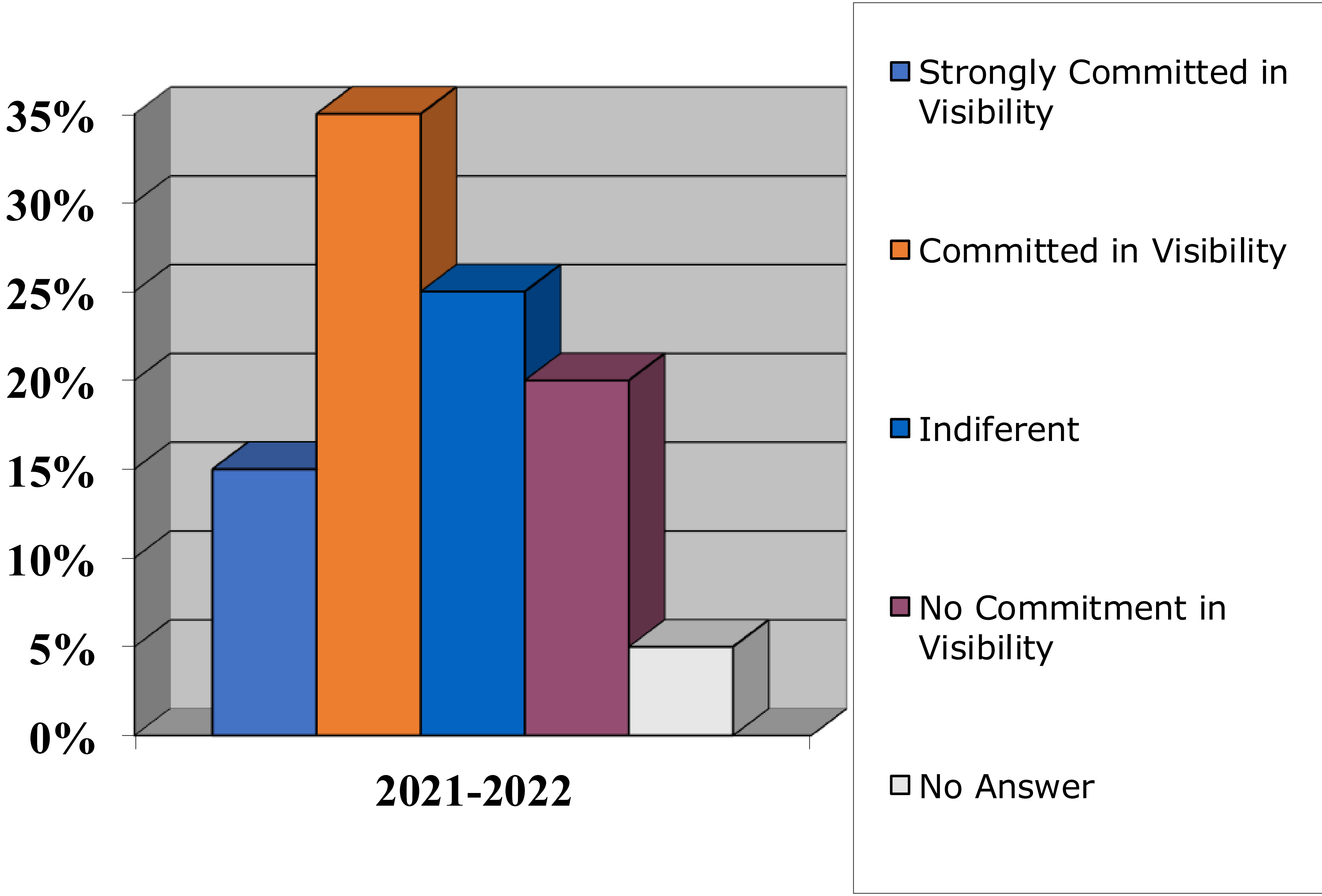
2) **Tools - Capability**

3) **Process - Implementation**

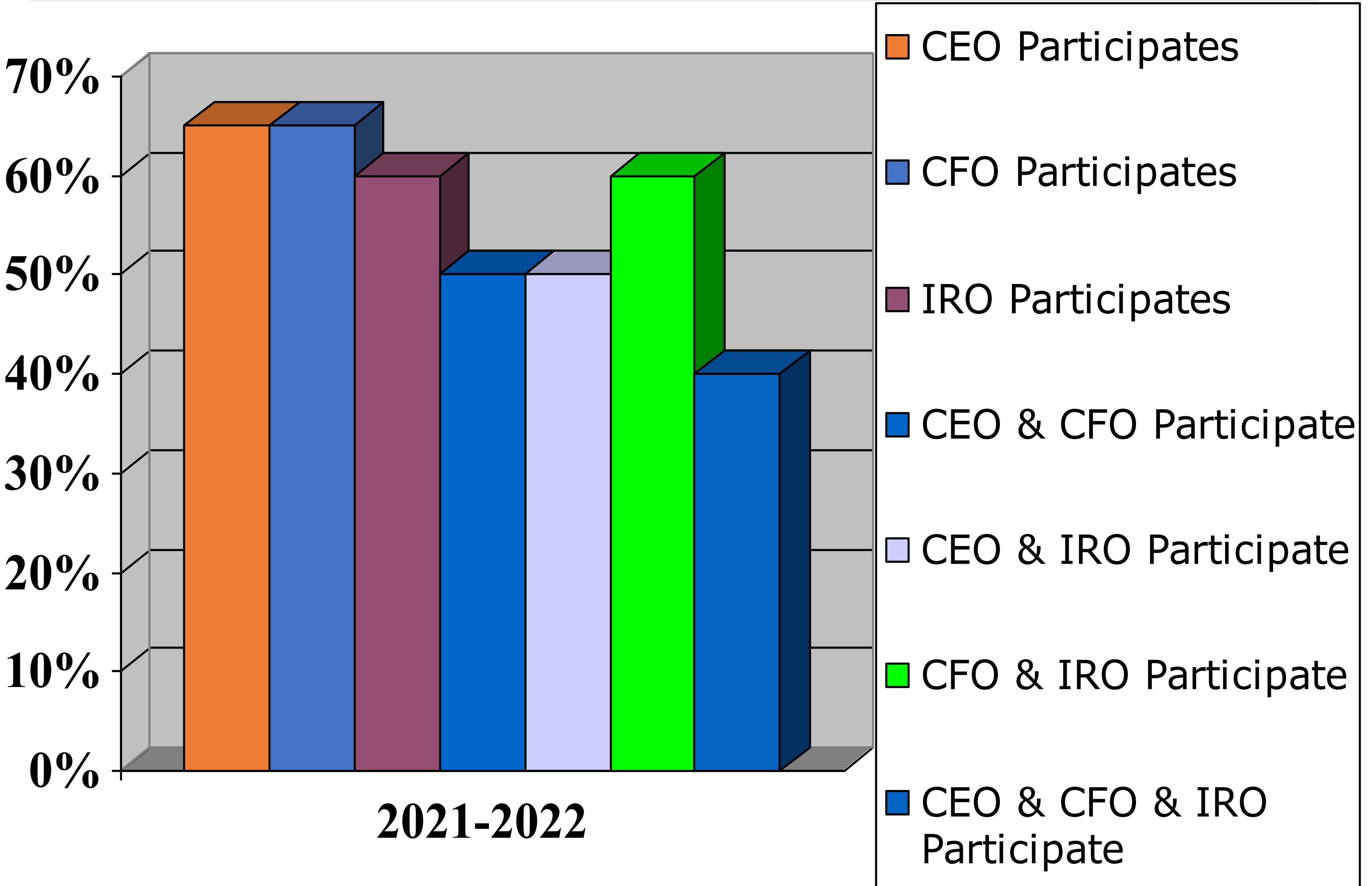
Companies: Motivation for **Visibility**



