REAL IR

# Who serves the IR director?

## The second annual survey of Europe's top quoted companies on their use and perceptions of investment banks and investor relations service providers

**2007**

in association with

CommunicateResearch

# PREFACE

In 2006, *Real IR*, Europe's investor relations magazine, and CommunicateResearch, the specialist market research and polling company, conducted a unique survey. The objective was to discover European investor relations professionals' use and perceptions of the services provided to them by investment banks and fee-based consultancies.

Why did we conduct such a survey? Because IR professionals at Europe's quoted companies had a wider choice of third-party support than ever before – but there was little information about how these different third parties compared in terms of quality.

Our 2006 survey was completed by 153 senior IR professionals from Europe's top quoted companies. It provided unprecedented and compelling insight into the relationships between IR professionals and their principal suppliers.

This new report is based on our second annual survey of IR professionals. Conducted in spring 2007, our survey sample is 53 per cent larger than last year, and our questionnaire is more detailed.

It answers the following questions:
>>> How do IR professionals choose and use investment banks and fee-based service providers?
>>> What are IR professionals' attitudes towards these third parties?
>>> What third-party services do IR professionals plan to use in the future?
>>> How can third parties improve the services they provide to IR professionals?

*Real IR*, in association with CommunicateResearch, initiated this research. We sought – and received – valuable advice and insight from a range of IR professionals, investment bankers and IR consultants in the development of the questionnaire.

The authors would like to thank the survey participants who shared their insight. We are equally grateful to the members of our independent steering group who helped to shape our questionnaire.

The fieldwork for this survey was conducted in February and March 2007.

For the purposes of this survey, third-party investor relations service providers fall into three categories:

>>> Independent consultancies/service providers, which charge for the services they offer. Some are long-established divisions of major financial PR consultancies; others are adjuncts to financial information providers; some are boutique specialists.
>>> The "corporate access teams" of investment banks, which provide many IR services to quoted companies for free. Corporate access teams do not generally earn revenue directly. But they do usually earn commission when client investors trade in a quoted company's stock. This raises the question: are the interests of corporate access teams aligned with those of the IR professionals whom they serve?
>>> Corporate brokers, which have traditionally offered a range of IR support services to corporate clients in the UK.

# EXECUTIVE SUMMARY

**Use of IR services:**

JPMorgan Cazenove is the most used house broker among UK respondents.

UK IR professionals rely on their house brokers more for roadshows than for investor targeting.

Just over 20 per cent of IR professionals have changed one of their corporate brokers in the past three years.

Morgan Stanley was the “most dropped” broker, while JPMorgan Cazenove was the most popular new broker to hire.

Just 27 per cent of respondents spend more than €100,000 per year on investor perception studies.

Forty-four per cent of respondents devote more than €100,000 per year to shareholder ID.

When choosing a roadshow partner, quality of the investor list is the most important factor.

When choosing a provider of strategic advice, IR professionals look first to the experience of the consultancy team.

**Attitudes towards IR services:**

IR professionals feel that house brokers are strongest at investor targeting, but weaker at understanding their clients’ business.

UBS, last year’s most favoured investment bank, has the most favoured corporate access team this year.

Deutsche Bank has the most favoured corporate broking team.

Thomson Financial is the most favoured fee-based IR service provider.

Makinson Cowell is widely respected for its “Rolls-Royce” service but is seen as expensive.

JPMorgan Cazenove is the most favoured bank for shareholder ID.

A bias towards their own investor clients is seen as a major weakness in investment banks’ services for IR professionals.

Fee-based service providers are seen as overly expensive, and not sufficiently different to/better than investment banks’ free services.

**Future plans for IR services:**

IR professionals are less likely than last year to turn to investment banks for shareholder ID.

They are most likely to use banks for roadshows and gathering investor feedback.

Our survey respondents are most likely to turn to fee-based providers for shareholder ID and investor sentiment analysis.

Fee-based providers will struggle to sell roadshow services to IR professionals.

**Challenges for fee-based service providers:**

Persuading IR professionals that their services will generate a genuine return on investment.

Persuading IR professionals that they have good-quality contacts in the investment world.

Raising their profile in the IR community.

**Challenges for investment banks:**

Persuading IR professionals that they are working in the true interests of the quoted company, rather than in their own interests.

Persuading IR professionals that their services are tailored to a particular company, rather than part of a "production line".

Providing better pre-roadshow education and support.

