15th Annual Global IR Survey

Citigate Dewe Rogerson

Preface

Citigate Dewe Rogerson (CDR) has been investigating trends in investor relations since 2008, providing insight into how companies have adapted to both major crises and more subtle changes in their market environments.

This year's Investor Relations survey comes at a time of significant change in capital markets. The impact on IR functions has been profound, with teams juggling new demands such as ever-more-granular ESG reporting requirements and the need to adopt new technologies while also maintaining enhanced dialogue with investors, both new and existing, and other stakeholders.

Over 150 Investor Relations Officers (IROs) from leading companies around the world took part in our 15th Annual Global IR Survey. Highlights of our findings include:

- Two thirds said they had expanded their outreach across 2023 and intensified efforts with investors;
- While 30% reported an uptick in virtual engagements, there was a noteworthy surge (53%) in those reporting increased in-person interaction;
- Only 28% of IROs now exclusively handle core IR functions. Instead, they are extending their influence into other areas such as ESG (38%);
- A third of IROs (33%) now integrate Artificial Intelligence (AI) into their IR activities, a significant increase from the 22% in our June 2023 survey; and
- A majority (61%) indicated they are still on track to achieve ESG/net-zero targets.

Looking ahead, the expectation is clearly one of ongoing challenges and a need for IR functions to evolve and adapt as necessary. Developments such as AI will likely move further towards the mainstream, both for IR teams themselves but also investors and how they review and value businesses.

As this survey illustrates, helping our clients successfully navigate and capitalise on the fast-changing IR landscape is a key strength of Citigate Dewe Rogerson. Our own experience in 2023 has been one of increased engagement; our own expectation for the year ahead is one of helping clients meet new demands and navigate risks.

CDR Investor Relations Team

Key findings

BOARD FOCUS

69%

Believe current valuations are a concern for their board

44%

Have addressing liquidity issues at the top of the agenda

INVESTOR ENGAGEMENT

48%

Are looking to involve more international investors

26%

Are opening up to more retail investors

NON-DEAL ROADSHOWS & INVESTOR MEETINGS

49%

Reported an increase in NDRs

53%

Reported increased in-person interaction in the past year

ESG TARGETS

61%

Are on track to achieve their ESG/net zero targets

41%

Are engaging with the Science Based Targets Initiative (or similar)

ESG ACCOUNTABILITY

64%

Have a sustainability committee

51%

Link ESG metrics and executive remuneration

BUDGETS & RESPONSIBILITIES

72%

Have additional responsibilities outside IR

62%

Reported no change or a decline in their IR budget

USE OF AI

33%

Already use AI in their activities

89%

Have not altered their engagement strategies in response to the use of AI

SECTION 01.

