IR4U: Fundamentals of Investor Relations

BURSA MALAYSIA

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Glossary

In this document, the following terms and abbreviations have the meanings described below:

AGM	the Annual General Meeting of shareholders of a company
Bank Negara Malaysia	the Central Bank of Malaysia
CEO	the Chief Executive Officer of a company
CFO	the Chief Financial Officer of a company
EES	Economic, Environmental and social
EGM	Extraordinary General Meeting
ESG	Environmental, social and governance
ETFs	Exchange-traded Funds
FBM EMAS	FTSE Bursa Malaysia EMAS
FBMKLCI	FTSE Bura Malaysia KLCI
GN3	Guidance Notes 3
IPO	Initial Public Offering, which is the process by which a company's securities are first admitted to the Official List of the Exchange
IRO	Investor Relations Officer
KPI	Key Performance Indicator – a management tool which measures operational and financial performance by a company
Listing Requirements or LR	the Listing Requirements of the Exchange, as published and amended from time to time
P/E ratio	Price / earnings ratio – an analytical tool which examines the relationship between the market price of a company's securities and the company's earnings
PN17	Practical Notes 17
PLC	Public Listed Company, a company listed on the Exchange
PR	Public Relations
Q&A	Question and Answer
TCFD	Task Force on Climate-related Financial Disclosures

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Understanding Investor Relations

- A component of Capital Management
- An element of Finance and Corporate Strategy

Next Chapter : 02 Understanding Valuation

Understanding Investor Relations

A component of capital management

An element of Finance and Corporate Strategy

Companies profile and market themselves to investors during the Initial Public Offering stage via the prospectus which is governed by statutory requirements and regulations. After listing, apart from meeting the mandatory continuous disclosure requirements, many companies pay little attention to communicating with investors.

Often, the only communication platform is the AGM. However, AGMs have proven to be largely ineffective, mainly due to poor attendance and shareholders-only restriction, time constraints, logistical problems and their lack of frequency.

In an age when "instant corporate information" can be transmitted to an international audience via the technology platform, companies that do not engage with investors will lack visibility. Investors have so many choices, PLCs which do not have an IR programme will lack coverage and support. Eventually this leads to illiquidity of the stocks, poor valuation and disengaged stakeholders. It is crucial for the IR to maintain investors' interest through an IR programme that engages the investment community with periodic information in an effective, transparent, and timely manner.

Globally, shareholders have become more aware of their rights and more assertive in their attitudes. Shareholder activism, which has taken root in more developed markets, is becoming an increasingly common feature in Malaysia as well. Companies need to be aware of this and engage with their shareholders accordingly. Uninformed shareholders can easily become disgruntled and meeting them once a year through an AGM can become a painful affair. Managing investor expectations through an effective on-going IR programme is crucial for all PLCs.

What is IR?

Investor Relations (IR) plays the role through which a public listed company organises and conducts itself in effective two-way communications with its shareholders, the investment community and other stakeholders with the objective of accurately representing the company and frequently delivering updates to achieve a fair market value for the company's securities and ultimately lowering its cost of capital. It is also to facilitate investors to make informed decision.

Why is it Important?

By providing information and analysis which helps investors develop a well-rounded understanding of the company and its strategies, a company can help achieve a fair market valuation for its securities, create a body of investor support and a climate of unbiased opinion. The result is a loyal shareholder base which gives the company the ability to approach its capital management exercises with confidence. Ultimately, this will be reflected in the demand for the company's shares.

What IR is not

While an effective IR programme may be seen as part of establishing corporate reputation, it is not part of company "branding" or other promotional activities generally characterised as Public Relations. IR is about fairly disseminating company fundamentals, far more than it is about marketing or promoting a "corporate image".

IR is NOT

- Public Relations
- One-way communication to investor
- "Ad-hoc", or "on-and-off" communication
- Managing situations
- Managing the company's share price

But an Integral part of the Executive Decision Making

The Strategy Cycle

1 The Board, CEO and Senior Management

- Establish corporate vision and strategy
- Analyse market sentiment and competition
- Establish Governance and IR policies
- Establish KPIs

2 Strategic Planning

- Determine strategy aligned with corporate vision
- Identify and analyse corporate peers and benchmarks
- Identify opportunities to further strategic goals

3 Finance

- Develop financial strategy to maximise returns
- Implement cash management and forecasting activities
- Monitor risk management
- Monitor KPIs and analyse results

4 Investor Relations

- Communicate to investors / financial community
- Analyse market and sell-side sentiment
- Develop shareholder management strategy
- Obtain feedback from investors / financial community

5 Public Relations

- Communicate corporate vision, strategy and financial plans to broader community and media
- Monitor news on the industry and competition
- Promote corporate image and brand
- Obtain broad feedback on corporate vision and strategy, and assessment of management performance

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Understanding Valuation

- Fair market value for the company's shares
- Easier access to capital for future funding activities

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Understanding Valuation

Fair market value for the company's shares

Easier access to capital for future funding activities

It is not possible for a PLC to absolutely determine who buys or sells its shares, or the price at which its shares are transacted. However, by actively informing and engaging with shareholders and prospective investors, a PLC can influence the way the investment community regards the company and indirectly manage its shareholder register. This will be reflected in the valuation of the company's securities and the appetite of investors for those securities.

Mere compliance with disclosure requirements is not adequate. Likewise, just publicising good results is not sufficient to attract investors. Results must be accompanied by plans and prospects for the future. Investors do not invest in the securities of a company because of how they view its past, it is how they perceive the future which counts.

What is fair market valuation ?

A fair market valuation reflects the way a company actively and accurately represents itself. Investors value a company based on a variety of criteria, such as:

- Current and prospective valuations of the business
- Company's future prospects, its goals and its strategies
- Outlook for the sector in which the company operates
- Monopolistic or niche features
- Management and governance track records
- Broader economic influences
- Competing investment opportunities

Some factors are not within the control of the company, but much also depends on its fundamentals and how effectively the company conveys its virtues to the investment community.

How to determine fair market valuation?

Peer group comparison (local and foreign) is the most appropriate way of setting benchmarks and gauging fair market valuation. Analysts use such comparisons when formulating their recommendations.

Why is fair market valuation important?

A company which does not keep the market adequately informed of its financial performance, prospects and strategy, will attract little following and its strengths may not be appreciated. The consequent non-compelling valuation will have the following repercussions:-

- Attempts to raise additional funds will require offering higher discount when undertaking equity fund raising which will result in issuing more shares, with the accompanying dilutionary effect for existing shareholders
- Under-subscription becomes a risk. Underwriting support may be difficult to achieve which translates into higher funding costs
- Reduced bargaining power when mergers and acquisitions are being contemplated, especially if the currency for the transaction is the shares of the buying company
- A vulnerable target for takeover

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Targeting Investors

- A complex audience
- Knowing how investors value a company can help targeting

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Targeting Investors

A complex audience

Knowing how investors value a company can help targeting

After the shareholder register has been analysed, decisions can be made whether or not to try to alter the shareholder mix. If the register is missing some large institutional names which the company would like to attract, a targeted approach should be taken.

Investor targeting is a pro-active process in which a company tries to identify those investors (often institutions or professional fund managers) which have a special interest in the company and its investment virtues. It involves matching the investment style of the investor with the company's characteristics.

Types of Investors

There are two basic models used by investors – a model which attempts to recognise behavioural patterns in investor and a model which concentrates on corporate fundamentals.

Behavioural patterns do not normally consider corporate fundamentals. They are based on the pattern of market/ sector performance and the price movements of a company's securities, and attempt to recognise points in time when it is likely that a company's securities will behave in a predictable manner. Many individual methods require complex data collation and mathematical calculation. The investor makes his or her decisions based on these predictions. There is little that a company can do to influence the analysis or the decision in this case.

Corporate fundamentals, on the other hand, are believed by many investors to be the primary influence on how a company's securities may perform in future. Investors conduct a financial modelling for the company and consider a variety of factors such as revenue and earnings growth, profit margins, returns on assets and shareholders funds, estimated dividend yield and estimated price/earnings ratios.

The four basic approaches which use the corporate fundamentals model are growth, value, income and ESG.