# METHODOLOGY AND SAMPLE

*Real IR*, the European investor relations magazine, and CommunicateResearch, the polling and market research specialist, established this annual survey of IR directors' use of and attitudes towards third-party IR services in 2006.

The survey was conducted online, using a detailed questionnaire, which we have developed and refined over two years with the help of an independent steering group comprising the heads of a corporate access team, a corporate broking division, a major fee-based IR service provider, plus two IR directors.

The survey response rate increased by 53 per cent this year, with 235 IR professionals from Europe's largest quoted companies taking part. The responses were gathered between February 14 and March 14, 2007.

Our survey sample included senior members of:

- 40 per cent of FTSE 100 IR departments.
- 50 per cent of DAX 30 IR departments.
- 30 per cent of CAC 40 IR departments.

Furthermore, 84 per cent of respondents have worked in IR for two years or more. Almost 50 per cent work for companies with a market cap of more than $5bn.

**FIG 1: Which country are you based in?**

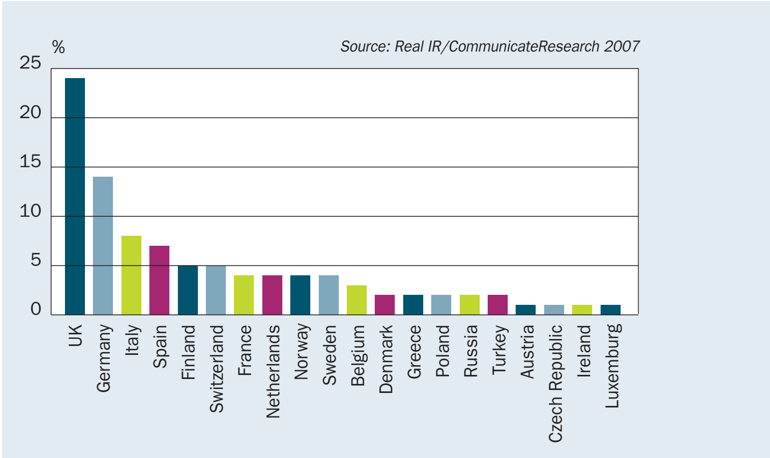



**FIG 2: What is your company's approximate market capitalisation?**

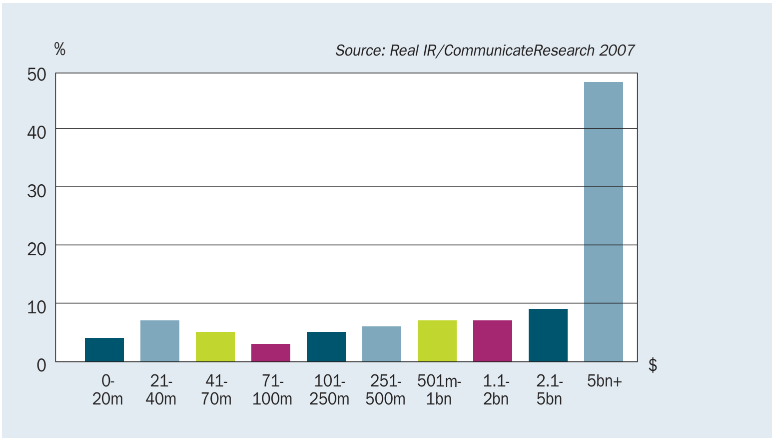


**FIG 3: Which sector is your company in?**

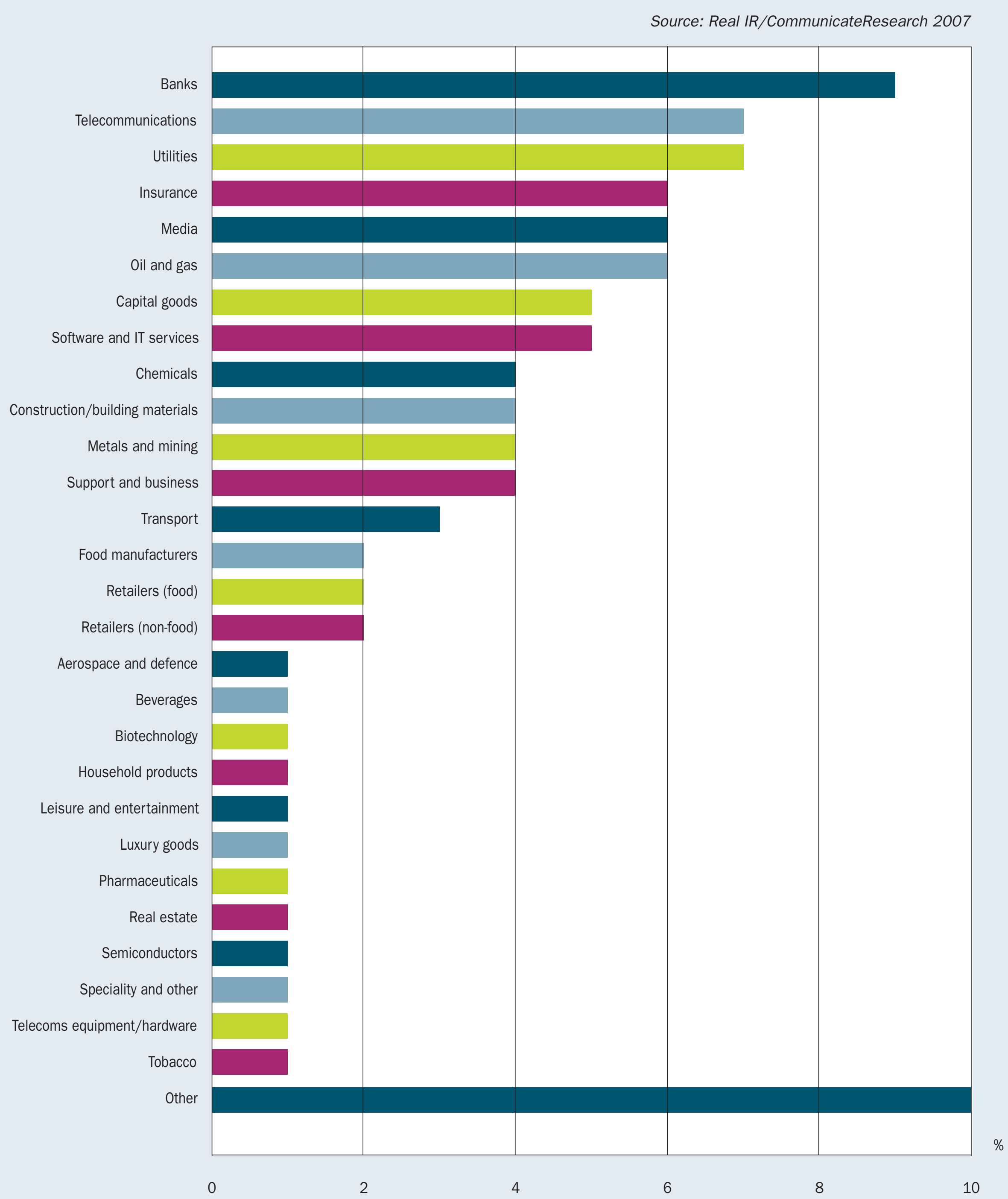
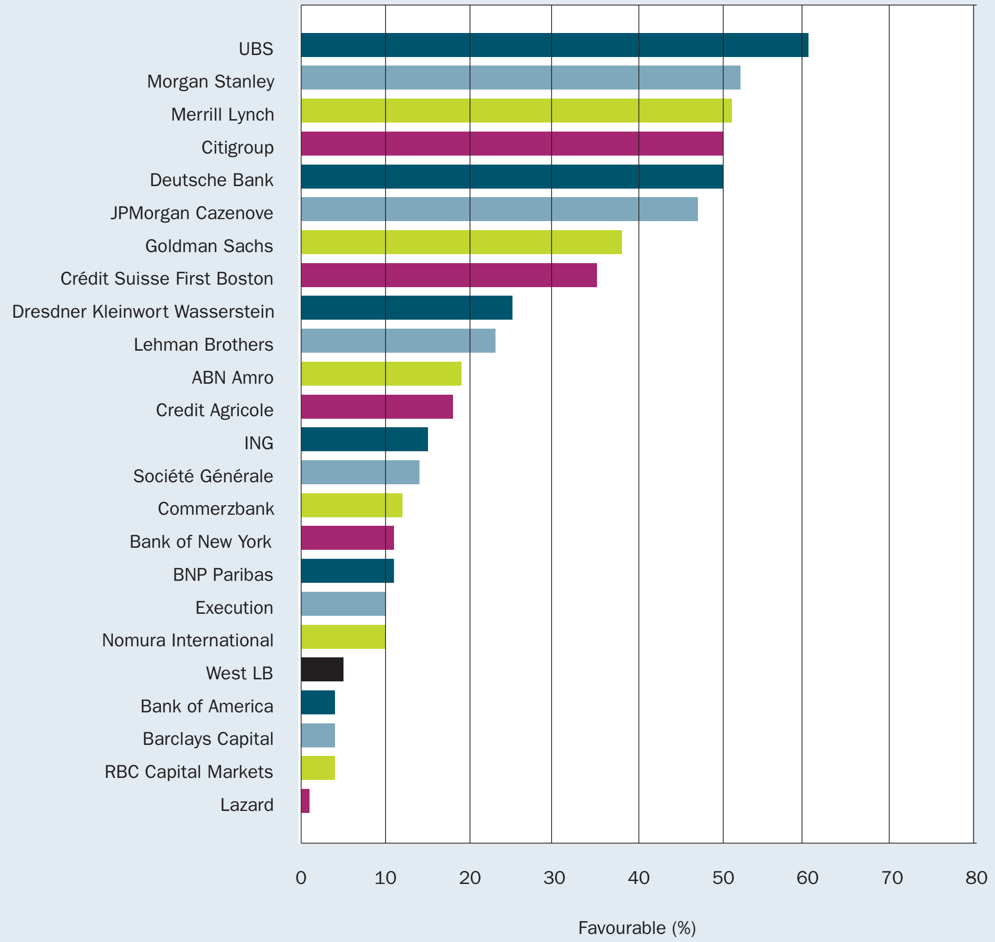