Evolving investor engagement

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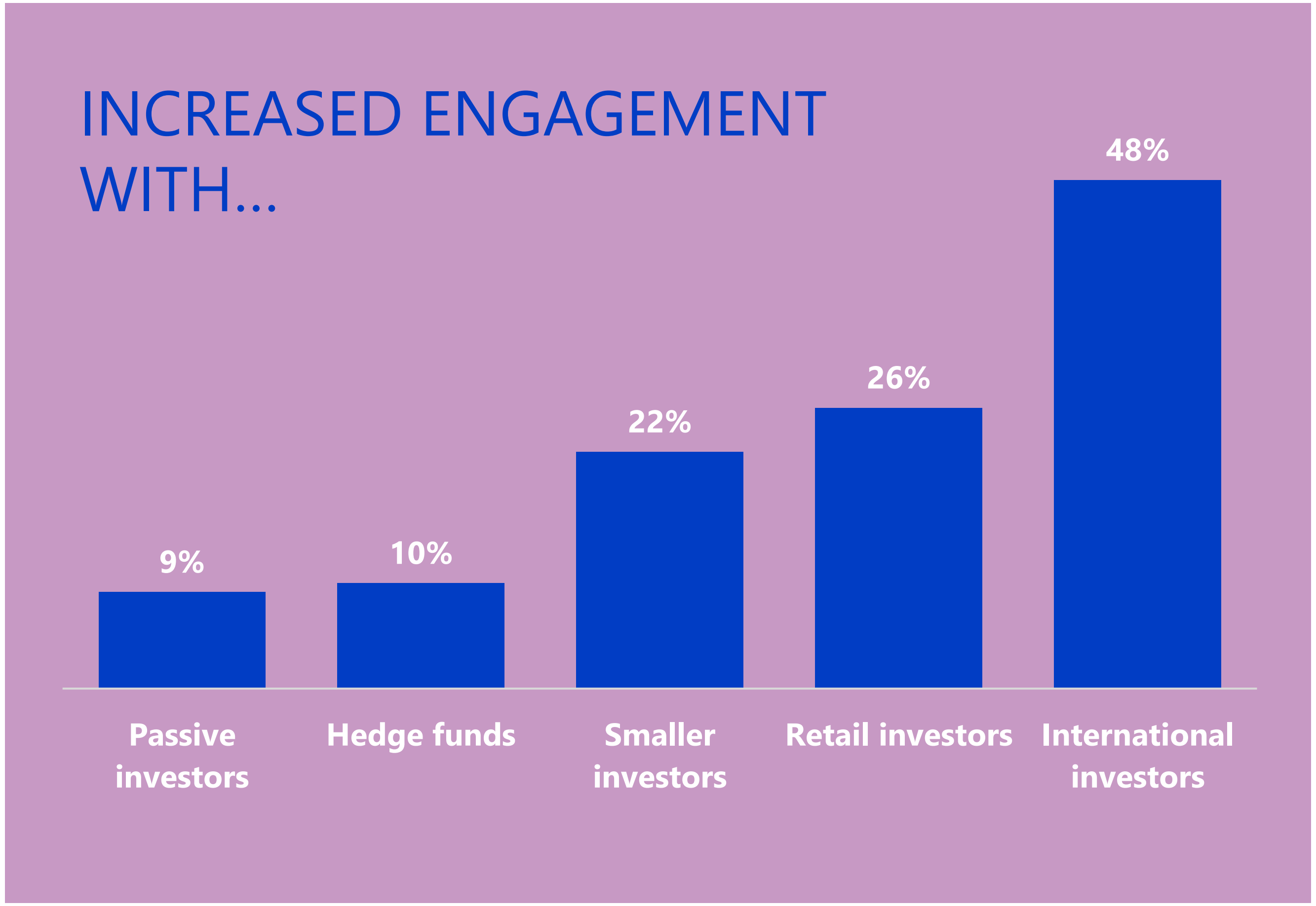
Broadening the spectrum of investor engagement

Despite regional variations, global market conditions in 2023 were challenging. Global IPO volumes fell and the latest data available at time of writing showed that around half of global IPOs were trading below their offer price and that global capital markets volumes decreased (*).

While there are glimpses of positivity emerging, the persistent uncertainty has impacted businesses and their capital allocation strategies.

Our research indicates that publicly listed companies are diversifying their efforts to connect with investors, as two thirds of respondents have expanded their outreach and intensified their efforts.

Close to half have sought increased engagement with international investors, while approximately a quarter have bolstered interactions with retail investors, and others have focused on smaller investors, hedge funds, or intensified their engagement with passive investors.



(*) Data as at end of Q3 2023. Sources: EY Global IPO Trends Q3, 2023 and London Stock Exchange Equity Capital Markets Update

Diversified investor outreach

Respondents highlighted several reasons driving the expansion of diversified investor outreach, including issues like liquidity constraints, restricted free float, and a proactive approach to directly engage with investors in response to diminished coverage from sell-side analysts.

We've increased our targeting of high net worth individuals and family offices.

Real estate, APAC, small cap

We've actively expanded our efforts in public relations to build our reputation with retail investors via social and traditional media.

Energy, Europe, small cap

We still have more to do on retail engagement.

Energy, Europe, small cap

We are targeting smaller investment funds due to lack of liquidity.