Growth Investors

- Focus on rising trends in revenues, earnings, and cash flows which match the investment time horizon
- Dividend payout is secondary
- Ultimate focus is on the future share price

Value Investors

- Focus on companies with hidden virtues not recognised by the market: e.g. under-valued stocks
- Will consider companies in recovery phase / stage, turnaround companies, merger and acquisition targets, and companies on a cyclical uptrend, etc

Income Investors

- Focus on companies with high dividend payouts / yield, or companies with surplus cash i.e. potential for capital repayment

ESG Investors

- Focus on companies that generate positive, measurable social and environmental impact in addition to financial return measured in growth, value and income

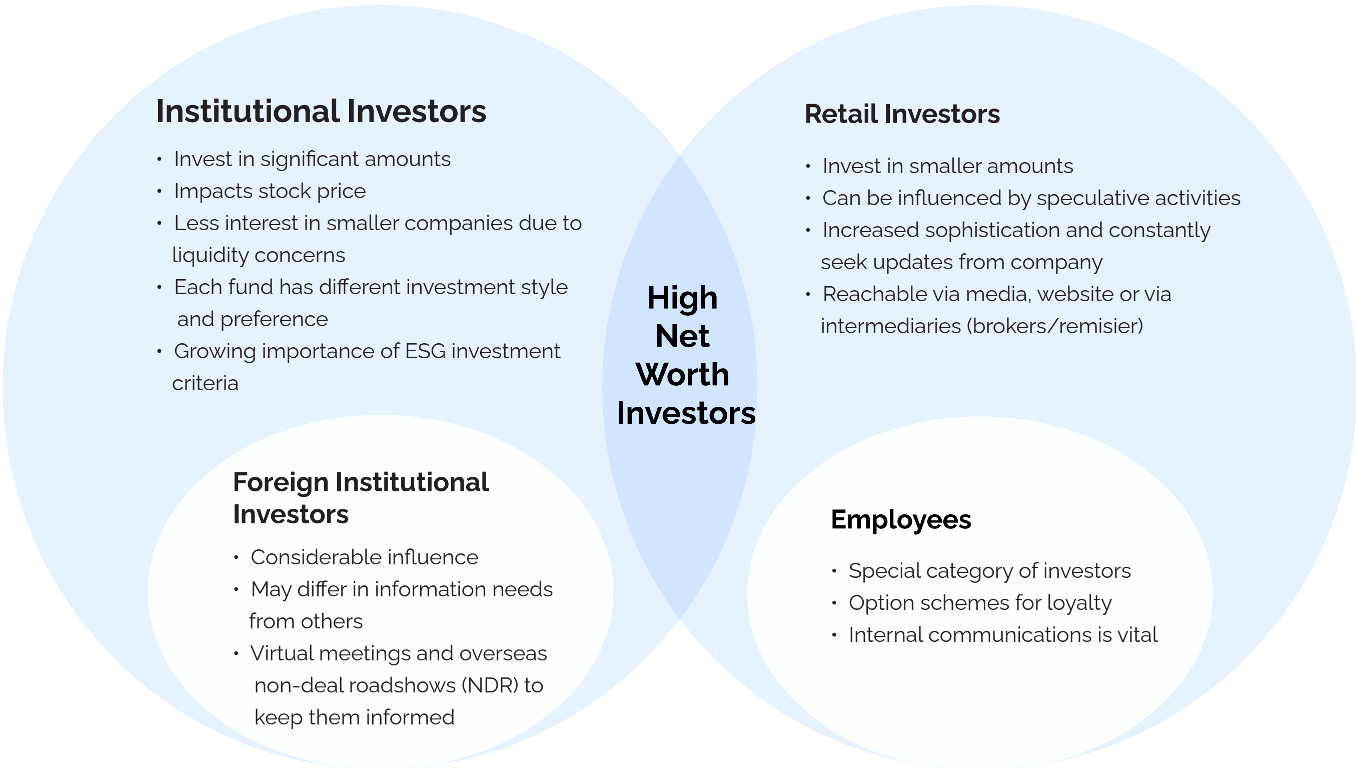
Ultimately, all fundamental investors are interested in the total return from the investment – the combination of share price appreciation and dividend. It is important that the IRO understands the approach taken by institutional investors and what drives their buy and sell decisions.

Investor Targeting

Investment bankers, analysts and IR consultants may be able to help identify institutions with a style which fits the company. There are databases available through some of the news agencies or data aggregators which can also be of help by showing the portfolios of institutional investors so the company can see if there is a match in terms of sector or other corporate features. Some investing institutions will publish their investment criteria on their websites, while others may outsource all or part of their investment management function.

The IRO should proactively engage with his stakeholders by establishing rapport and building a relationship with them. The IRO should make efforts to understand the profile/mandates of the investors in order to capture / attract the right investors. It may be a futile effort trying to interest an income investor when your company is on a growth cycle, utilising internal cash resources rather than taking on new debt. On the other hand, if a match is found, the company can present its value proposition to which reflects the investors' particular interests and criteria.

However, this is not a one-time process. As a company evolves, the fundamentals will change and this may lead to changes in the investors base. For instance, a high-growth company that attracts investors seeking growth may evolve into a stable company with high dividend yield as the business matures. As a result, the company will experience a shift in investors base to those seeking income base investors. The IRO's role is to stay abreast of these changes, modify its investors targeting strategy and to present the business life-cycle / company's profile to external parties. Targeting investors is a constantly changing process.



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Analysts and the Media

- The conduits for reaching investors
- A feedback mechanism

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Analysts and the Media

The conduits for reaching investors

A feedback mechanism

Analyst coverage is important to increase the company profile and ensure that it is on the radar screen of the major institutional investors. Pension funds, insurance companies, unit trust funds and fund managers use analysts' research reports in making their investment decisions although some also conduct their own analysis. These research reports are also made accessible to retail investors to help them to make informed decision. The financial media, on the other hand, depends on analysts' reports as they provide an independent review of the company.

Leading analysts attract followers, and their views are often sought by financial media. Typically, they specialise in one or two sectors and develop considerable expertise in the businesses and companies they cover, resulting in their opinions carrying greater weight with investors. Companies can also engage with these analysts to obtain feedback on industry trends which the company may consider for its strategic plan.

Analysts naturally tend to focus on stocks which generate interest. Well followed companies may have several analysts covering their stock.

Managing the Analyst Relationship

As analysts' opinions can influence both institutions and retail investors, company is encouraged to present its value proposition in effort to convince the analysts of its prospects. However, care must be taken not to become involved in selective disclosure. When information is given, amplification of already published information is acceptable. However, no attempt should be made to interfere with the analysis itself or the conclusions of an analyst.

In general, it is also advisable for companies not to endorse the opinions of analysts, even if the company agrees with the report. Circulating an analyst's report to shareholders or others outside the company could be considered as agreeing with its predictions and providing a forecast.

However, the IRO should make analysts' reports available to the company's directors and senior management, so that they have guidance as to external impressions of the company and the market's perceptions of its prospects.

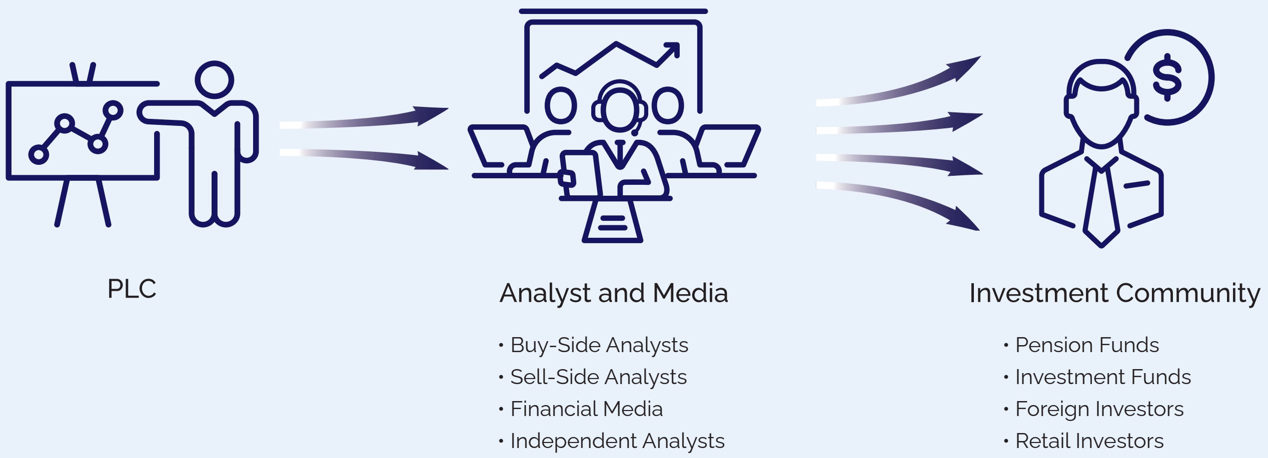
The Financial Media

When it comes to reaching the widest audience, the financial media of both traditional and digital channels are the most effective conduit. News, events and results can be disseminated to all classes of investors and an effective media coverage generates interest from retail investors, institutions and analysts alike. Investors' opinion of a company is formed not only from stories that are immediate and newsworthy but also from more considered, analytical pieces. Articles or broadcast media presentations from reputable financial commentators and analysts can have considerable influence.