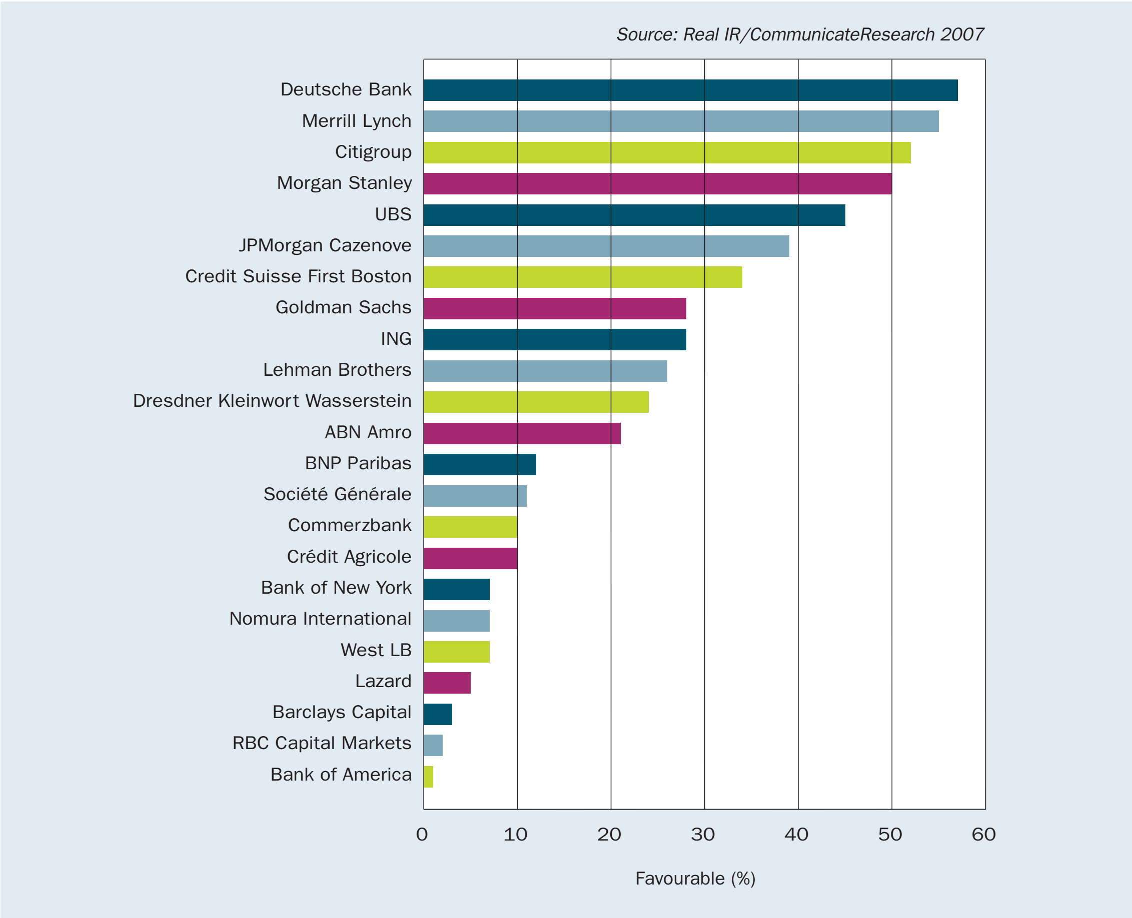
**FIG 15: How favourable or otherwise are your impressions of each of the following investment banks' CORPORATE ACCESS teams? (2007)**