Logistics, Americas, small cap

We have seen our investor base jump tenfold in the last 5 years, mostly retail investors. Meanwhile, international investors volume also increased.

Industrials, Americas, large cap

We are trying to organise more roadshows, attend more conferences and target new regions for roadshows.

Logistics, Europe, mid cap

Brokers are not helping illiquid companies to market their stock. Retail investors can make a positive difference for illiquid stocks.

Financials, Europe, mid cap

Actively looking to target US shareholders where funds seem to be more plentiful.

Technology, Europe, mid cap

More in-person meetings since Covid-19 period, but still some virtual interaction due to PM out-of-office policy, notably in the UK or US.

Industrials, Europe, large cap

We increased our in-person engagement alongside a more general increase in outreach. In-person was prioritised for new lead engagement.

Industrials, Europe, small cap

Key engagement tools

Non-deal roadshows have driven engagement and in-person interaction is once again on the rise.

Half of the respondents noted a rise in the frequency of non-deal roadshows over the past year, albeit still lagging behind pre-pandemic levels.

Although virtual meetings continue to be relevant, with 30% reporting an uptick in virtual engagements, there's a noteworthy surge (53%) in those reporting increased in-person interaction. This shift marks a distinct differentiation from trends observed in recent years following the pandemic and signals a positive development.

In exploring alternative methods to improve investor engagement, the survey examined the use of issuer-paid research. Results showed that 63% of respondents do not incorporate issuer-paid research into their practices. Interestingly, only 7.5% of the surveyed IROs have recently started to use it.

Primary IR-related concerns of the board

69%
Valuation

44%
Liquidity

42%
Investor engagement

37%
Capital allocation

The concerns around capital markets dynamics and investor engagement are shared at board level with respondents emphasising valuation, liquidity, and investor engagement as primary concerns. This ongoing trend persists from previous years, mirroring findings from past editions of the survey.

Looking ahead, respondents anticipate a shift toward heightened direct targeting, alongside a greater focus on investor engagement.

"Low valuation implies more difficult funding/transaction (more dilution), but also more difficult to attract investors with low liquidity levels and potential associated volatility."

Healthcare, Europe, micro-cap

"Depressing share price with big discount to NAV."

Real estate, APAC, small cap

"We are very focused on how best to allocate capital. We are also keen to improve our rating."

Technology, Europe, mid cap

Secondary listings are not an option for the majority

Looking specifically at secondary listings as one of the possible ways to increase liquidity, over half (54%) of the respondents do not have immediate plans but would not rule out this possibility in the future.

The rationale behind considering secondary listings revolves around expanding operations in the country of secondary listing and the potential for augmented liquidity.

Conversely, reasons for not contemplating secondary listings include concerns about elevated costs and administrative burdens, a perceived lack of interest from foreign investors, and the absence of substantial international operations.

54%

SECONDARY LISTINGS NOT CURRENTLY ON THE AGENDA, BUT WON'T RULE IT OUT IN THE FUTURE

29%

WOULD NEVER CONSIDER A SECONDARY LISTING

11%

IT'S A POSSIBILITY BUT NO DECISION HAS BEEN MADE

SECTION 02.

The ESG agenda

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ESG continues to be an area of focus

There has been growing scepticism in 2023 over the relevance of ESG. One of its original proponents, BlackRock's Larry Fink, stopped using the term, saying that it has become too politicised. There has been strong backlash in the US, with Republican lawmakers introducing anti-ESG legislation to stem the rise of 'woke capitalism'. However, in Europe, where adoption is further advanced due to the various legally binding targets across the region, there has been less backlash.

Against this varied backdrop, our survey found that companies are still as committed to ESG as before. A majority of respondents (61%) indicated that they are still on track to achieve their ESG/net-zero targets, for instance, while a further quarter (24%) stated that they are partially on track.

Within this, companies are showing varied levels of engagement with the Science Based Targets initiative (SBTi) or similar organisations for validation of their targets, with some in the process of doing so (20%) and others already obtaining validation (21%).