It is important, therefore, that good relationships are maintained with leading journalists and the financial press, broadcast and electronic/digital media. In addition to press release, media interview is an additional avenue to profile the company to the mass.

Some companies develop their own PR / corporate communications capability, while others employ external PR firms to foster these relationships. The objective is to develop strategies to obtain coverage of the company and to create a climate of interest and positive opinion. Intermittent feature articles, potentially tied to significant corporate developments or profiles of industry thought leaders, can prove efficacious in establishing impactful investor communication, reaching a broad and diverse audience.

Analyst and Media: Conduits between the company and the investors for information flow



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The IR Officer

- A blend of skills and experience
- Essential competencies

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The IR Officer

A blend of skills and experience

Essential competencies

There are no firm rules about how responsibility is divided inside a company when it comes to dealing with the investment community. Generally, the IR acts as the intermediary in connecting the management with the investment community while senior IROs assume the role of strategising key message for the company.

Key Competencies

The IR function requires a unique combination of expertise. Typically, an IRO will have:-

- Academic or professional background in business, finance or accounting
- Experience in investment management or as an analyst i.e. appreciation of what the capital market needs and how does the capital market works
- Familiarity with all relevant regulatory requirements
- A sound knowledge of the company, its businesses, prospects and strategies
- Ability to utilise a variety of corporate and financial communications channels
- Ability to develop the key IR messages i.e. to translate complex corporate financial and technical data into an understandable form
- Basic knowledge of ESG and company's efforts in this areas
- Presentation skills utilising modern communications skills

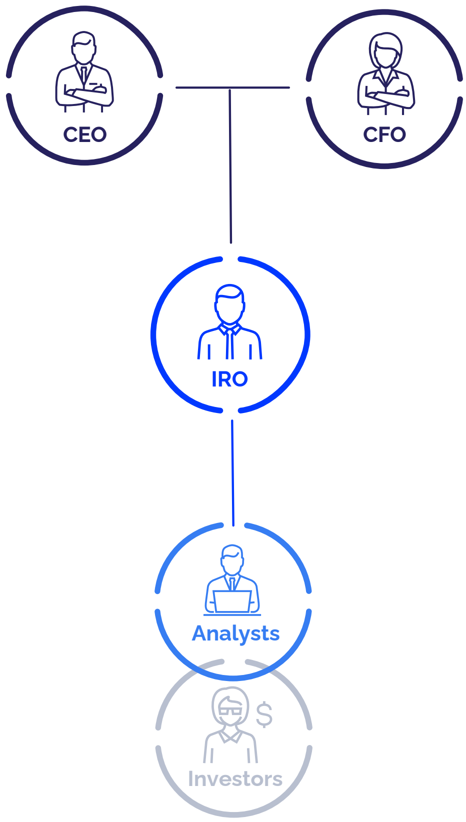
"People skills" are important as well. An effective IR programme revolves around many relationships, both internal and external stakeholders. The IRO should be able to develop and maintain these relationships.

Where is IR in the Organisation?

IR touches on many different areas within a company, it is not always easy to decide where it fits in the organisation. Some see it as a direct report to the CEO, while others see it as a special extension of corporate communications. Most commonly, however, the IR Department reports to the CFO. In this way, the IRO is close to the strategic planning function and is able to see all that is happening within the company and the financial implications. Without these insights, an IRO would be hampered in developing coherent and credible messages for the financial community.

Authority – the Key Resource

The IR function is a vital interface between the company, its shareholders and the broader financial community. To be effective, the IRO is the key liaison/intermediary to manage the day-to-day communications with investors and analysts. The C-Suites (CEOs and CFOs)'s roles are more exclusive, and their involvements are reserved for strategic meetings / events. Nonetheless, they will lead when it comes to presentations, road shows and briefings with the IRO providing support.



Staffing the IR Function

The IR programme itself will vary from company to company, depending on individual characteristics. It is the programme which will determine what is required in terms of resources, operational and technological support. However, if a programme is agreed, and is supported by mandates and policies, the budget for resources should be a simple consequence. Ordinarily, an IRO may expect to be supported by an assistant with some analytical and presentation skills as well as an administrative assistant-cum-secretary.

Scope

The main role of an IRO is to formulate and implement the IR Programme:

- Analyse the shareholder register and formulate a strategy to target investor
- Ensure all corporate events are well attended
- Prepare presentation materials and communication materials
- Develop key strategic messaging
- Conduct post-event analysis, follow-up with the audience participants and seek feedback

The IR Officer

The IRO will also be involved in the preparation of presentation materials and frequently asked questions (FAQ) for the AGM, and in rehearsing management responses to likely issues or queries. The IRO needs to maintain a high level of professionalism in the communication in any IR event, including the AGM, be it responses to queries or in the process of promoting the company, so that the company complies with its reporting obligations to the Exchange. It is important to practise strong governance and to avoid "over-marketing" of the company.

However, the IRO cannot act in isolation from other parts of the organisation. There will be a need to liaise with the Company Secretary as well as with corporate communications to ensure regulatory requirements are met and to deliver consistent messages to the entire company audience.

From time to time the IRO may also need to draw on expertise or assistance from a variety of external sources. These important contacts and relationships include:

- Stockbrokers
- Investment banks
- Legal advisors
- Auditors
- Government & regulators
- Lobbyists & other activists
- Suppliers
- Customers
- Employees
- Share Registrars
- Information/ data providers
- PR consultants
- Creative designers & printers

Staying abreast of best practice developments domestically and overseas is vital. The IRO should ensure the company's IR programme is up-to-date with industry best-practices.

Investor Relations Officer

- Analyse the shareholder register
- Identify and target key stakeholders of the IR audience
- Understand what's driving valuation
- Predict the reaction of shareholders to changes
- Implement reliable, effective and compliant communication
- Measure effectiveness of overall IR efforts
- Follow-up and obtain feedback

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The Public Face

- Annual report
- Sustainability report
- Company website
- Social media channel

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The Public Face

Annual report **Sustainability report**

Company website **Social media channel**

These communication tools are vital in presenting a public face for the company.

Annual report

Annual report is the single most important corporate communication published each year, and one which enjoys the widest readership. It has evolved from a disclosure-based and historical information designed solely to comply with legal compliance and financial data, to a publication that demonstrate the value creation of the company. The principle of integrated reporting also encourages companies to discuss forward-looking statements such as outlook and strategies, as well as their sustainability policy and effort. The preparation of a good publication is a major undertaking warranting a dedicated project approach.

Producing the annual report can be stressful if not properly planned, and work on next year's report should begin as soon as this year's AGM is over. Much effort is required to produce this important document, both from within the company and externally. Major considerations are:

- Appoint a project manager with written authority from the CEO;
- Agree the theme and the budget;
- Identify internal contributors and inform them of what is expected of them;
- Appoint external contributors (designers, copywriters and photographers) as soon as possible;
- Circulate a detailed, step-by-step timetable and deadlines for completion of the report; and
- Agree on as much non-time sensitive material as possible, well in advance of the financial results.

The IRO is a key member of the project team to ensure that the report provides a comprehensive picture of the company, its performance, products and services, the way it is managed and how it relates to the communities in which it operates, in a reader-friendly format.

Sustainability report

Sustainability reporting in Malaysia has grown significantly in the past decade, with all listed issuers now undertaking sustainability initiatives and producing annual Sustainability Statements or Reports. Bursa Malaysia's Sustainability Reporting Framework has played a key role in driving this growth, from a requirement under the Listing Requirements from 2015 to 2022, where the framework was enhanced to require the disclosure of prescribed sustainability matters and indicators, mandating climate change-related disclosures in line with the TCFD recommendations for Main Market listed issuers and disclosure of a basic plan to transition towards a low carbon economy for ACE Market listed companies.

Preparing a Sustainability Report can be tedious and more complex than preparing financial statements. In line with widely accepted principles or conventions of good reporting practice, the report should contain information that is:

Balanced

This requires that companies report information in an unbiased manner and provide a fair representation of the company's positive and negative impacts. For example, the company should present information in a way that allows information users to see negative and positive year-on-year trends in impacts.