*Source: Real IR/CommunicateResearch 2007*




**PLEASE NOTE: The above investment banks do not all necessarily offer dedicated corporate access services. However, IR professionals expressed a view on all of the above banks for this question.**

**FIG 16: How favourable or otherwise are your impressions of each of the following investment banks' CORPORATE BROKING teams? (2007)**




**PLEASE NOTE: The above investment banks do not all necessarily offer dedicated corporate broking services. However, IR professionals expressed a view on all of the above banks for this question.**

**FIG 17: How favourable or otherwise are your impressions of each of the following fee-based IR consultancies/service providers? (2007)**

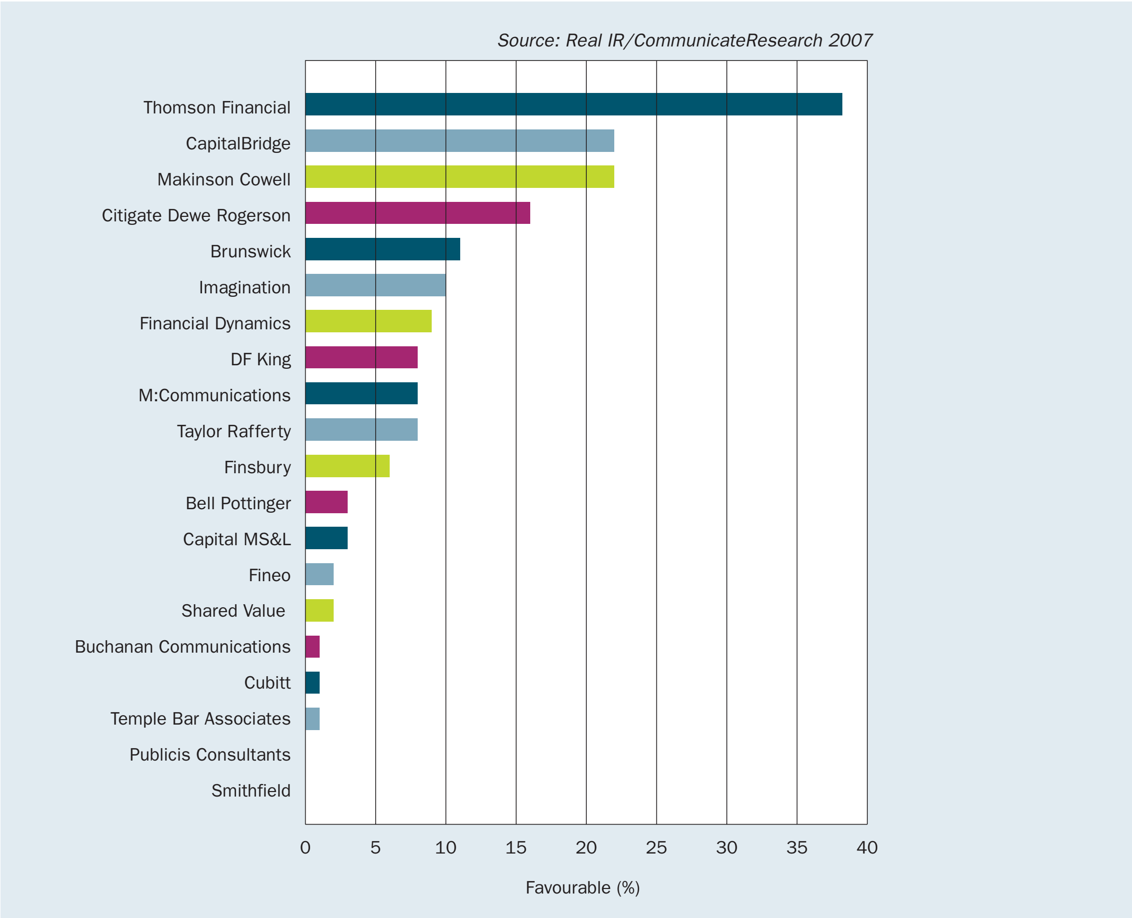


**FIG 18: How favourable or otherwise are your impressions of each of the following investment banks? (From our 2006 survey)**