61%

STILL ON TRACK TO MEET THEIR ESG/NET ZERO TARGETS

24%

ARE PARTIALLY ON TRACK TO MEET THEIR ESG/NET ZERO TARGETS

41%

ARE ENGAGING WITH THE SCIENCE BASED TARGETS INITIATIVE (OR SIMILAR)

Non-financial metrics are here to stay

45%

Think that investors are focusing more on non-financial metrics

48%

Believe there has been no change in investor priorities

8%

Think there is less focus on non-financial metrics

Given the volatile macroeconomic backdrop and some vocal 'anti-ESG' rhetoric from certain quarters, some may have expected investor priorities to shift, but non-financial metrics are clearly embedded.

Over 90% of respondents indicated that they had either seen an increased focus on non-financial metrics or no change in priorities in the current climate, indicating that for the vast majority, the focus on non-financial metrics alongside more traditional financial metrics is here to stay.

Unsurprisingly, many of our respondents called for standardised reporting frameworks and questionnaires to reduce the time spent responding to ESG data requests, a task which is increasingly falling within an IRO's remit.

> More focus on ESG themes overall.
>
> ***Real estate, Europe, small cap***

> As a business with retail operations there is a lot more focus on customer services metrics in the current environment. Climate targets also become more important every year, in particular performance in the short and medium term to provide evidence that we are on track to achieve our longer-term net zero goals.
>
> ***Utilities, Europe, large cap***

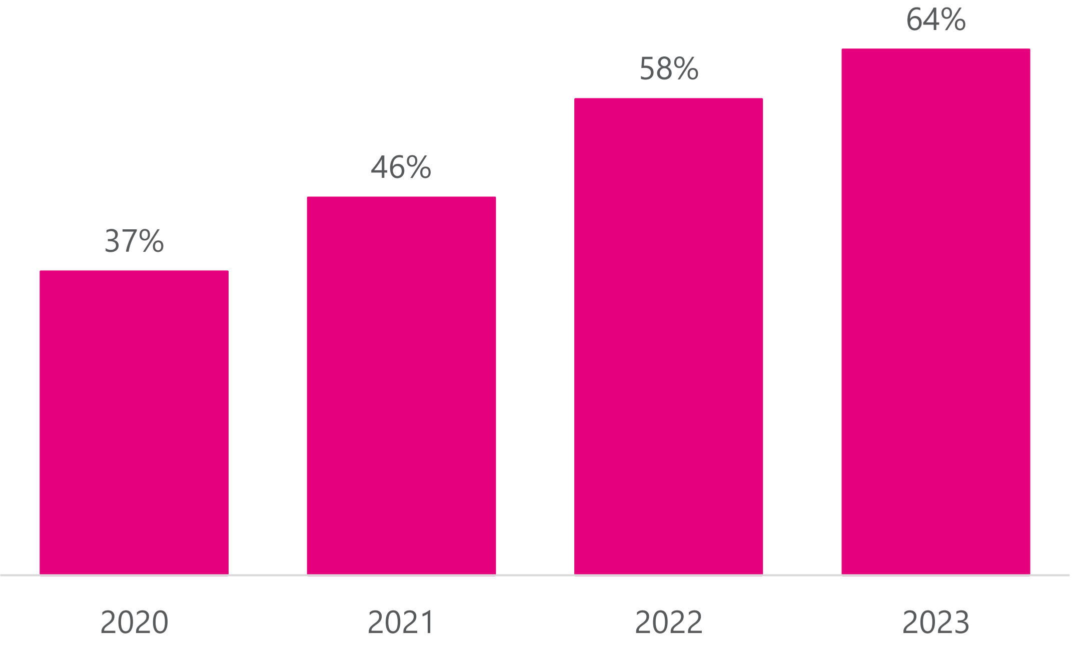
> Investors have increased their interest in verifying our commitments to sustainability and the way we create value for our stakeholders.
>
> ***Financials, Americas, mid cap***

Increased focus on governance…

As we reported in last year's survey, there is growing focus on the governance of ESG issues. Almost two thirds (64%) of respondents reported having a sustainability committee at board level, up from 58% last year.

