Effectiveness

of

the Investor Relations

Nick Demos
President HIRI

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«Τα πράγματα δεν ταράζουν τους ανθρώπους, αλλά η άποψη που κάποιοι έχουν για τα πράγματα»

Επίκτητος

"Not things, but opinions about things, trouble men"

Epictetus

Ph.D.Thesis (HW University)
Supervisor: Prof. Claire Marston

Thesis Title: "Perception and Effectiveness of the Investor Relations Function in Greece"

- Main question: The value that the IR adds to the company and how is organised
- Empirical study using Grounded Theory approach
- It is the first research study of IR in Greece
- Semi-structured interviews include 15 sections

Interview Data

Listed Firms

Fund Managers

Analysts

- 250 listed firms targeted
- 76 top managers of ASE Listed
- 14 BoD Chairmen, 11 CEOs, 15 CFOs & 36 IROs
- 44 Institutional Investors (26 locals & 18 London)
- 44 Sell side Analysts (34 locals & 10 London)

SEMI-STRUCTURED INTERVIEWS

Sections

- Organisation of the IR function
- International IR aspects and consultation
- Substitution effects for the IR function
- Macro aspects of the IR function
- Executing of the IR programme
- Company meetings with Analysts and Fund Managers
- Telephone conversation with Analysts and Fund Managers
- Company feedback on sell-side Analysts’ reports

SEMI-STRUCTURED INTERVIWS (Contd.)

Sections	
	■ Mailing information to Analysts and Fund Managers
	■ Proactive roadshows and increasing Analyst coverage
	■ Email data base management and distribution of info
	■ Conference calls as a voluntary disclosure medium
	■ Disclosure via internet sites
	■ Section information
	■ Opinions on company’s relationship with Analysts

PILOT STUDY

TARGETS	◆ A university professor of econometrics and statistics ◆ A dual listed company on the ASE and on the NYSE (OTE) ◆ The second dual listed firm on ASE and NYSE (NBG)
FINDINGS	■ Interviewing is the most effective ■ Recording was vital ■ Helping the interviewers as well ■ Testing Hypothesis not needed

AGENCY PROBLEM

Relationships	■ SHAREHOLDERS vs. MANAGERS ■ SHAREHOLDERS vs. CREDITORS ■ LARGE SHAREHOLDERS (INSTITUTIONAL INVESTORS) vs. SMALL SHAREHOLDERS (RETAIL)
ISSUES	■ In Greece, the problem is located at the “Large vs. Small Shareholders relationship” ■ Specifically, how the large shareholders use the inside information (while running the companies)