Comparable and meaningful disclosures

It facilitates the analysis of changes in a company's impacts over time, and in relation to those of other companies. For example, the company should present information for the current reporting period and at least two previous reporting periods, as well as any goals and targets that have been set and use accepted international metrics (e.g. kilograms, litres), and standard conversion factors and protocols, where applicable, for compiling and reporting information.

Materiality

Identifying and assessing a wide range of sustainability matters i.e. risks and opportunities arising from sustainability impacts of a company's operations and activities, and refining them to what are most important to the company and its stakeholders.

The IRO is responsible for bridging the gap between the company and its stakeholders on ESG matters, by translating complex technical information into a clear and concise narrative that is easy for investors and other stakeholders to understand.

Company website

It is essential that all companies maintain a website. It is an important IR tool with a far more immediate impact than a company brochure. Website delivers information round-the-clock and can be updated at short period of time. An informative corporate website provides key corporate background and data about the company's finances, operations, products and services, while integrating announcements and other IR materials such as corporate presentation materials and investors calendar.

Investors and analysts conduct their preliminary research via the company's website, so it is crucial that the website disseminates the right information. It is also vital that the website is updated as soon as possible with all announcements, press releases and new presentation materials distributed at briefings for investors, analysts or the media.

Specific IR pages, as with other website pages, work better if their interfaces are user-friendly. Ease of navigation and links to key company data are important. IR pages are an easy, efficient and inexpensive means of communicating. They can serve as a "news desk", providing price-sensitive developments, results, issues, initiatives and news in a single page. If the IR pages are designed to accommodate a "visitors' register", they can be used to collect contact, establish database that can be used for e-mail alerts, electronic newsletters and articles. Electronic invitations and attendance at virtual briefings and presentations can also be facilitated via the website.

Social media channel

Social media has become an essential tool for companies to communicate with investors and other stakeholders in a timely, efficient, and direct manner. It can also be used to build relationships with investors and create a positive brand image.

Social media makes communication with investors more effective and efficient in several ways. First, it allows companies to bypass intermediaries, which can save time. Second, it enables companies to reach a large audience with a single message. Third, it allows companies to communicate in real time, which is especially important during a crisis or when making a major announcement.

Companies can use social media to share financial results, annual reports, webcasts, presentations, press releases, and other investor relations materials. They can also highlight their achievements, showcase their social responsibility, and promote their vision and values. However, companies should avoid disclosing sensitive or confidential information that could violate regulations or affect their stock price.

Social media is also a platform for dialogue and interaction with investors and stakeholders. By monitoring social media conversations, companies can track sentiment and perception around their company, identify potential issues, and respond to crises. This information can then be used to develop targeted communication strategies that build trust, loyalty, and reputation.

In short, social media is a powerful tool that companies can use to communicate with investors more effectively and efficiently, build relationships, create a positive brand image, and monitor sentiment and perception.

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Planning the IR Programme

- The shareholder register – a guide
- Liquidity and free float assessment
- Crafting the IR programme based on desired shareholding mix
- Targeting the audience and tailoring the message

Next Chapter : 08 Establishing the Programme

Planning the IR Programme

The shareholder register – a guide

Liquidity and free float assessment

Crafting the IR programme based on desired shareholding mix

Targeting the audience and tailoring the message

A well-balanced shareholder register aligned with the company's strategic goals is the key objective of the IR programme. The aim is a diversified, loyal shareholder base. If this is achieved, the benefits are:

- Easier access to future fund-raising exercises to raise capital;
- A competitive cost for new capital;
- Reduced vulnerability to hostile takeovers;
- Minimised downside in a bear market; and
- An overall valuation that fairly reflects the company's underlying fundamentals and long-term prospects.

Analysing the Shareholder Register

The goal of an IR programme may vary depending on company. However, these IR programmes share the same value: to establish a solid, diversified shareholder base that align to the company's fundamentals. In setting the targets for an IR programme, the company should understand what influences different shareholders, and accommodate the different ways in which certain shareholders behave.

Managing the register starts with an analysis of the entries by category. Some key considerations are:

- Who is there, and are there any names which cause concern?
- Who is missing based on the desired shareholder mix?
- What is the relative weight of institutions and retail investors?
- Are there any high concentration of shareholding on a single investor?
- Are there behavioural patterns associated with the timing of market movements or company announcements?
- How is the company's valuation and share liquidity as compared to peers?

Identifying Shareholding Movement

Having understood the different categories of shareholders in the register, the next step would be identifying their behavioural patterns against the timing of market movements, company announcements and share price movements. Based on the shareholding register for the past twelve months, identify:

- Top buyers, sellers and holders for each quarter
- Change in holdings of key shareholders
- For institutional investors, identify the fund style

Having this assessment complete would enable the IRO to identify and maintain relationship with shareholders that have been loyal to the company. For sellers that have been reducing their stakes, the IRO can have a rough gauge on their purchasing power based on the historical data, understand their fund style and reasons for disposing shares, and discuss with the senior management if the investors should be prioritised during engagements.

Liquidity and Free Float Assessment

Liquidity is one of the important criteria that investors take into consideration before making their investment decisions. It is described as how easy and efficient a stock can change hands in the public market without impacting its price. Liquidity is often measured by free float i.e. the portion of shares that are available for the public investors for trade. There is no standardised formula to measure free float and its definition could vary depending on the authorities and index providers. However, the general rule of thumb in assessing free float is to exclude shares held by promoters, controlling shareholders, while some index providers would also exclude shares that are under the administration of strategic holders, such as government-linked investment funds. In assessing liquidity and free float, the IRO would need to know:

- What is the total number of shares issued by the company?
- Based on the analysis of the shareholder register and shareholding movement, who are the substantial shareholders that have no change in their shareholdings in the past quarters?
- Excluding the inactive portion of shares identified above, what is the number of outstanding shares available for investors to trade?

Setting the Goal

Achieving the desired shareholding mix requires long-term recurring effort. It is important for the IRO to set a realistic goal for the IR programme and revisit the plan each year for fine tuning. In setting a realistic goal, the IRO can benchmark the company against the closest comparable peers within the same sector, and compare on the following:

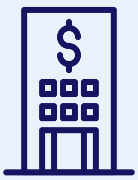
- Liquidity and free float
- Valuation
- Analyst coverage and ratings
- Inclusion in indices and ratings, where relevant

Companies with more established resources would subscribe to third-party data aggregators such as Bloomberg and Dibots, to access to the ownership information of their peers, identifying potential investors to target.

Having a comparative analysis would give the IRO a clearer picture on where the company stands in the investment community, what is lacking and how to move towards achieving the desired shareholding mix. All these information should be translated into the IR programme.

Selecting the Audience

IR programmes usually address themselves to four principal components within the investment community. Two components relate to the investors and the other two are the main channels through which investor opinion is influenced. Knowing the components, how to reach them and what influences their decisions are vital for any IR programme to be effective. The principal components are:



Institutional investors

Retail investors

Analysts

The financial media

However, IR programmes may also be designed to include the needs of other categories of stakeholders, such as:

- Professionals and the broader financial community;
- Creditors and suppliers;
- Regulators;
- Employees;
- Bankers, lenders and bond holders;
- Environmental and other lobby / activist groups;
- The community at large, especially a community in which a company has operational facilities.

Segregating Your Target Audience Based on Priority

Large companies generally have a longer list of shareholders and attract great interest from investment community owing to their large share capital and higher liquidity. As such, having to attend to each and every single investor is an impossible mission, especially given the tight schedule of the spokesperson of the company which is often the key management.

Careful selection of the audience will make the IR programme more effective especially when resources is limited. The IRO can produce a list of potential investors that the company can engage with, together with an estimation of their purchasing power and how they can help to achieve the desired shareholding mix and determine with senior management on which category of investors to prioritise.

For smaller and medium sized companies without high market profile, establishing following in the investment community is more suitable. Once traction is established, they can look at enhancing their IR programme towards more focused, targeted effort based on resources available.

The IR Policy

The IR Policy is the key reference point around which an effective IR programme is built. For credibility, the IR policy should be put in writing, adopted by the Board of Directors, and be regularly reviewed, at least biannually.

The IR policy document may be published on the company website or be available to shareholders on request. It must be more than a simple statement of basic principles and objectives, setting out processes and procedures and identifying those responsible at each stage.