In addition to this board level representation, a number of respondents reported having a Head of ESG that does not report into the board. Overall, only 15% of respondents reported having no ESG representation at either board or senior leadership level, demonstrating that the majority of companies are taking the governance of ESG matters seriously.

Companies with a board-level sustainability committee



… But there is still a disconnect with remuneration

Almost half (49%) of respondents said they have no link between executive remuneration and ESG metrics, up from 42% last year.

However, of the 49% who reported no link, 17% stated that they are planning on linking the two soon, demonstrating an increasing effort to introduce more accountability for ESG performance at a majority of companies.

Among those that do link executive remuneration to ESG metrics, the levels vary quite considerably….

5% 10% 25% 40%

49%

HAVE NO LINK BETWEEN EXECUTIVE REMUNERATION AND ESG METRICS

But…

17%

HAVE PLANS TO LINK THE TWO IN THE NEAR FUTURE

SECTION 02.

Ever-expanding role of IROs: challenges and opportunities

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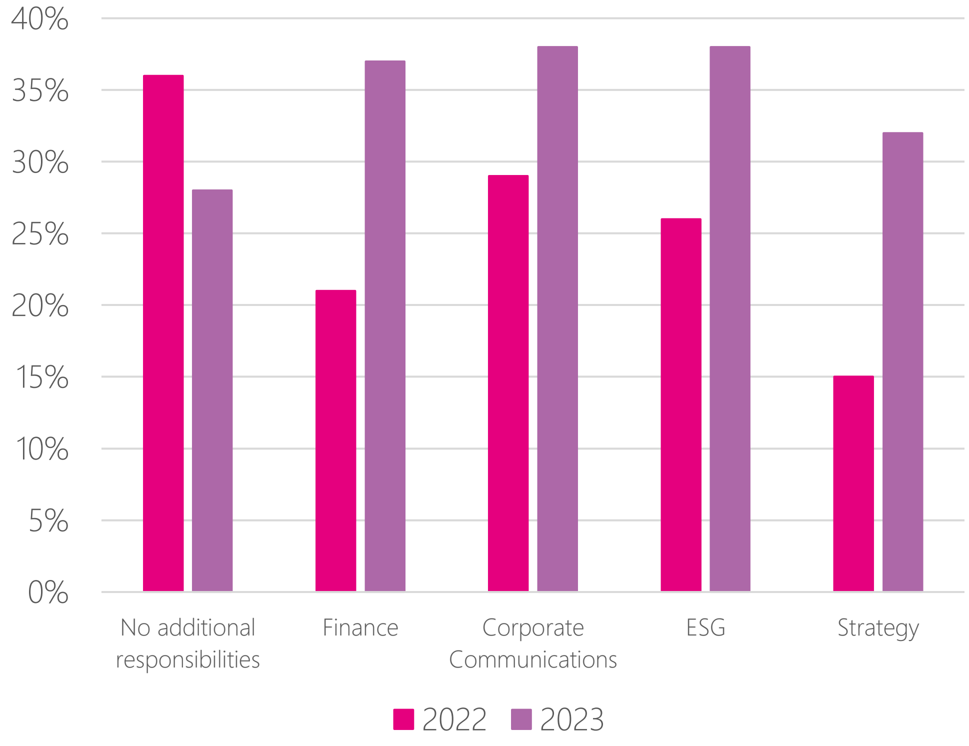
The role of the IRO is ever-expanding….

Our 2024 survey underscores a trend of IROs transitioning to a broader role encompassing other areas of responsibility.

Only around a quarter (28%) of IROs now exclusively handle core IR functions, a decrease from more than a third (36%) last year. Increasingly, IROs are taking on roles including corporate communications (38%), ESG (38%), strategy (32%), and finance (27%).

There is mixed opinion as to whether this shift is a positive for IROs. While some respondents believe expanded duties enable them to assume a more strategic role in shaping corporate narratives, others feel these additional responsibilities, often taken on without a corresponding increase in resource, are diminishing the quality of service and added value IROs can provide.