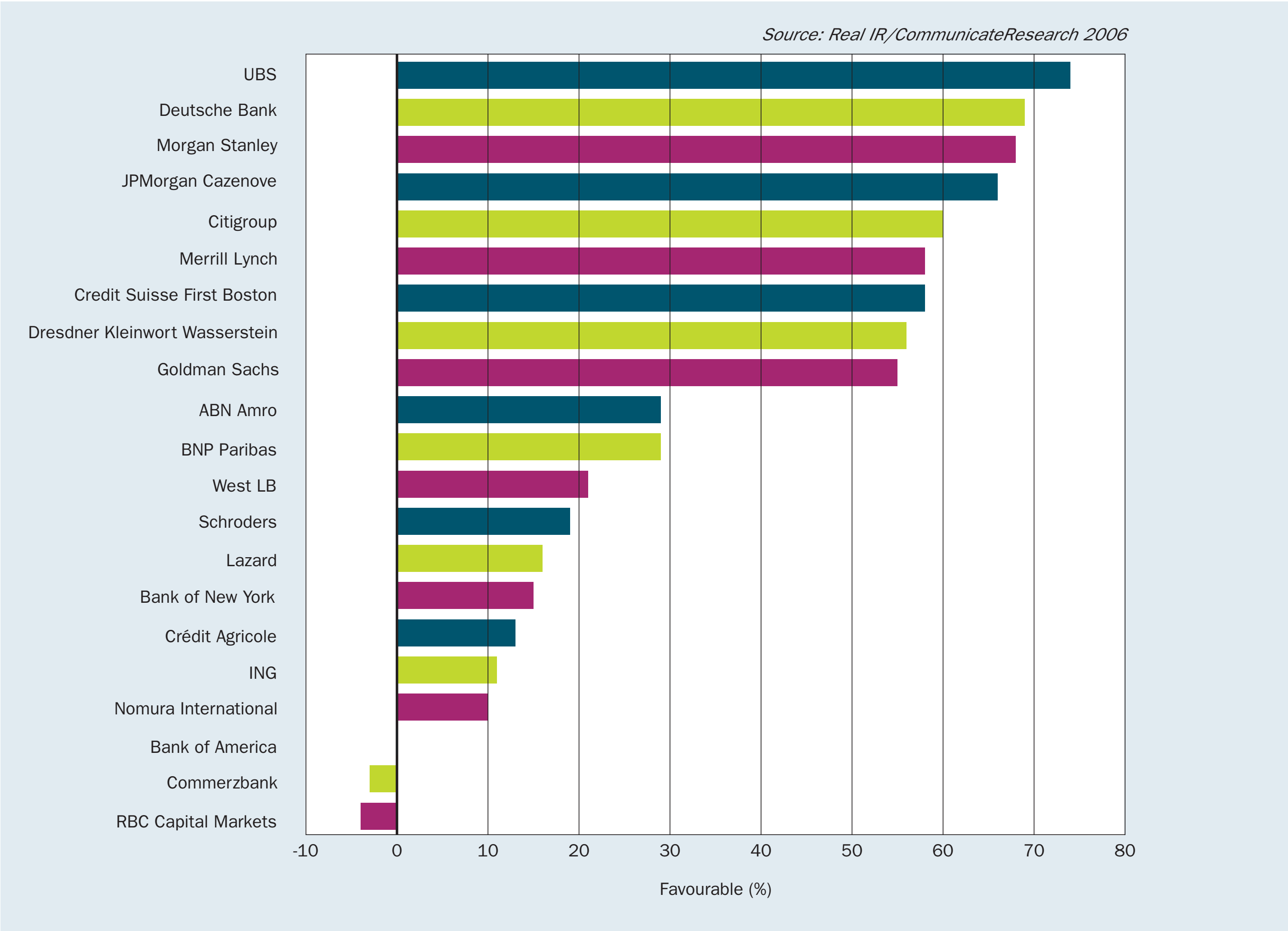
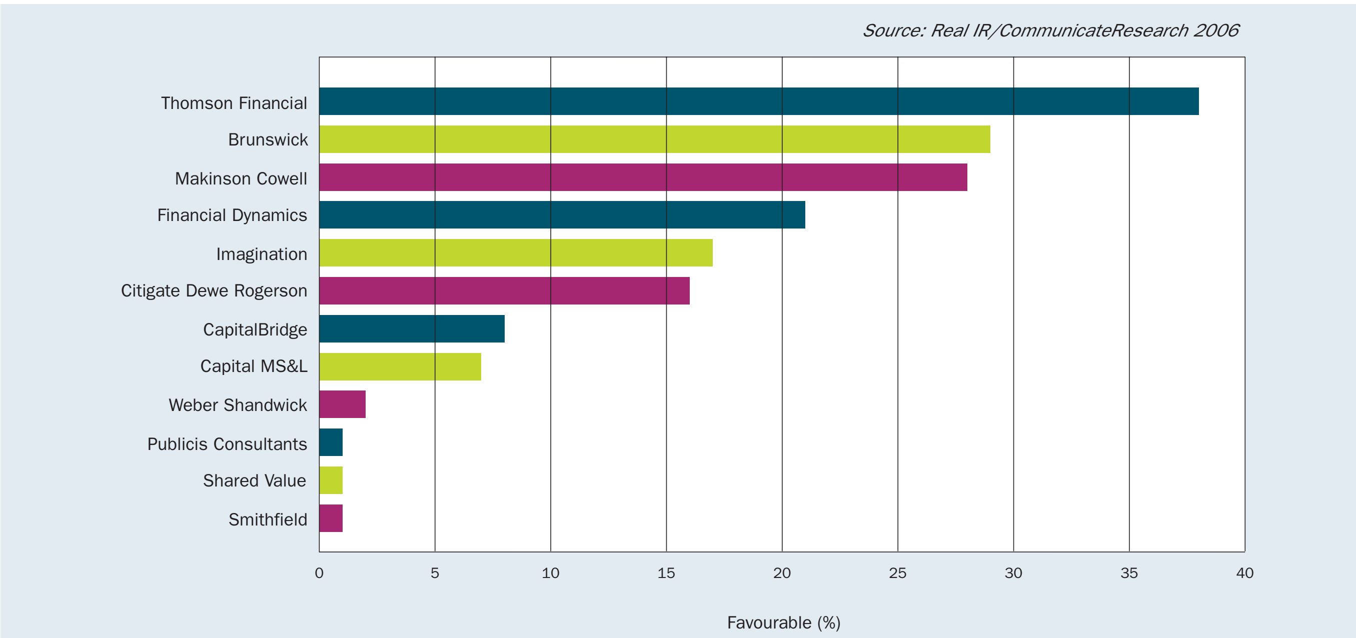