A typical list of contents for a company's IR policy includes:

Basic Communication Principles
Clarity and reliability of information, its transparency, timeliness and consistency

Responsible Parties
Those who have custody of the various elements of the policy and who are responsible for implementation

Authorised Spokespersons
Those who may speak for the company and specific areas of responsibility for communication

Planning the IR Programme

Publication Procedures

Covering press releases, results announcements, Annual report, Sustainability report, company website and others

Events

Events organising and presentations involving investors, analysts and the media, their conduct, the support materials and those responsible, including the AGM, EGM, one-on-one meetings and media interviews

Others

Including confidentiality of information, managing reports and rumours, coordinate special situations (e.g. corporate announcement such as mergers and acquisitions)

Putting All Together

Shareholder Register

An up-to-date database of shareholder information, Spread between institutional and retail investors, % shareholding, share movements, dates of major activities, important contacts, etc

The IR Machinery

- Analysis of behavioral pattern of shareholders
- Identify top buyers, sellers, holders for each quarter
- Identify the fund style for institutional investors
- Assesses liquidity and free float of company's shares
- Selecting the audience
- Monitoring investors' concerns about the company

Tailored Message & Targeted Audience

- Clear
- Timely
- Proactive
- Consistent
- Prioritise

Desired Sharedholing Mix

- Setting a realistic goal for IR programme through comparative analysis to achieve the desired shareholding mix

IR policy as key reference point

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08

Establishing the Programme

- Building a basic programme around the standard reporting calendar
- IR means two-way communication

Next Chapter : 09 Measuring Success

Establishing the Programme

Building a basic programme around the standard reporting calendar

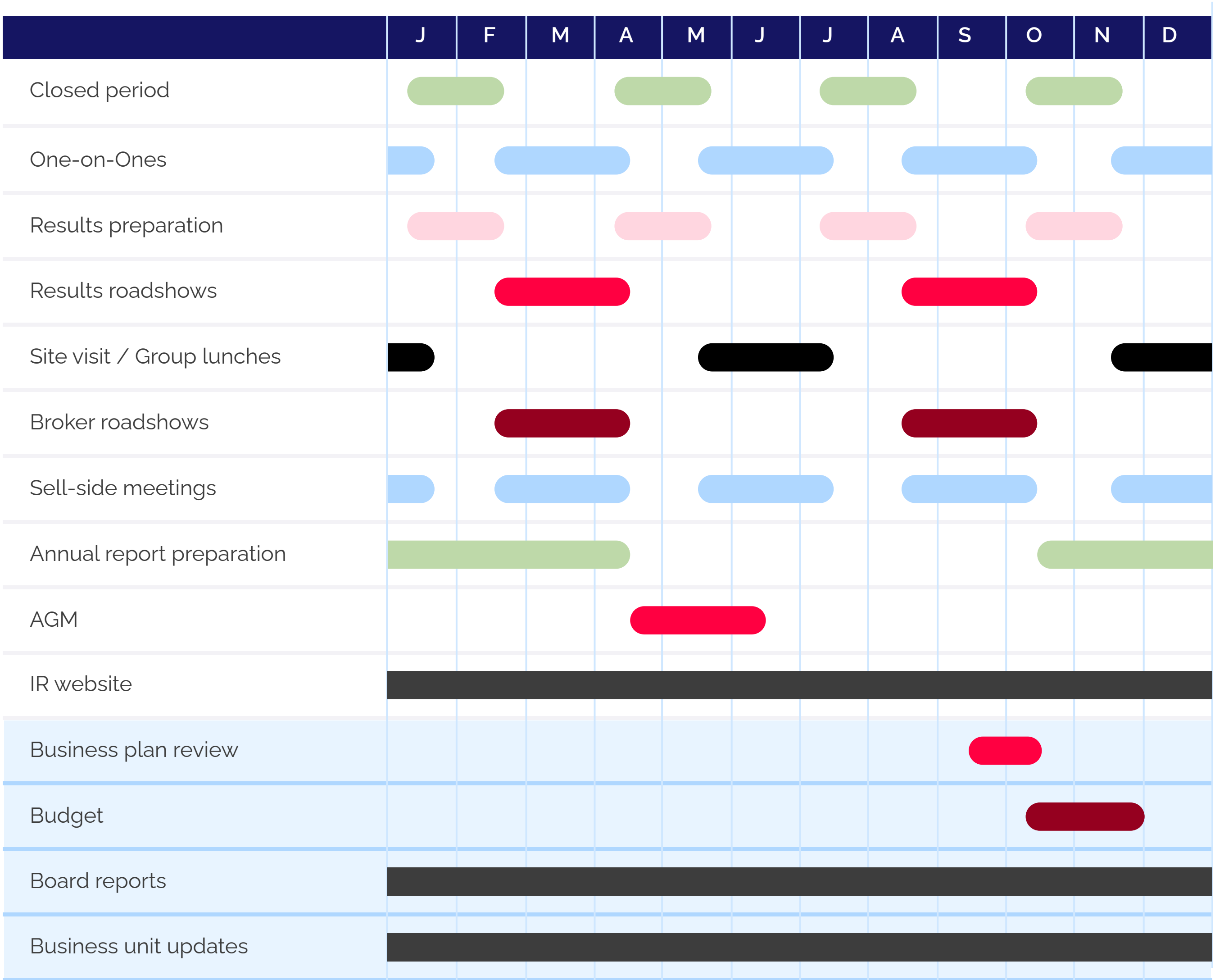
IR means two-way communication

IR is a proactive process. In every case, there must be follow-through to maintain contact with the investor base. Information must continue to flow. A diary system which schedules meetings with major shareholders and key analysts, and a structured process for follow-up and feedback will always be beneficial. Especially for smaller companies, staying on the “radar screen” of institutional investors is vital if the company is to win their loyalty and longer-term support. IR is not a passive process focused on corporate reporting alone. Although reporting results and developments is a vital part of any programme, arranging direct contact with investors and organising events to keep investment community properly informed about performance and strategy is the most important aspect of executing the IR programme.

The IRO should be involved in the planning, management and conduct of all these events, as well as associated presentations and briefings.

A basic programme can be built around the standard reporting calendar. A typical 12-month IR Programme with financial year ended 31 December would look as follow:

A typical 12-month IR Programme



IRO Involvement

Post-Results Announcement Briefing

Most companies follow their announcements to the Exchange with press releases which capture the salient highlights / key messages of the results. In addition, post-announcement briefings involving investors, analysts and the media have become a feature for many large companies. Typically, these briefings include:

- A presentation led by the CEO and/or CFO to explain the financial performance, outlook for the financial year and strategies
- Q&A session with the audience, employing technology to facilitate electronic contact
- Recording of the event for subsequent display on the company's website (webcast)

The company may consider the medium that suits its audience, eg. physical, virtual or hybrid. Each medium has its advantages, setbacks and cost consideration. Some companies would also collaborate with brokers and digital financial media in organising result briefings to increase their visibility in the targeted investment community (institutions/ retail investors).

Companies tend to wait for the last day to report. This causes a "log jam" with the financial press and digital media, resulting in stories garnering fewer than the desired coverage because of constraints on column space, resources and competition for attention. Smaller companies can be especially vulnerable in the competition for coverage, risking the lost of valuable opportunity to communicate effectively with their investors. The simple expedient of reporting results a few days earlier would avoid many of these problems.

The Annual General Meeting

AGM is a statutory requirement and must be held within stipulated timeframe of each financial year end (six months for companies and four months for REITs). Although mandated as an annual statutory event for shareholders, many companies now encourage analyst and media attendance, at least at a briefing following the main business of the meeting.

For retail shareholders, this is the principal event, often the only event annually which they can engage with the company's directors and management. The meeting is a forum to share financial performance and development of the companies, addressing issues of relevance and shareholders' concerns (if any). Features of good AGMs include:

- A presentation which highlights financial performance of the year, future plans and strategies;
- The provision of post-event written responses if the required data and information to respond to an enquiry is not available at the time of AGM.
- To attend to all Q&As (pre-AGM and live questions) and subsequently post all Q&A onto the website.

Companies should proactively engage with the shareholders to obtain feedback and gauge their views of the company. Where possible, the IRO should attempt to assess sentiment in advance of the AGM and brief the board and management accordingly.