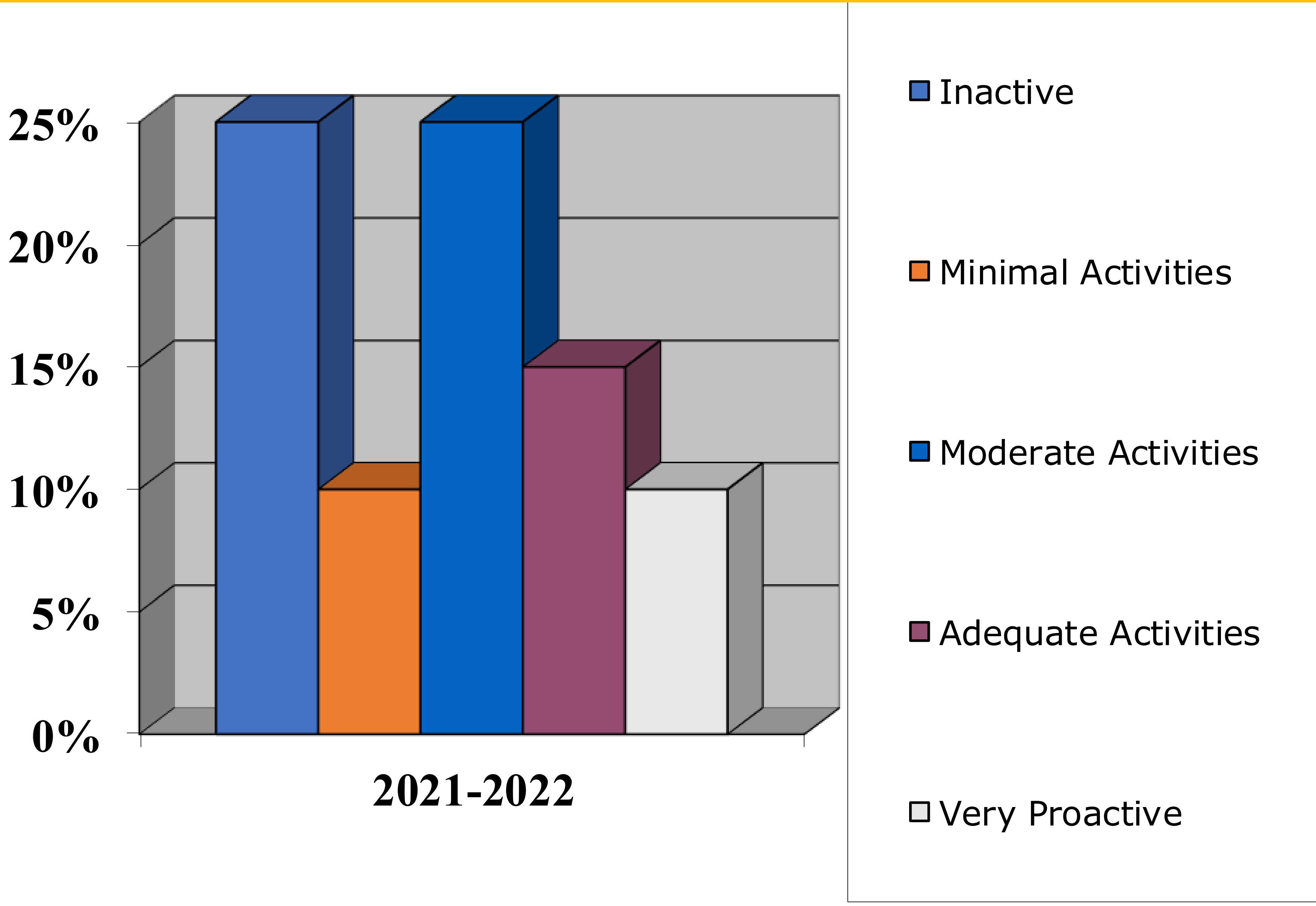
Companies: Commitment for **Visibility**