**FIG 19: How favourable or otherwise are your impressions of the following consultancies? (2006)**



## IR budgets

Fifty-two per cent of survey respondents said their companies devote between €151,000 and €350,000 to salaries.

Twenty-four per cent of respondents said their firms spend more than €550,000 on IR professionals' salaries, while 14 per cent spend more than €951,000.

Only 44 per cent of respondents devote more than €100,000 a year to shareholder ID.

Half of respondents spend more than €100,000 per year on roadshows.

Just 27 per cent of respondents spend more than €100,000 per year on investor perception studies.

Surprisingly, just 33 per cent of respondents spend more than €100,000 per year on online IR.

**FIG 10: Please estimate how much your organisation is likely to spend on each of the following over the next 12 months (excluding salaries other than for the first category)**

| IR TEAM SALARIES (€) | % |
|---|---|
| 0-100,000 | 8 |
| 100,000-150,000 | 8 |
| 151,000-200,000 | 22 |
| 201,000-250,000 | 10 |
| 251,000-300,000 | 8 |
| 301,000-350,000 | 12 |
| 351,000-400,000 | 2 |
| 401,000-450,000 | 2 |
| 451,000-500,000 | 4 |
| 501,000-550,000 | |
| 551,000-600,000 | 2 |
| 601,000-650,000 | 2 |
| 651,000-700,000 | 2 |
| 701,000-750,000 | 2 |
| 751,000-800,000 | 2 |
| 801,000-850,000 | |
| 851,000-900,000 | |
| 901,000-950,000 | |
| 951,000-1m | 12 |
| 1m+ | 2 |

