

5 THINGS EVERY IR TEAM SHOULD BE PREPARED FOR THIS YEAR

2017 can best be described as a year when the majority of financial institutions started to come to terms with the prospect of conducting business in a radically different way. As 2017 has progressed, MiFID II preparations have been at the forefront for an industry that has wrestled with the question of what the new regulations will mean for their operations.

After a large amount of analysis and preparation (as well as a certain amount of procrastination), there is broad consensus within the industry that we will see at least two main changes emerge in 2018. First, there will be a significant impact on research departments due to MiFID II and a resultant reduction in analyst coverage levels, and second, asset managers will start to act more independently with regard to the organization of their corporate access. The exact extent of the impact on Investor Relations (IR) teams as this plays out is not yet clear, but as the slow burn of real change takes place throughout 2018, here are **5 things** we believe every IR team should be prepared for:

1

Growth of buy side internal corporate access teams



With the advent of MiFID II, the ability for asset managers to arrange their own corporate access has taken on greater significance as firms are clearly thinking more broadly about how they are going to organize, consume and pay for meetings with management. A number of larger firms are using the changing landscape as an opportunity to build out their own internal corporate access capabilities and take greater control over organizing their own meetings.

For IR teams, this means you will now be increasingly interacting with a new type of stakeholder - the buy side Head of Corporate Access. Alongside managing the whole internal corporate access process and the organization of bespoke field trips, one of the key responsibilities for a Head of Corporate Access is to strengthen corporate partnerships as asset managers start to place far greater strategic importance on engagement with the investor relations community.

A select number of firms started the process of building out their own internal corporate access teams even prior to the advent of MiFID II, but we believe that 2018 will be the year when this trend really takes hold and correspondingly, IR teams should be prepared for regular engagement with these new stakeholders who will bring a far higher degree of sophistication to how the buy side has traditionally managed their corporate access.



2

Adoption of technology platforms

For obvious reasons, the adoption of new technology to bring efficiencies to the corporate access process is something we have been consistently banging the drum for, but our own biases aside, it is clear that asset managers have realized that compliance with MiFID II without a system in place is simply not viable. From our conversations with a wide range of asset managers, they are now very much focused on not only finding the right systems to help them comply with MiFID II regulations but also to work in a more efficient way.

There are a number of systems on the market that attempt to solve some of the core problems asset managers are facing and a handful of these systems are focused on connecting asset managers direct with corporates. IR teams should familiarize themselves with these systems as investors will increasingly be asking the corporates they intend to meet with to engage with these new systems as a way of connecting around meetings.

Sell Side equity analysts moving into corporate roles is not a new trend and is something that has benefited the field of Investor Relations greatly in recent years. The advent of the MiFID II regulations has though accelerated this trend and 2017 saw large numbers of analysts exit the larger sell side firms and move to both Independent Research Providers and the buy side in addition to taking up Investor Relations roles.

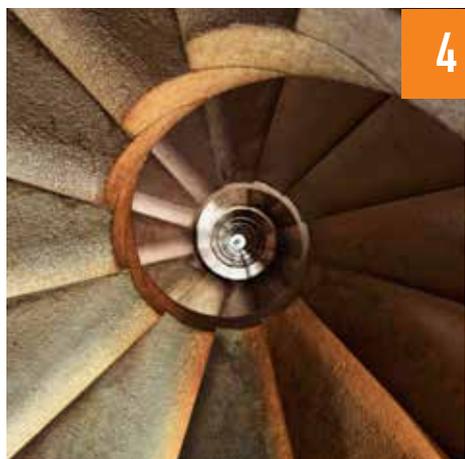
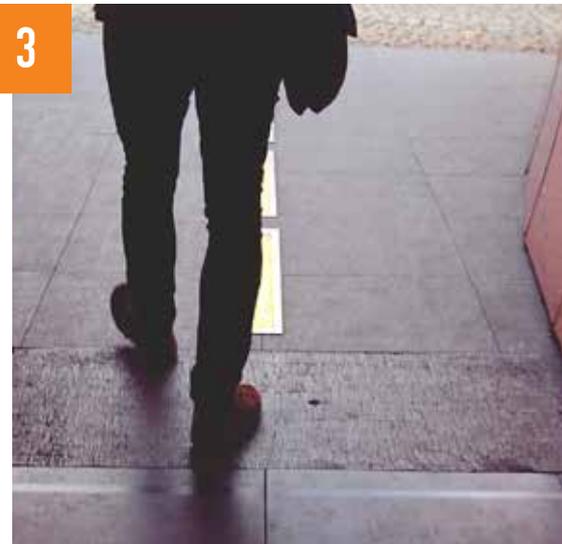
Heading into 2018 and with further significant change on the horizon, IR teams should put engagement with analysts at the forefront of their thinking and ensure they develop an