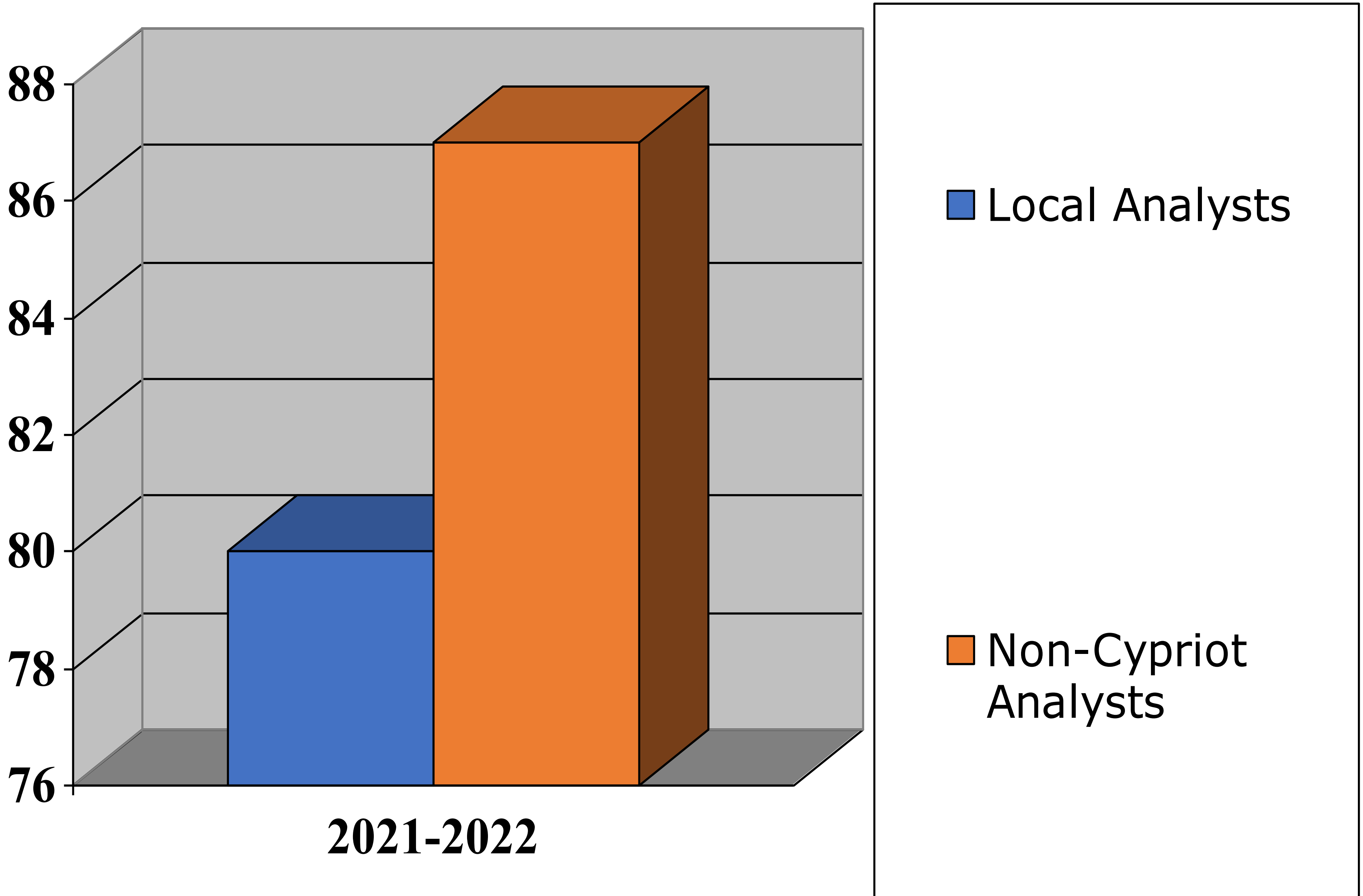
Companies: Participation for Visibility