Additional responsibilities of investor relations teams



… But budget and resources are not aligned…

72%
Have additional responsibilities outside IR

47%
Think their IR team is not adequately resourced

62%
Reported no change or a decline in their budget

Despite the expanding role of IROs, our survey found a misalignment in budgets and resource.

While almost two fifths (38%) reported increased IR budgets, a marginal rise from 37% last year, over half (51%) recorded no change. Of those who increased their budget, higher third-party and consultancy fees are cited as the main driver.

In addition, almost half of respondents think their team is not adequately resourced to fulfil their expanded remit.

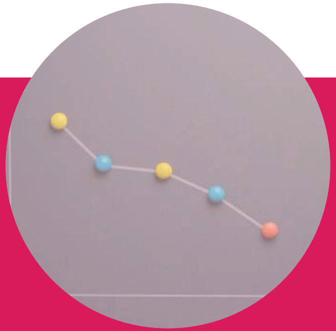
Inadequate team resource and budget growth poses a risk of compromising the service quality that investor relations teams can provide, potentially impacting investor outreach quality, constraining technological advancements, and hindering strategic initiatives. Ultimately, this challenge makes it difficult for IR teams to fulfil heightened expectations in communication and stakeholder engagement.

… Making it harder to navigate current challenges

As the responsibilities of IROs continue to expand, with an expectation to achieve more with fewer resources, respondents have identified four key risks to IR teams. All of these risks have the potential to diminish the quality of service or limit the strategic input that IROs can provide.