| SHAREHOLDER ID (€) | % |
|---|---|
| 0-100,000 | 56 |
| 100,000-150,000 | 28 |
| 151,000-200,000 | 5 |
| 201,000-250,000 | |
| 251,000-300,000 | 9 |
| 301,000-350,000 | 2 |
| 351,000-400,000 | |
| 401,000-450,000 | |
| 451,000-500,000 | |
| 501,000-550,000 | |
| 551,000-600,000 | |
| 601,000-650,000 | |
| 651,000-700,000 | |
| 701,000-750,000 | |
| 751,000-800,000 | |
| 801,000-850,000 | |
| 851,000-900,000 | |
| 901,000-950,000 | |
| 951,000-1m | |
| 1m+ | |

| ROADSHOWS (€) | % |
|---|---|
| 0-100,000 | 50 |
| 100,000-150,000 | 28 |
| 151,000-200,000 | 9 |
| 201,000-250,000 | 2 |
| 251,000-300,000 | 7 |
| 301,000-350,000 | |
| 351,000-400,000 | 2 |
| 401,000-450,000 | |
| 451,000-500,000 | |
| 501,000-550,000 | |
| 551,000-600,000 | |
| 601,000-650,000 | |
| 651,000-700,000 | |
| 701,000-750,000 | 2 |
| 751,000-800,000 | |
| 801,000-850,000 | |
| 851,000-900,000 | |
| 901,000-950,000 | |
| 951,000-1m | |
| 1m+ | |

**FIG 10 (continued): Please estimate how much your organisation is likely to spend on each of the following over the next 12 months**

| CAPITAL MARKET DAYS (€) | % |
|---|---|
| 0-100,000 | 71 |
| 100,000-150,000 | 14 |
| 151,000-200,000 | 4 |
| 201,000-250,000 | 4 |
| 251,000-300,000 | |
| 301,000-350,000 | |
| 351,000-400,000 | |
| 401,000-450,000 | |
| 451,000-500,000 | 4 |
| 501,000-550,000 | |
| 551,000-600,000 | 4 |
| 601,000-650,000 | |
| 651,000-700,000 | |
| 701,000-750,000 | |
| 751,000-800,000 | |
| 801,000-850,000 | |
| 851,000-900,000 | |
| 901,000-950,000 | |
| 951,000-1m | |
| 1m+ | |

| INVESTOR DAYS (€) | % |
|---|---|
| 0-100,000 | 56 |
| 100,000-150,000 | 31 |
| 151,000-200,000 | 3 |
| 201,000-250,000 | 3 |
| 251,000-300,000 | 5 |
| 301,000-350,000 | |
| 351,000-400,000 | |
| 401,000-450,000 | |
| 451,000-500,000 | |
| 501,000-550,000 | |
| 551,000-600,000 | |
| 601,000-650,000 | |
| 651,000-700,000 | |
| 701,000-750,000 | 3 |
| 751,000-800,000 | |
| 801,000-850,000 | |
| 851,000-900,000 | |
| 901,000-950,000 | |
| 951,000-1m | |
| 1m+ | |

| INVESTOR PERCEPTION STUDIES (€) | % |
|---|---|
| 0-100,000 | 74 |
| 100,000-150,000 | 21 |
| 151,000-200,000 | 6 |
| 201,000-250,000 | |
| 251,000-300,000 | |
| 301,000-350,000 | |
| 351,000-400,000 | |
| 401,000-450,000 | |
| 451,000-500,000 | |
| 501,000-550,000 | |
| 551,000-600,000 | |
| 601,000-650,000 | |
| 651,000-700,000 | |
| 701,000-750,000 | |
| 751,000-800,000 | |
| 801,000-850,000 | |
| 851,000-900,000 | |
| 901,000-950,000 | |
| 951,000-1m | |
| 1m+ | |

| ONLINE IR (€) | % |
|---|---|
| 0-100,000 | 67 |
| 100,000-150,000 | 27 |
| 151,000-200,000 | |
| 201,000-250,000 | |
| 251,000-300,000 | 4 |
| 301,000-350,000 | |
| 351,000-400,000 | |
| 401,000-450,000 | |
| 451,000-500,000 | |
| 501,000-550,000 | |
| 551,000-600,000 | |
| 601,000-650,000 | 2 |
| 651,000-700,000 | |
| 701,000-750,000 | |
| 751,000-800,000 | |
| 801,000-850,000 | |
| 851,000-900,000 | |
| 901,000-950,000 | |
| 951,000-1m | |
| 1m+ | |