Other Investor Engagement Forums

Investor days and road-shows (ie. investor / analyst briefings outside of the results announcements) are becoming increasingly common. These engagements are usually arranged by brokers, investment bankers and the Exchange itself, and the companies are invited to participate. Large companies would also organise investor days on their own to proactively engage with investors. Some pointers for success on these and similar occasions include:

- Do not segregate investors – this can give the impression of selective disclosure
- Invite shareholders and other relevant stakeholders by email and by notice on the company website to ensure a level playing field
- Consider the geographical accessibility of your investors and use the way of communications that can facilitate the outreach more efficiently, be it physical, virtual or hybrid mode
- Consider the audience's needs first

- Focus on a key message
- Do not dwell on history and avoid overloading the audience with data – an information pack can contain supplementary data
- Highlight the company's core competencies and competitive edge; cover key performance numbers without excessive detail
- Consider spokesperson capabilities – untrained presenters reflect badly on the company
- Prepare and rehearse likely Questions and Answers

If the audience is well-prepared with an information pack in advance of the meeting, the company representatives can expect to answer detailed questions. The quality of response by the company representatives and how the audience perceives their transparency and competence will form part of the investor / analyst's opinion of the company itself.

Overseas road-shows are normally associated with large companies, especially those with substantial foreign holdings in their shareholder register. A global investment bank will usually make arrangements for a presentation to institutions and professional investors, followed by a series of face-to-face meetings. The IRO will be able to use these occasions as an opportunity to obtain feedback from these audience which direct contact is normally limited. This is a good platform to grow investors' database and progress to investors targeting, converting them into shareholders.

Face-to-face meetings is still the preferred medium for institutional investors and analysts when it comes to direct contact with the company. Although much can be achieved with modern communication techniques, most feel that nothing compares with one-on-one interaction, particularly in gauging the competence of management and the transparency of their responses.

The media interview is another kind of face-to-face meeting. Unlike briefing which is presented to a wider media audience, the interview may involve only one or two journalists, who will always be from the same publication or media channels. Interviews can be part of a planned approach to building the company profile or developing a positive image for the company with the broader community. The result of an effective interview can be an influential article, broadcast or podcast, which shapes investor opinion.

If the audience is well-prepared with an information pack in advance of the meeting, the company representatives can expect to answer detailed questions. The quality of response by the company representatives and how the audience perceives their transparency and competence will form part of the investor / analyst's opinion of the company itself.

Site visits (such as manufacturing facilities, property projects, construction sites, new assets acquisition, etc) for investors, analysts and the financial media are arranged by some companies. The objective is to provide attendees a better understanding of the company and its operations, products and processes.

Press releases are suitable for straightforward and factual news and corporate development. When the news is bad, honesty is the best policy. Good press releases also attempt to cover the predictable questions arising from the material being announced.

IR means Two-way Communication

Securing feedback is an important aspect of IR – one in which information flows back to the company from the investment community. The IRO should use every engagement opportunity to obtain their impressions of the company in all aspects and if possible, its peers. Senior management and the board should be kept updated so that external opinion can be taken into account in the company's strategic planning processes.

The objective of every process of gathering feedback is to obtain an understanding on how the investment community perceives the company and to know what their concerns are. Failure to do so may lead to unrealistic expectations by the company about the likely success of future fund raising or other corporate exercises where shareholder support is required. Very often, the internal impression of the qualities of a company differs from the external impression, but it is the latter which matters most.

Materiality Assessment

Sustainability is an increasingly essential element in charting a company's business growth. It typically revolves around the risks and opportunities arising from the economic, environmental and social impacts (EES) on a business. The extent of sustainability matters can be wide ranging, and no two companies have identical set of EES due to different operating environment. To identify the EES that are important to a company, a comprehensive materiality assessment involving all relevant stakeholders is a vital task in tracking and analysing critical issues that could drive a company's long term value creation and business performance.

Crafting a company's sustainability roadmap may not be the core function of an IRO, but the details of the plan form an equally important part as financial performance in the communication with the investment community. Typically, an IRO can facilitate the materiality assessment undertaken by the company with shareholders, analysts and investors, to understand their views and obtain their inputs. Together with inputs from other identified stakeholders such as customers, suppliers etc, a structured materiality matrix can be formed to understand the key risks and opportunities faced by a company, which can then be translated into an action plan in developing the sustainability roadmap. Participation in the materiality assessment process helps the IRO to understand the concern from the investment community and meaningfully report them.

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09

Measuring Sucess

- An extensive, loyal base of shareholders and long-term advocates
- Reasonable liquidity levels in the company's shares
- Achieving the goal

Next Chapter : 10 Disclosure and Managing Material Information

Measuring Success

An extensive, loyal base of shareholders and long-term advocates

Reasonable liquidity levels in the company's shares

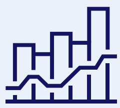
Achieving the goal

Measuring the success of an IR programme can be difficult. Many factors which affect an investor's interest in a company are beyond the company's control. However, some companies see a need to quantify results and it is important that this process focuses on impact and quality rather than activity levels.

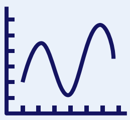
The success of an IR programme can be measured based on the initial target set by the IRO. Large companies generally share a set of common measurements as follow:

Growing shareholder base in line with management's aims

Established institutional holding

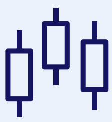


Ample share liquidity



Inclusion into indices

Broader analyst coverage and better recommendations by analysts as compared to their peers



Higher share price performance and market capitalisation

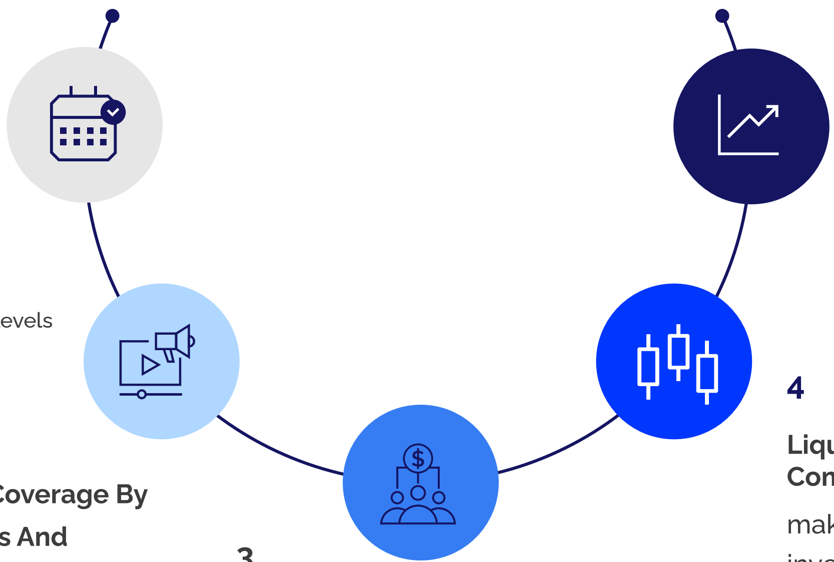
A shareholders which includes names that increase their holdings in a weak market is more important than the number of presentations to analysts.

A Loyal Shareholder Base

A loyal shareholder base will be reflected in the shareholder register, which will show the same names over a long period of time. If longer-term shareholders are seen to acquire additional shares in the company in a period of general market decline, this signifies both loyalty and support. If analysts continue to focus on the fundamental and management strengths of the company and make positive comments, it indicates that the company has followers or advocates.

Liquidity in Company Shares

Not all shareholders will be loyal forever with the possible exception of founding members. Investors will have their own reasons for reducing holding, some of which may not be a reflection of the way they perceive the prospects for the company. For instance, investors may sell down a company's shares for profit taking after the stock achieves its fair valuation, while institutions may reduce their holdings for portfolio rebalancing. A company which has a strong following will have potential shareholders "waiting in the wings", willing to take up shares that are offered in the market. In addition, shareholders who have sold out may return in the future. Understanding these issues as well as the ebb and flow of investment themes and trends are essential in formulating an effective IR programme with realistic expectations.



1

Crafting an IR Programme that is:

- Proactive
- Timely
- Accurate
- Consistent

Quality is key, not activity levels

2

Broad Coverage By Analysts And Financial Media

3

A Loyal Shareholder Base

that supports the company, cushions impact of market volatility on its valuation

4

Liquidity In Company Shares

makes it attractive to investors

5

Sustainable Growth

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10

Disclosure and Managing Material Information

- Obligatory disclosure and beyond
- Selective disclosure and insiders

Next Chapter : 11 Importance of Index Inclusion

Disclosure and Managing Material Information

Obligatory disclosure and beyond

Selective disclosure and insiders

The basic material of any IR programme is timely and accurate information. The objective of the programme is the proper disclosure of company information, thereby ensuring the market, the company's shareholders and other stakeholders are informed of key developments and events in the company.

Material Information

Material information, sometimes referred to as "price-sensitive information", is any information about the company which might affect:

- Its share price; or
- Trading activity in its shares; or
- The decision of an investor to buy, sell or hold the company's shares.

