

Bursa PLCs : Investor Relations Series

What Do Investors Look For in Your Company?

RHB Research

28 July 2023



RHB Guide to Investment Ratings

Stock Ratings:

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

Industry / Sector Ratings:

Overweight	The industry expected to outperform the benchmark index, weighted by market capitalisation, over the next 6-12 months.
Neutral	The industry is expected to perform in line with the benchmark index, weighted by market capitalisation, over the next 6-12 months.
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What Is Investor Relations (IR)

- **First contact** – The Investor relations unit is usually the first point of contact between investors and company management
- **Bhd vs Sdn Bhd** - IR is a strategic responsibility whereby organizations, usually a public company, manage communications between its executive leadership and the financial community.
- **Communication** - The primary objective of IR is to effectively convey the company's financial performance, business strategy, and other relevant information to shareholders, potential investors, analysts, and other stakeholders.
- **Minority decisions** - This helps investors make informed decisions on whether to invest in the company.

Why have IR?

- **Obligation to Minority shareholders:** As a publicly traded entity
- **Establish and facilitate effective communication:** To convey clear & precise key messages, provide updates on latest developments, strategies and respond to queries in a timely manner
- **Time management:** To free up senior management time so they can focus on the business of running the business
- **Right profiling:** To distinguish itself between other industry players, as well as enhance the company's reputation and brand image
- **Attract and retain investors:** To increase research coverage and establish fair valuation in addition to encourage trading liquidity and create shareholders' value
- **Crisis management:** To help stabilize the stock price and prevent excessive fluctuations, as well as mitigate long-term financial impact
- **Fair dissemination of information:** To the public after official announcement to Bursa

In-House vs Out Source IR

- Companies can either build an in-house team or outsource their IR function before going public. The decision depends on factors such as the company's size, industry, resources, strategic priorities, budget, and specific investor relations needs.
- Advantages and disadvantages:

	In-House	Outsource
Advantages	<ul style="list-style-type: none">• Deeper understanding of the company• Direct access to management• Internal alignment• Cost efficiency in the long run	<ul style="list-style-type: none">• Access to expertise and experience• Objectivity• Wide network and investor access• Cost flexibility
Disadvantages	<ul style="list-style-type: none">• Resource constraints• Limited internal expertise• Workload and scalability challenges	<ul style="list-style-type: none">• Limited company-specific knowledge• Communication delays• Cost considerations

IR job scope

Investor Relations activities

- Plan and organise briefings, meetings, and site visits for investors
- Review and monitor research reports to address with current and future issues specific to the client's organization and industry
- Facilitate Deal/Non-Deal roadshows
- Contact point for all investor enquiries

IR job scope

Public Relations Services

- Organise press conferences and media interviews
- Media management, media monitoring and organise media site visits
- Draft and disseminate press releases to the media
- Copywriting and development of key messaging profile
- Contact point for all media enquiries

IR job scope

Other Services

- Event Management - Corporate event management
- Report Writing – Annual Report, Sustainability Report etc
- Investor Relations Tab - Setting up and maintaining IR tab
- Digital Marketing - Website design, social media marketing

DO:

- **Maintain Transparency**

Provide accurate, timely, and transparent information to investors, analysts, and other stakeholders.

- **Prepare thoroughly for earnings calls**

What is said and how it is said it is really important on quarterly calls and during investor meetings. Make sure the team is prepared to answer any and all follow-up questions.

- **Stay visible and be quick to respond**

Actively engage in dialogue, and address inquiries and feedback promptly. Especially after negative news or a mixed quarter. Investors want to be reassured by the senior management that it is on top of managing the company.

DO:

- **Facilitate access to Senior Management**

Foster open lines of communications to the senior management. Other than the CEO and CFO, it can include a division head, chief strategy officer, or chief operating officer. This showcases the depth of the management team and allows investors to get a different/broader perspective of the business.

- **Understand Investor Expectations**

Continually monitor and assess investor expectations, trends, and market dynamics. Stay informed about industry developments and competitors' investor relations practices.

- **Tailor Messages to Different Stakeholders**

Customize communication to suit the needs and interests of various stakeholders. Shareholders, analysts, media, and the general public may require different levels and types of information.

DO:

- **Adapt to Technology and Digital Channels**

Leverage digital platforms, social media, webcasts, and other technological tools to enhance communication reach and effectiveness. Embrace emerging trends in digital investor relations.

- **Stay Compliant**

Adhere to relevant regulations and compliance requirements regarding financial reporting, disclosure, and investor communication. Keep up-to-date with changes in regulations that may impact investor relations activities.

DON'T:

- **Withhold or Misrepresent Information**

Avoid withholding negative information or misrepresenting material information that could impact investment decisions. Be transparent and disclose relevant information in a timely manner.

- **Provide False or Inaccurate Information**

Ensure that all information provided to investors, analysts, and stakeholders is accurate, supported by data, and validated by appropriate internal controls.

- **Neglect Stakeholder Communication**

Do not ignore or neglect communication with investors, analysts, or the investment community. Management should not cut off communication in times of crisis or over unfavourable stock ratings. Stock calls are temporary and change over time.

DON'T:

- **Over promise and Under deliver**

Set realistic expectations and be cautious about making exaggerated or unrealistic claims about the company's performance or prospects.

- **Rely Solely on Press Releases**

Even though press releases are important, the company should utilize a mix of channels, including conference calls, investor presentations, and one-on-one meetings, to ensure timely, effective and comprehensive communication.

- **Engage in Insider Trading**

Strictly adhere to insider trading regulations. Avoid trading based on non-public material information or disclosing such information to others who may engage in insider trading.

- **Underestimate the Importance of Investor Relations**

Investor relations is a critical function that can significantly impact a company's reputation, and valuation. Allocate appropriate resources and attention to investor relations activities.

Thank You