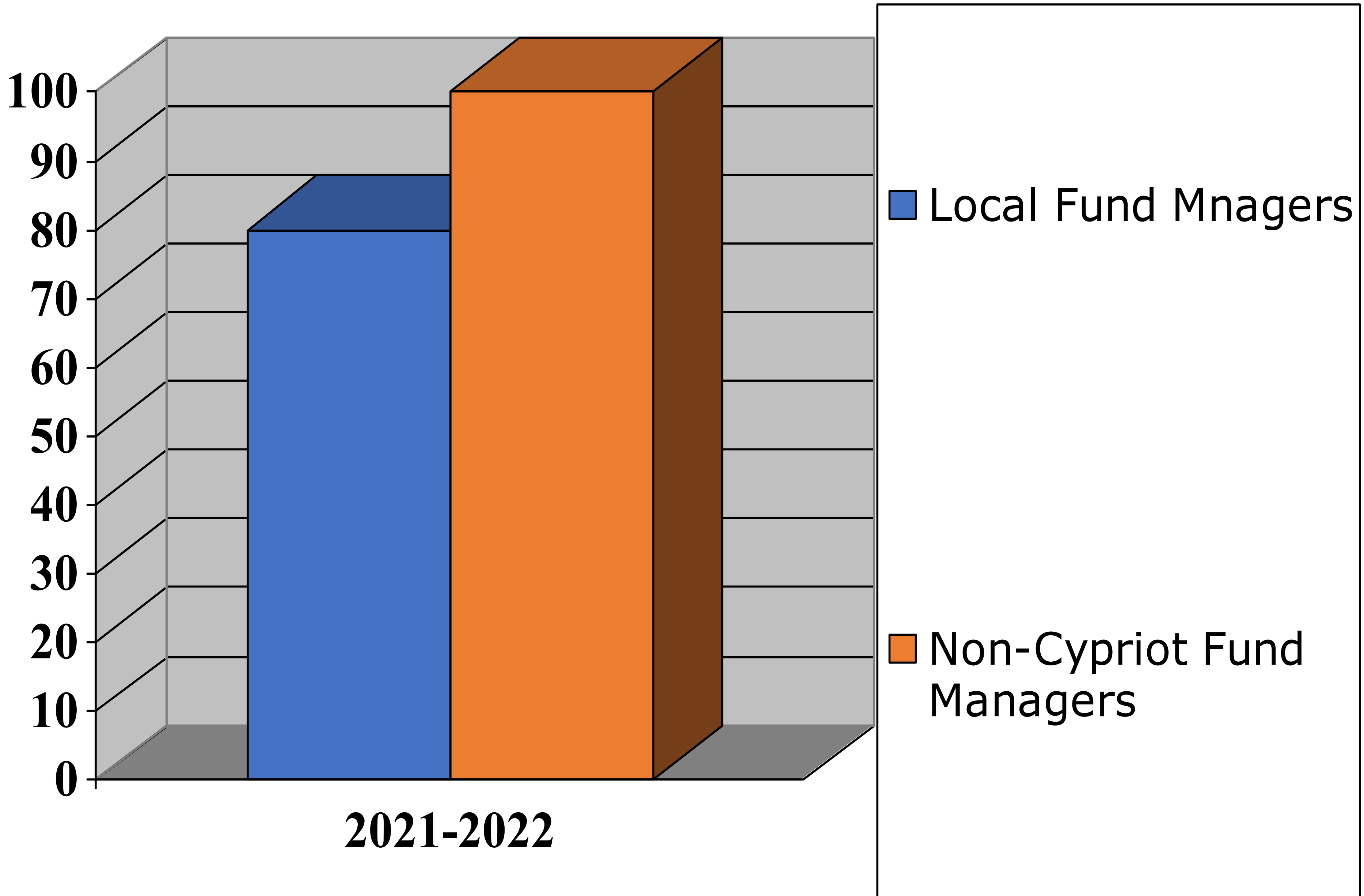
… but companies: What do they do for Visibility?



