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Once little more than an offshoot of media management, investor relations has grown to become an important—and increasingly international—part of company strategy.

In her 15 years working in investor relations, Jill Craig has seen the remit of an IR officer change markedly. “When I started it was still in the formative stages and largely reactive—sort of a traffic cop role,” says Craig, Group General Manager Investor Relations at ANZ Bank. “Now it’s better understood and more highly regarded. It’s a profession.”

The field has grown up particularly fast in the past five years. “If companies weren’t paying attention to investor relations before the financial crisis, following the crash it definitely came to the fore,” says Herston Elton Powers, Head of DR Market Solutions and IR Specialist (APAC). As investors’ risk appetite plummeted in 2008, exchange traded and index funds began to gain in popularity. At the same time fund managers began casting their net wider in a quest for growth, pitching companies against their overseas peers as well as domestic rivals for shrinking pools of capital.

“IR teams and management realize that the landscape is much more competitive than it’s ever been. There are more companies chasing less actively managed money, so they need to leverage every resource they have to compete for that capital more effectively,” says Powers.

COMPETITIVE ADVANTAGE

Traditionally viewed as a tactical function by many companies, IR has moved toward a more proactive, strategic role. “We do a lot of analysis to understand the funds out there, their investment styles and holdings, and whether they invest in our internet peers,” says Victor Tseng, Senior Investment Manager at leading Chinese internet firm Baidu.com. “We try to prioritize our time to the most relevant investor base to reach, those that have a keen interest in buying Baidu stock.”

The communication aimed at those investors has also become more informed. It’s no longer enough for IROs to tell their own story in isolation. “When you position your company you need to be able to reference against your peers and the whole industry’s development to give investors a better feel of where your company stands,” says Tseng. “It’s definitely more work now than a couple of years back.”

While much of this information is publicly available, gathering it from numerous sources can be extremely time consuming. Working with a technology or data partner can streamline the process by providing the IRO with a significant competitive advantage and helping them grow their knowledge and expertise.

“Regionally there is an increased need for sophisticated IRO tools because companies are competing with peers in developed markets who have IROs that have been in this role for years,” says Pamela Kustas, an Application Specialist with Bloomberg. “Having the right tools means that IROs can gather information faster, giving them more time to strategize on how to best project the correct image of their company.”

Bloomberg’s IR <GO> dashboard aggregates public and proprietary data in one place so IROs can quickly gather competitive intelligence on their peers, follow real time news and market moving events such as earnings calls. It also enables the IRO to drill down into mutual fund holdings to see who is buying and selling their company or their peers.

Tools that rank the leading brokers for any company’s stock can further empower the IRO when selecting partners. “You go into a presentation by any investment bank and they’ll all give you a good sales pitch, but at the end of the day you’re looking for results,” says Kah Soon Au, Head of Investor Relations at Singapore-based global container shipping and logistics company NOL. “One proxy to measure that is whether the brokers are getting the business or not. Are investors trading through them, and getting their research and using their corporate access? Do their salespeople have active relationships with those investors? Looking at trading volumes helps us narrow down which brokers are more effective.”

IR <GO> is available to subscribers to the Bloomberg Professional service. The same platform also gives IROs access to original research from Bloomberg Industries (BI) that combines industry specific data with thematic analysis. "Utilizing BI, an IRO can effectively compare their company to the relevant peers, examine important fundamental
trends and consider the most pressing issues and opportunities facing their business,” says Tim Craighead, Director of Research for Bloomberg Industries in Asia. "This understanding can be additive in discussions with both investors and senior management.”

INTERNATIONAL REACH
That information can pay dividends when it comes to conducting roadshows overseas, enabling the IRO to go beyond information on a fund’s company website and arrange meetings with the managers most likely to take a position in their company. Even so, IROs should not expect instant success.

“You need to be conscious when roadshowing that it’s about developing a relationship—not just going there once,” says Craig, who used a targeted series of roadshows to increase ANZ’s offshore investor base from 19% in 2008 to 27% today. “You have to think hard about how much time you’re going to be able to put into these locations and be selective.”

Building ongoing relationships can help the IRO stay on top of the changing needs and perceptions of their far flung shareholders. “Most of our investor base is foreign institutional fund managers. Four years ago they were taking a macro approach to China’s internet stocks, but as they learned more about China’s internet players the sophistication of our communication needed to step up,” says Baidu.com’s Tseng. “We now need to provide more nuance about our position versus our peers, detail about how China’s internet is evolving from PC to mobile, and market data and statistics to support our story.”

IR is increasingly being offered a seat at the top table to align the investor relations program with the wider company strategy. “We participate in quarterly board meetings and routinely sync up with department heads within the company on both high level strategy and the day to day, nitty gritty issues that investors may have questions about,” says Tseng. “Questions about Baidu from investors can come from anywhere and you have to be able to answer them.”

Meetings with overseas investors can also provide competitive intelligence to report up to senior management. “It’s important when you meet investors to find out why they’re buying or selling your stock,” says Harold Woo, Senior Vice President for Investor Relations with Singapore-based property developer CapitaLand. “Sometimes it’s due to market conditions and nothing to do with your story or the way they perceive the strength of the management or your business strategy.”

For Woo, the financial crisis actually brought an increase in international interest, as investors looked for alternatives to traditional equities, such as real estate funds. “Everyone is cognizant of the fact that Asia is the fastest growing region. In China and ASEAN there’s a structural story driven by urbanization and the feeling is that capital value still has a long way to rise because they’re coming from a very low level,” he says. That insight led to CapitaLand pioneering Singapore’s first Real Estate Investment Trust.

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