Continued movement of analysts

3

ongoing, strategic plan that helps them identify the analysts most highly valued by investors as well as the next generation of analysts likely to be leading the pack in the future.

With high levels of analyst turnover likely to persist throughout 2018 and beyond, such a plan will help IR teams maintain good relationships with the leading analysts and make sure the bridge between their company and the institutional investor community remains intact.



4

Requirement for more proactive investor targeting

Historically, asset managers have maintained relationships with large numbers of sell side firms. In the past it would not have been abnormal for a large asset manager to be covered by more than 75 separate sell side firms. This meant that sell side firms have typically had a vast number of investors on their "client list" irrespective of the commission levels paid.

In a post-MiFID II world, not only are asset managers signing service agreements with far fewer sell side firms, they are also implementing "blacklists" and requesting that sell side firms with whom they don't have agreements in place, do not contact

their PM's or Analysts with any service offerings. For IR teams, this means that their sell side partners, who in the past could potentially reach upwards of 80% of their desired targets for meetings, will now only be able to reach a far smaller percentage of that target list.

Even for corporates that maintain good levels of analyst coverage and still have sell side firms who want to take them on the road, the IR team may need to be more proactive with their own targeting efforts to ensure they secure meetings with the investors who do not have a service agreement in place with the chosen sell side host.



5

Pricing for meetings

In 2017 although there were a lot of debates within financial institutions about how to charge for research services, ultimately, minimal progress was made on establishing a definitive pricing standard. With 2017 coming to a close though, a number of the largest Global Asset Managers announced their intention to pay for external research costs out of their own P&L. This decision will ensure that the subject of how to pay for meetings will continue to be a focus in 2018.

After taking the decision to pay for research services using their own money, many firms are more critically evaluating the services they consume, whether those services are useful in generating alpha and importantly how much they are worth. The impact of this process is that a completely different mindset regarding the consumption of services is being applied and the days where PM's and Analysts would consume services without regard to cost are gone. Alongside this, the sell side are fielding requests from clients for per meeting prices which inevitably has led to their own assessment of how to make corporate access services economically viable.

As many IR teams will be well aware, the cost involved with organizing corporate meetings is not insubstantial and there is increasing uncertainty as to who will bear this cost. Asset Managers are questioning why they need to pay for meetings with corporates where they hold a significant shareholding and sell side firms are questioning whether it is sustainable for them to organize roadshows for corporates where they cannot recoup the cost from clients.

As we move into 2018, there are a number of potential scenarios that IR teams could be faced with - **1.** Sell side firms charging corporates to organize roadshows **2.** Sell side firms charging prices for meetings that exceed the logistics cost i.e. making a profit from corporate management's time **3.** Investors paying IR teams for bespoke access **4.** IR teams independently organizing all investor contact and bearing the cost. From their own operational standpoint, IR teams will need to have a good understanding of which of each of the options is palatable and how they will adapt to each. ■

About WeConvene

WeConvene was founded in 2012 by former investment professionals and IT experts who made it their mission to address the costly, inefficient process of managing corporate access and analyst marketing events.

Want to learn more?

Don't hesitate to get in touch. You can email the team at sales@weconvene.com with your details and we'll get back to you as soon as possible. Alternatively please visit www.weconvene.com, or call:

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