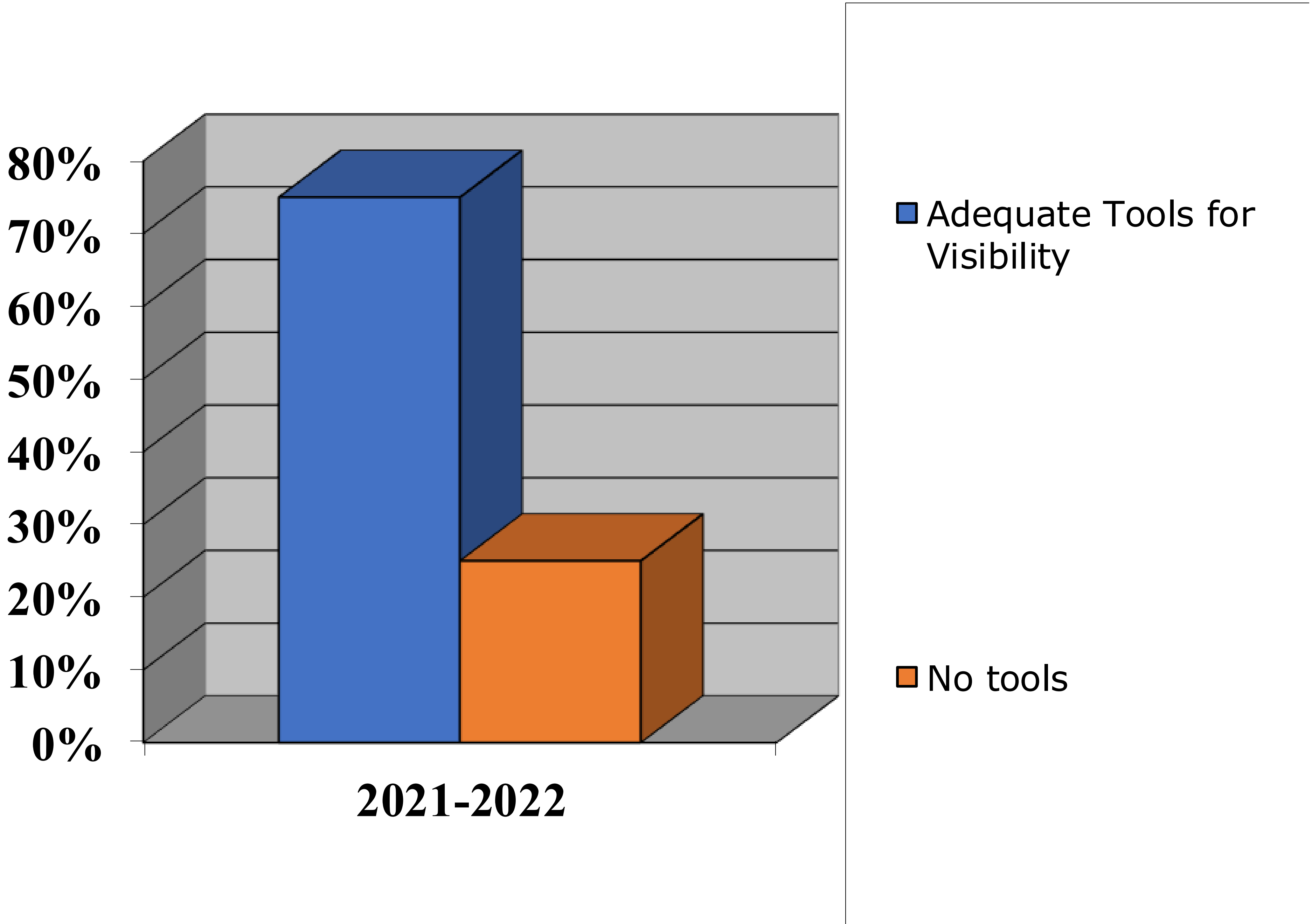
… and analysts confirm this inactivity …