Any information about a company which is not made available to the public but could have a material effect on the company's share price if it were to be known, should be regarded as material information. This information should be made available as soon as possible to address interest from shareholders and other relevant parties.

In the case of most material developments, an announcement is made to the Exchange followed by a press release and a briefing for investors, analysts and the media. Developments should be explained in a clear, concise manner, without use of "promotional language". The IRO should remember that the most pressing question for most audience members will be the future impact of the development on the company, and press releases and presentations should address these concerns accordingly.

Obligatory Disclosure

The Listing Requirements of the Exchange give comprehensive details and examples of what constitutes material information and companies should always be fully aware of and comply with their disclosure obligations. Some key elements of matters which would comprise material information are as follows:

- A change in shareholding which might affect control of the company;
- A new issue of securities by the company, or a change in the terms of existing securities;
- Information concerning dividends;
- A reorganisation or reconstruction of the company;
- Material litigation and court decisions;
- Mergers, acquisitions and other major corporate developments;
- Significant company borrowings and ratings of those borrowings;
- An event of default in respect of a material financial obligation of the company;
- The acquisition or loss of any material contract;
- Material changes in the company's business, strategy or investment plans;
- Interim financial results, and the company's annual audited accounts; and
- Other events that may be expected to have a material effect on the company's operations, financial condition or future prospects.

For full obligatory disclosure, refer to the Listing Requirements of Main Market, ACE Market and LEAP Market on Bursa Malaysia website.

Beyond Obligations

Sometimes, materiality can be difficult to gauge. If there is a doubt, the likelihood of an effect on the price of the company's securities should be the determining factor, rather than a measure of the financial impact on the company itself.

Investors expect a company to do much better than meet minimum reporting obligations. They require information which allows them to analyse a company's financial performance, and gives a picture of its operations, the way in which it is managed and its strategies. Timely, open and transparent communications are essential (even when developments are not favourable), so that the investment community can develop a properly informed view in making their evaluation and informed decision.

Selective Disclosure

Selective disclosure means providing material information preferentially to any shareholder or any other party. The general rule is that all material information should be provided at the same time to all parties. It is a rule which should be studiously applied in all IR activities. Disclosing material information "privately" is a breach of the Exchange's Listing Requirements. Often this occurs in a discreet manner with an informal remark in a face-to-face situation or in a telephone conversation, but it is not acceptable under any circumstances.

However, because of the importance of securing favourable opinion for the company and the support of the investment community, selective disclosure is always a temptation. The circumstances when this is most likely to occur include:

- Winning the support of an important new shareholder
- Providing additional data to an existing key shareholder
- Attempting to secure a positive recommendation from an influential analyst
- Cultivating favourable press comment

Insiders

Insiders, in the broadest sense, are people who are in possession of non-public, price-sensitive information about a company. It is a criminal offence if an insider deals in the company's shares before that information is announced, or passes that information on to someone else.

It is very important, therefore, that material information is safe-guarded within the company until it is announced. Only those with a strict "need to know" should have access to the information. Any outsider (including professional advisers) given access to the information should be required to execute a confidentiality / non-disclosure agreement.

Managing the Release of Information

Releasing information without controlling manner may result in inconsistent information and confusion for the audience. Companies should:

- Limit the number of people allowed to speak; the CEO and CFO are usually the primary spokespersons
- Limit the matters on which others may speak to specified areas of responsibility or expertise – the Company Secretary, the head of communications and the IRO may have limited mandates
- Establish a policy which controls when, how and by whom company information is released

To effectively control information, a company needs to be aware of the many ways in which information may become known outside the organisation. These include:
• All communications with the Exchange and relevant regulators;
• The company's annual report and other written communications with shareholders or stakeholders;
• Information given in press releases, briefings for investors, analysts and the media, and any subsequent postings on the company website and social media accounts;

- Verbal statements given at external events;
- Q&A sessions;
- Face-to-face or virtual meetings;
- Telephone conversations;
- Interviews with the media;
- Articles written for the company; and
- Speeches by company representatives.

Even correspondences and emails can be sources of unintended information leaks. All this emphasises the necessity for discipline and control when it comes to the handling of material information and the monitoring of the circumstances in which information is released. A clear need is for company spokespersons to be properly trained to handle their responsibilities.

Leaks, Reports & Rumours

When leaks do occur or when reports or rumours circulate, the Exchange encourages companies to take a proactive approach. The response: "We do not comment on market rumours" or "We are not aware" is not adequate. It can lead to ill-informed speculation, and it is part of a company's responsibilities to help foster an orderly market in its securities. A proactive approach is required. Open and transparent disclosure without compromising legal obligations is best solution.

If an analyst's report contains inaccurate facts or erroneous assumptions, the company should respond with corrective commentary to the factual elements of the report. Likewise, false or misleading reports and rumours should be clarified.

If confidential information leaks out, even if it may be premature and necessary approvals have not been received, the company should still inform the Exchange and the investment community of the actual situation. For instance, if news of an imminent major development like a merger leaks out, an announcement and press release to confirm that talks are underway, but that detail remains fluid will help quell speculation. A commitment must also be given to make a detailed announcement at a more appropriate time.

Forward-Looking Statements

Evaluating the future prospects of a company is the key for all existing and potential investors. IR entails giving investors a sense of the direction in which the company is headed. Companies need to talk about strategies as well as results. However, care should always be taken to be realistic about what the future might hold and avoid creating an overly optimistic picture or one which disguises the truth.

Investors are always looking for indications of what lies ahead. The "outlook" commentary in quarterly results announcements, for instance, is scrutinised and investors want guidance from the company, not heavily qualified assurances. Care needs to be taken in giving forward-looking statements, such as prospects, revenue or profit estimates, forecasts, projections or internal targets to ensure compliance with the Exchange's Listing Requirements. It may also be advisable to provide some qualification with any outlook to the effect that any predictions given are estimates only and should not be relied on.

Earnings guidance is a growing trend as a form of managing expectations. It may not be explicit guidance but comments may be given when the company's internal forecasts are outside market consensus/expectations, or a simple confirmation provided if the market consensus is consistent with the company's expectations.

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11

Importance of Index Inclusion

- Assessing eligibility for index inclusion
- Developing plan to meet inclusion criteria

Next Chapter : 12 Importance of ESG

Importance of Index Inclusion

Assessing eligibility for index inclusion

Developing plan to meet inclusion criteria

Major indices such as the FBMKLCI Index, FBM EMAS Index, MSCI Malaysia Index and MSCI Emerging Market Index are widely used by investors to benchmark and track their portfolios to the performance of the indices. Inclusion in these indices can have a significant impact on a company's valuation, as it leads to increased visibility and investor demand.

Benefits of index inclusion

There are several benefits to being included in a major index, including:

Increased Visibility

Inclusion in a major index can increase a company's visibility to potential investors around the world. This can lead to increased trading activity and liquidity in the company's shares.

Increased Investor Demand

Index funds and ETFs are typically required to track the performance of the indices they are benchmarked to. This means that if a company is included in a major index, its shares will be purchased by index fund and ETF managers. This can lead to increased demand for the company's shares and a higher valuation.

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Lower Cost of Capital

Companies that are included in major indices may be able to borrow money at lower interest rates as investors perceive these companies as being less risky than companies that are not included in major indices.

Role of IRO in Index Inclusion

IROs play a vital role in this area and are responsible for communicating with investors and other stakeholders about the company's performance, strategy, and value proposition. Companies should:

- Understand the index providers' criteria: IROs should carefully review the index providers' criteria to understand the requirements that companies must meet to be included in the index.
- Assess the company's eligibility: IROs should assess the company's eligibility for index inclusion based on the index providers' criteria. This includes assessing the company's free float, market capitalisation, liquidity, and other factors.
- Develop a plan to improve the company's eligibility: If the company is not eligible for index inclusion, IROs should develop a plan to improve the company's eligibility. This may involve increasing the company's free float, market capitalisation, or liquidity.
- Engage with index providers: IROs should engage with index providers or Bursa Malaysia representatives to provide them with information about the company and to discuss the company's progress towards meeting the index providers' criteria. Bursa Malaysia organises webinars related to index inclusion from time to time or refer to IR4U portal for more engagement such as this.

Criteria for Inclusion to Key Indices

Inclusion criteria for FTSE Bursa Malaysia Index Series include:

Eligibility

All classes of ordinary shares listed on Main Market and ACE Market except equity/non-equity investment instruments, PN17 or GN3 designated securities, convertible preference shares and loan stocks are excluded until converted.

Free float (share capital that are freely available for trading)

Free float of 15% or below are excluded from index.