FINDINGS: *Creating an Effective IR Paradigm*

CMC (SEC) / ASE

Mandatory Information

Company

CEO
CFO
IRO

Direct / Voluntary Information

Investors

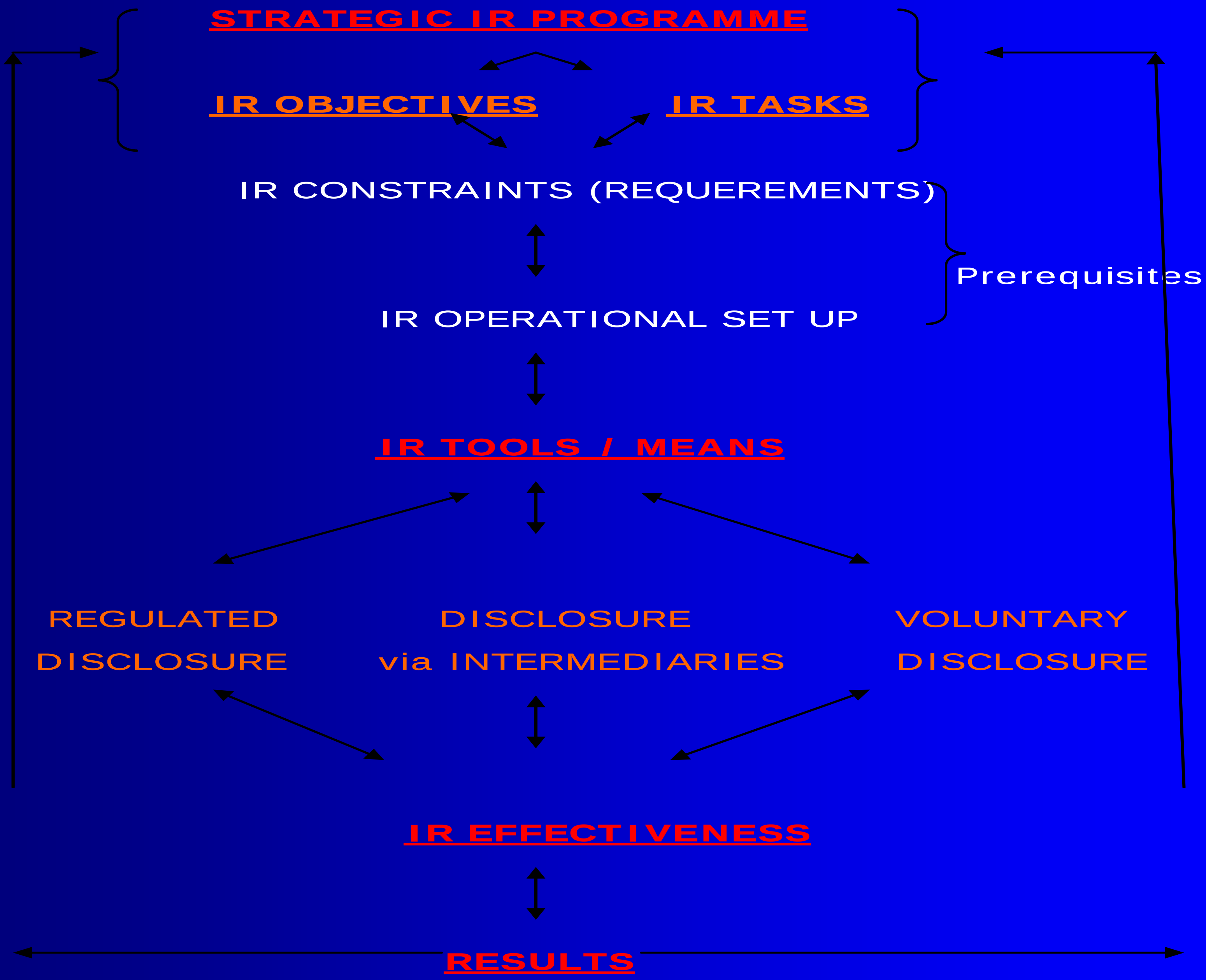
INSTITUTIONAL INVESTORS
PRIVATE/RETAIL INVESTORS

Intermediaries

Analysts

Media
Brokers
Bankers
Market Makers

Direct and indirect information to investors



The IR Framework

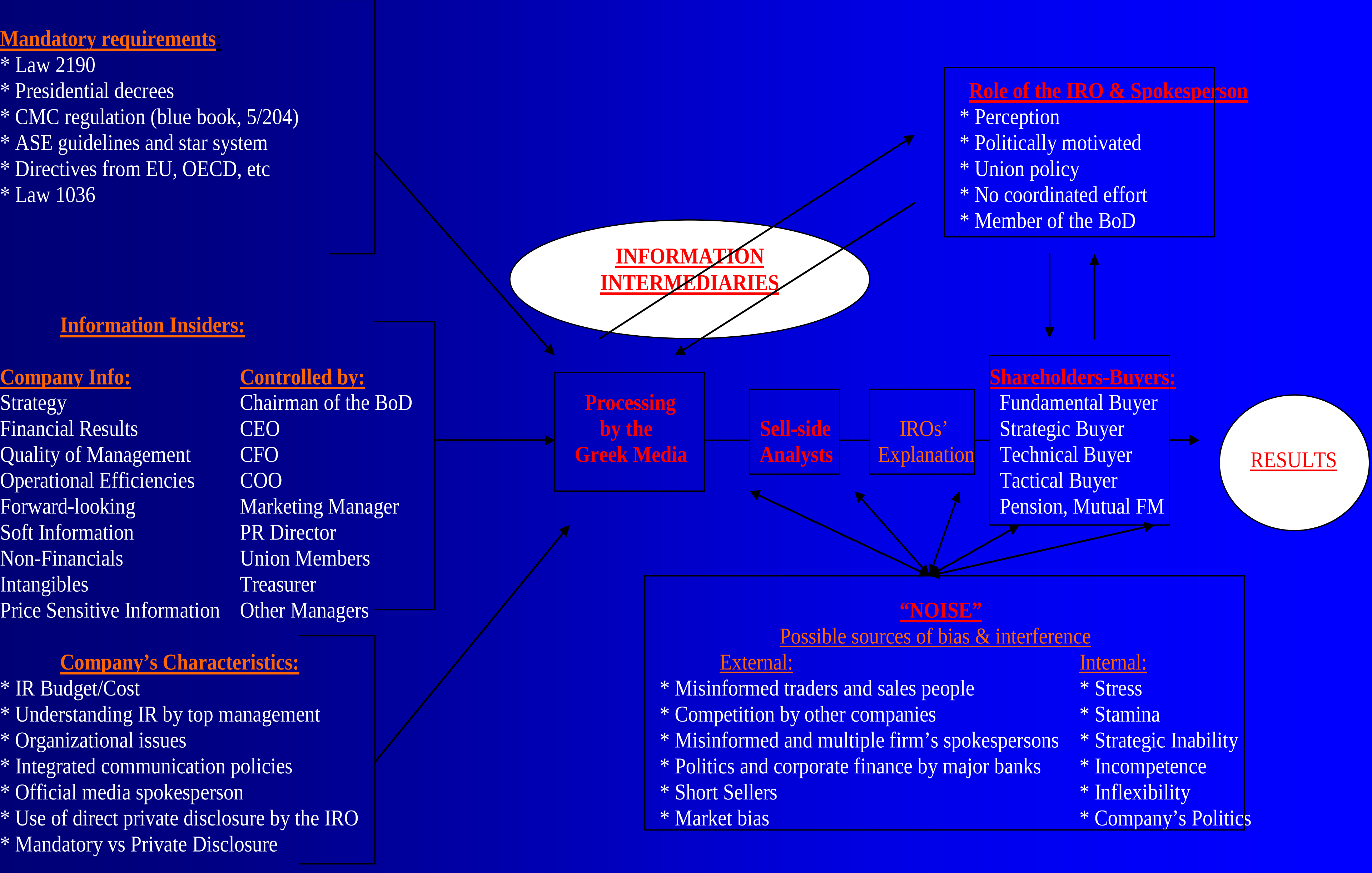


Figure: Disclosure via Intermediaries (as processors of info)

1) IR OBJECTIVES & GOALS

a. Shareholders

i. Institutional Investors/Shareholders

   1. Increase # new Institutional Investors
   2. Increase # of larger Institutional Investors (>300,000 shares)
   3. No current (existing) Institutional Investor selling (of Dec 31)
   4. No existing Institutional Investor selling (>10%) (of Dec 31)
   5. Geographic location of Institutional shareholders
   6. Mix of investment style
      a. Growth
      b. Income
      c. Dividend
      d. Hedge
      e. Pension
      f. Momentum

ii. Individual (Retail) Investors

   1. Increase from 25% to 35% of shares outstanding
   2. Promote geographic spread
   3. Good mix of Institutional Investors & Retail Investors

iii. Employee Shareholders

   1. Increase from 2% to 5% of shares outstanding

iv. Strategic Shareholders

   1. Increase cross shareholding with complimentary firms

b. Share price

v. Effect on share price

vi. Effect on cost of equity capital (coec)

vii. Optimise share price

viii. Increase share price

c. Budget (economical)

3) REGULATED IR & CORPORATE DISCLOSURE

i. Measures for IR effectiveness (Can we judge?)

ii. Annual Report (in Greek)

iii. Annual Report (in English)

iv. AGM voting decisions

v. AGM vote participation

vi. AGM vote execution

4) IR via INTERMEDIARIES

a) Analysts

i. Analysts reports / coverage

1. Increase Analyst coverage