…so do investors …



… although companies believe they have the capabilities …



Conclusions

General Conclusions

- **Most of the interviewees accept that VISIBILITY is crucial and important.**
- **This research confirms and coincides with previous research on Visibility.**
- **The Reference, Decoding, and Ranking of the EVALUATION CRITERIA for VISIBILITY *(coming mostly from the interviewed Analysts and Fund Managers)* is somehow advanced.**
- **DIRECT DISCLOSURE is two times more important than INTERMEDIARY DISCLOSURE.**

Specific Conclusions

LISTED COMPANIES:

- ✓ **Insiders and top management of the Cypriot listed companies perceive that visibility is imperative but do not act accordingly.**
- ✓ ***Insiders, despite that they value Analyst Coverage, are inactive.***
- ✓ ***Insiders believe that the status of the Cypriot macroeconomics massively affected listed companies' visibility.***
- ✓ ***Insiders believe that the CSE is passive too on Visibility issues.***
- ✓ ***Insiders believe that the CSE should be more extroverted and global towards the equity capital markets.***

Specific Conclusions

FUND MANAGERS:

- ✓ **London-based Institutional Investors are ignorant of the listed companies on CSE.**
- ✓ **They will take a closer look, but "*they will come to Cyprus for vacations and not for meetings*".**
- ✓ **They recommend analyst reports (coverage) as the first step.**
- ✓ **They expect a more proactive role and active participation at the London Investment Banks conferences.**
- ✓ **They expect also a more energetic agenda by the CSE to help the listed companies in promoting themselves globally.**

Specific Conclusions

ANALYSTS:

- ✓ **The local intermediaries (analysts *and journalists*) have limited clout in the global financial centers.**
- ✓ **Neither reliable research reports nor research houses are produced for the CSE-listed companies.**
- ✓ **Coverage by Analysts based in London is imperative.**
- ✓ **Participation in Analysts' Events, Days, and Presentations is very important.**
- ✓ **Participation in Webinars and Online Analysts' events is also important.**

Partial Conclusions & Lessons

- What Government and CSE **activities could affect CSE-Listed firms' visibility**?
- Is the level mature & ready for **Proactive (aggressive) Promotion**?
- What Cypriot listed companies **can do to improve their visibility** in the local but most importantly in the global marketplace?
- **How to improve visibility**?
- **What tools to implement**?
  - *Industry group presentations, Analyst presentations, Broker conferences, Roadshows, One to One Meetings,…*
  - *Private Conference Calls, Telephone Conversations, Digital Techniques, Social Media Tolls, …*
  - *Increase analyst coverage, Timely qualitative feedback on Analyst Reports, Media Coverage, etc.*
- **What financial centers** to target?
- **Which funds** to target? *(Mutual, Hedge, Pension Funds, etc.,…)*
- **When (timing)** to hit the road?

Further Research

- We should include more diversity in the Fund Management community (mutual, Hedge. Pension, etc.).
- We should include Institutional Investors from more Financial Centers around the globe.
- The same goes for Sell-side Analysts.
- We should include in the sample Journalists from the print, TV, and digital sections.
- **A more focused and concise questionnaire should be used.**

Thank You