- o Restricted shareholding and portfolio holding of >30% from pension fund, insurance fund or investment companies will be excluded for the free float calculation.
- o Restricted shareholding includes shareholding (regardless of holding) from state, regional, municipal, local governments, directors, senior executives, managers and their family as well as employee share plans and strategic holders.
- o Free float will be reviewed every quarter.

Size

The largest eligible companies ranked by full market capitalisation i.e., before the application of any investability weightings, comprising 98% of all companies will be included in the FTSE Bursa Malaysia EMAS Index.

Median liquidity: It must fulfil thresholds of:

- o For a non-constituent: Must trade ≥0.05% of its free float adjusted shares in issue based on its median daily trade per month in 10/12 months
- o For an existing constituent: Must trade ≥0.04% of its free-float adjusted shares in issue based on its median daily trade per month in 8/12 months
- o For new issues: Must trade ≥0.05% of its free float adjusted shares in issue based on its median daily trade on a pro-rata basis since listing with a required minimum 20 trading days
- o Reviewed semi-annually in June and December.

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Importance of ESG

- Understanding ESG investment criteria
- Developing disclosure strategies and materials for engagements

Next Chapter : 13 Small Company Concerns

Importance of ESG

Understanding ESG investment criteria

Developing disclosure strategies and materials for engagements

In recent years, environmental, social, and governance (ESG) investing has gained significant traction among institutional and retail investors. This trend is driven by a growing awareness of the interconnectedness of environmental, social, and governance factors with financial performance.

ESG investing considers a company's non-financial performance alongside its financial metrics. Investors who incorporate ESG considerations into their investment decisions believe that companies with strong ESG practices are more likely to succeed in the long term.

Role of IR in ESG

With the growing prominance of ESG, investors are increasingly demanding for more relevant disclosure pertinent to company's business. As such, IR plays a crucial role in communicating a company's ESG performance to investors. IROs are responsible for developing and implementing comprehensive ESG disclosure strategies that effectively convey a company's commitment to ESG principles and its progress on ESG goals.

To effectively communicate a company's ESG efforts and performance, IROs should consider the following:

Developing ESG disclosure materials

IROs work with management to develop ESG disclosure materials, such as sustainability reports and ESG data sheets. Bursa Malaysia recently published the Third Edition of Sustainability Reporting Guide which provides good reference point for companies to develop their ESG materials.

Integrating ESG into investor presentations

IROs integrate ESG information into investor presentations. This helps to ensure that investors have a comprehensive understanding of a company's ESG performance, its commitment to ESG principles and its impact on its financial performance. This could enhance the ESG ratings of the company by prominent ESG indices such as FTSE4Good ratings and data aggregators such as Sustainalytics, Refinitiv, Bloomberg, RepRisk and others.

Engaging with ESG investors

IROs engage with ESG investors to understand their ESG investment criteria and to communicate a company's ESG performance. This dialogue helps to ensure that a company's ESG disclosures are aligned with the expectations of ESG investors.

Monitoring ESG trends

IROs monitor ESG trends and developments to ensure that a company's ESG disclosure practices are aligned with evolving investor expectations.

ESG investing is a growing trend that is likely to continue to gain momentum in the coming years. IR plays a vital role in communicating a company's ESG performance to investors and helping company develop and implement effective ESG disclosure strategies. Companies with strong ESG practices are more likely to attract and retain ESG investors, outperform their peers, and command a valuation premium.

To learn more about ESG, please refer to PLC Transformation Guidebook 2 and the Sustainability Reporting Guide. These guides provide detailed information on ESG concepts, strategies, and reporting requirements for listed issuers.

13

Small Company Concerns

- IR and the IPO
- An IR function as a start

Next : Appendix - IR Presentation Structure

Small Company Concerns

IR and the IPO **An IR function as a start**

The IPO is regarded as a goal for many young, growing companies, but most companies preparing for listing do not have the resources to establish an IR function. They will consider retaining an external professional, who will help with identifying investment bankers and underwriters best suited to support the issue and assist with designing a pre-IPO programme. Features of a good pre-IPO Investor Relations are:

- A focus on direct presentations to potential investors and influential analysts;
- A careful raising of the company's media profile;
- A focus on real results and achievable future goals; and
- Avoidance of hype and the creation of unrealistic expectations.

Investors will observe actual company performance after listing. If it is not in line with the presentation in the pre-IPO programme, investors will be disillusioned, and the market will mark down the value of the company. If a company loses credibility with the market at the outset, support may never be regained. To survive to maturity, the following considerations apply:

- Plan early;
- Establish governance processes, an IR policy and a communications programme before listing; and
- Continue providing clear, complete and accurate information after listing.

Small Companies

Many smaller companies avoid the glare of publicity. It is felt that talking with the media or analysts attracts unwelcome attention and can reveal too much to competitors. Governance is a matter for compliance, but to commit finance or resources to a proactive investor relations programme is regarded as wasteful.
Familiar characteristics of these companies are:

- Management closely linked to the major shareholders
- Meets only minimum reporting obligations and volunteers nothing
- Avoids comment and press releases
- Reluctant to meet analysts
- Discourages approaches for data or analysis
- Weak trading volume and liquidity and unable to obtain fair valuation
- No institutional support or analyst coverage

If the major shareholder has no intention to sell, the “market value” of the company is of academic interest only. As long as the status quo is maintained, there is little apparent reason for concern. However, companies are not static and circumstances change. For instance, companies grow and shareholdings become spread across diverging branches of the founding members’ families. In time, some family members may want to exit but would find the price is low and there is no ready market for their shares.
Corporate growth can be expensive as well. Rights issues will be difficult, and using the company shares as “currency” for an acquisition will have dilutionary penalties. The company’s own shares can be a barrier to its growth.

Even a modest, planned approach to keeping the market better informed of performance and developments within the company will go some way towards addressing these problems. Once the company becomes accustomed to the process, it will also understand that corporate survival and development may be better achieved by engaging with the financial community rather than being secretive.

Research Coverage

Small companies who want to be more proactive often struggle for attention. The domination of institutions in the market means that the focus is on bigger companies with good trading volumes and liquidity. Investment banks follow the companies which are favoured by institutions for trading commissions., while media prefers more glamorous stories to attract subscribers .

Sell-side analysts avoid small companies with poor liquidity and little free float, and institutions ignore smaller companies because of liquidity concerns and the inability to deal in substantial amounts to be attractive.

Understanding the pain points and struggles of the small companies, the Exchange has established own platforms and programme to increase visibility of the companies. Bursa Research Incentive SchemE (RISE) was launched in March 2021 to help improve companies' visibility and accessibility to the investors via research coverage. In the same year, Bursa Blitz was launched to profile companies on the Exchange's platform and various communication channels. An article entailing information on companies' business, financial and prospect is made available to the investment community. More information can be requested at ir4u@bursamalaysia.com.

Resource Constraints

Limited resources in smaller companies may also compound the problem, as the management will consider it a luxury to hire an IRO and set up an IR department. In these circumstances, retaining a professional IR consultancy may be worth considering.

The IR agency or the IRO will need to identify analysts with a special interest in the company's business sector, or institutions and specialist funds which follow smaller companies. If the sector is of the interest of investors, analysts may be persuaded to give coverage even if the company is small. Offering factory/site visits can be effective in these circumstances.

Once contact and interest are established, there must be a follow-up. Email alerts for breaking news announcements can help to keep the company's name in focus.

Maintaining the information flow is vital. Being proactive will help generate coverage with analysts and the media; it is better than making no IR effort at all.

Appendix

IR presentation structure

Customising presentations for fund managers and analysts:

- Start with the basics
- Do not assume everyone knows what you do, but be brief
- Spend 1-2 mins on a company overview. Use standard presentation formats (powerpoint, corporate video etc) covering general business activities
- Financials (brief review of the latest results, key drivers of growth, causes of deviations from previous trends or market expectations, outlook for the year without going into specific forecasts)
- Successes as well as challenges
- Plans for the future
- Execution strategy (competitive advantage and niche ie. what makes you stand out from the crowd)
- Earnings guidance (if appropriate, guidance on direction of earnings / growth trends, and variable information eg. price / sales trends, margins etc)
- Sustainability commitment/ achievement
- Be frank and honest

Avoid

- Too much detail (crowded presentation slides)
- Misleading or inconsistent statements
- Unclear messages
- Answering in an oblique manner
- Disclosing price-sensitive information not yet publicly announced (eg. new contracts / corporate actions, or soon-to-be released results)

Disclaimer:

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