2. Increase Analysts geographic origination (local & global)
3. Expand reports during year
4. Earnings forecasts
5. Earnings consensus
6. Analyst guidance (for company or industry model)
7. Analyst feedback
8. Minimise retaliation on analyst with a negative opinion/target
9. Minimise retaliation on analyst with sell recommendation

ii. Analysts recommendations

1. Upgrade recommendation (from Hold to Buy)
2. No recommendation downgrades

b) Media

i. Control media abuse

ii. Minimise company's retaliation on media/journalist

iii. Eliminate noise

5) VOLUNTARY IR & DISCLOSURE

a) IRO effectiveness measures

i. Selling
ii. Analytical (numbers crutching)
iii. Reliable
iv. Financial skills
v. Skills to deal with
vi. Avoid selective disclosure
vii. Proactive vs. Passive attributes

5) VOLUNTARY IR & DISCLOSURE

b) IR activity measures

i. **Presentations**
   1. Increase Analyst presentations
   2. Increase # of group presentations
   3. Increase # of private (one-on-one) presentations
   4. Increase # of conference participations

ii. **Roadshows**
   1. Visits to Fund Managers
   2. Site visits
   3. Geographic & major financial centres targeting
   4. Constant roadshow disclosure
   5. Roadshow disclosure when numbers are not good
   6. Targeting disperse geographic funds (Milan, London, Boston,.)
   7. Targeting different types of funds (Pension, Hedge, mutual funds,.)

iii. **Web site**
   1. Visits on the company's site per month
   2. Geographic origination of visits
   3. Site design
   4. Site content
   5. Site friendly usage
   6. Site easy access
   7. New contact persons & addresses through the site

iv. **Mailing information requests** (within one day)

v. **Financial publications**

vi. **Speeches**

HIRI helps IROs’

H.I.R.I.

Hellenic Investor Relations Institute

EFFECTIVENESS