#1

Increased reporting requirements



#2

Declining valuations

#3

Lack of management understanding of IR

#4

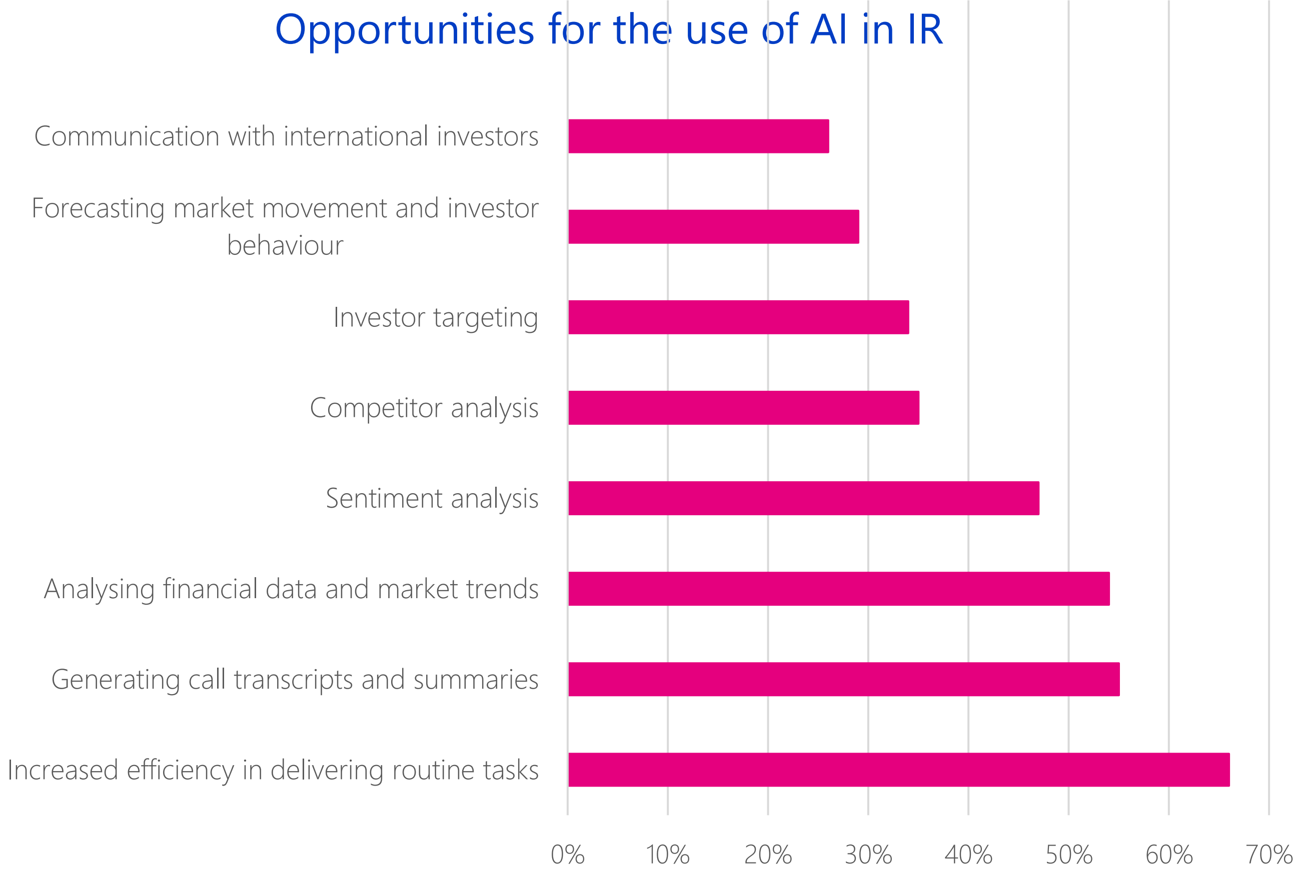
Reduced sellside coverage

The potential of AI is yet to be realised

Over the past decade, the IR landscape has evolved significantly in terms of technology, embracing a range of tools to enhance communication, such as social media and webcasting platforms. More recently, the emergence of AI in investor relations has indicated a new era, promising enhanced efficiency and more time to focus on strategic initiatives.

Our survey found a third (33%) of respondents currently integrate AI into their IR activities. This marks a significant increase from 22% citing their use of AI in our pulse survey in June 2023. However, while recognising AI's potential, most IROs have yet to fully realise its benefits, posing a risk of missed opportunities in an investment landscape increasingly driven by AI.

Respondent sentiment towards AI in IR is that it primarily enhances efficiency of tasks, with IROs using AI tools for diverse functions such as drafting external communications (19%), market intelligence (13%), and sentiment analysis (7%). In terms of its potential, our findings indicate that further opportunities lie in enhancing efficiency, call transcript generation, financial data analysis, and sentiment analysis.



The rise of the Artificial Investor

As investors increasingly incorporate AI into their decision-making process, understanding how this information is used will be crucial for effective investor relations.

Almost half (47%) of respondents do not know whether analysts and investors use AI tools in their investment decision making processes, though some have observed increased use, particularly in sentiment and trend analysis. Interestingly, the majority of respondents (89%) have not altered their investor engagement strategies in response to the growing use of AI in investment decision-making.

Despite investors employing AI for decision-making, a significant portion of IROs have not used AI to analyse their communication materials or evaluate tone of voice and body language in results calls or presentations.

Nevertheless, our survey findings underscore the indispensable human element of IR, citing personal connections, access to management, empathy, and effective communication as dimensions AI cannot replicate.

Furthermore, while AI brings extensive capabilities, challenges exist in data confidentiality and quality. A notable percentage of respondents lack established policies for responsible AI use, raising governance concerns.

Looking ahead, striking the right balance between embracing AI and preserving human connections is crucial for IR professionals. By doing so, they can harness technology to augment capabilities, ensuring efficient, accurate, and insightful investor service.

47%

Do not know if analysts/ investors use AI in their investment decision making

89%

Have not altered their investment engagement strategies in response to the use of AI by investors and analysts

Get in touch

Our dedicated investor relations practice has a 30 year track record in advising boards, senior executives and IROs worldwide, building their profiles amongst the investment community and nurturing their relationships with key decision makers.

We come from different backgrounds but have one thing in common: the desire and commitment to maximise the effectiveness of your investment case and ensure successful delivery of your narrative through proactive engagement.

If you have any questions or would like to discuss any aspect of your IR programme, we would love to hear from you.

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