



Investor Relations & Financial Communications - a practitioner's view

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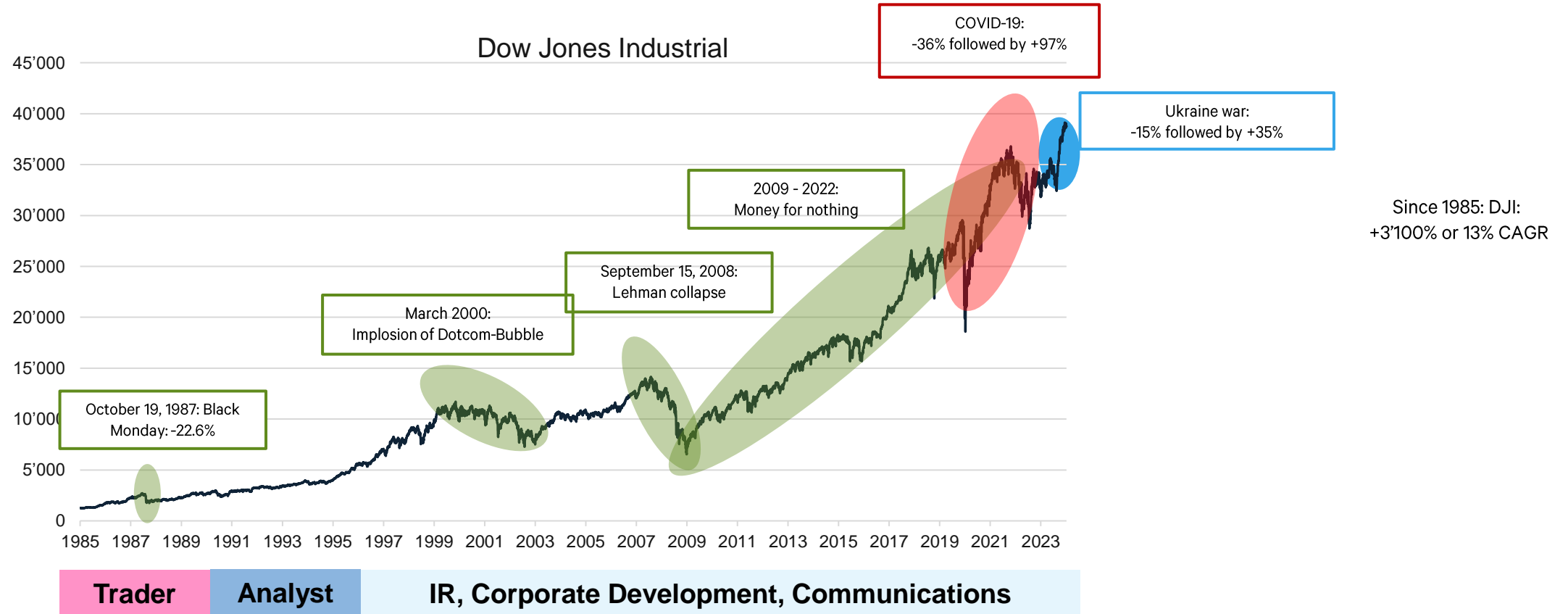
VP Investor Relations & Sustainability



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Many things have happened

Over nearly 30 years of professional experience, stock markets have had (more) ups and (fewer and shorter) downs

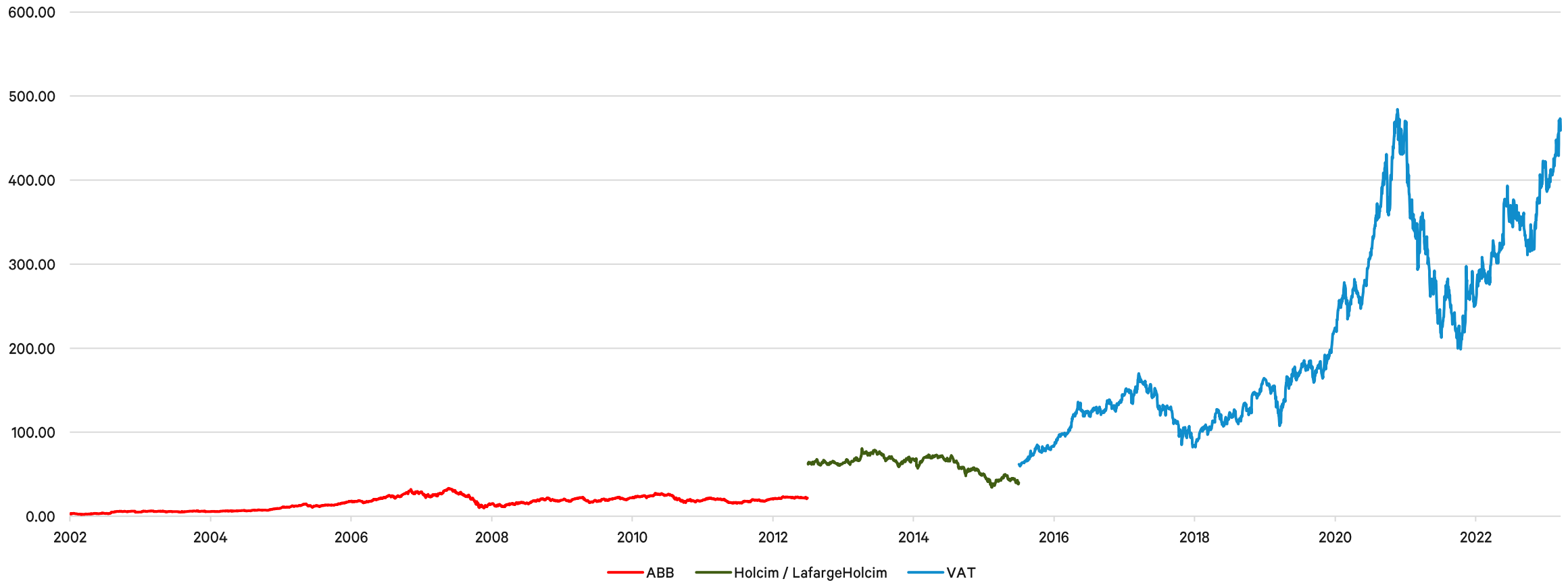


Good times and not so good times



Communication is key at all times – important when things are good and twice as important when things are not so good

Shareprice of companies I worked for since 2003

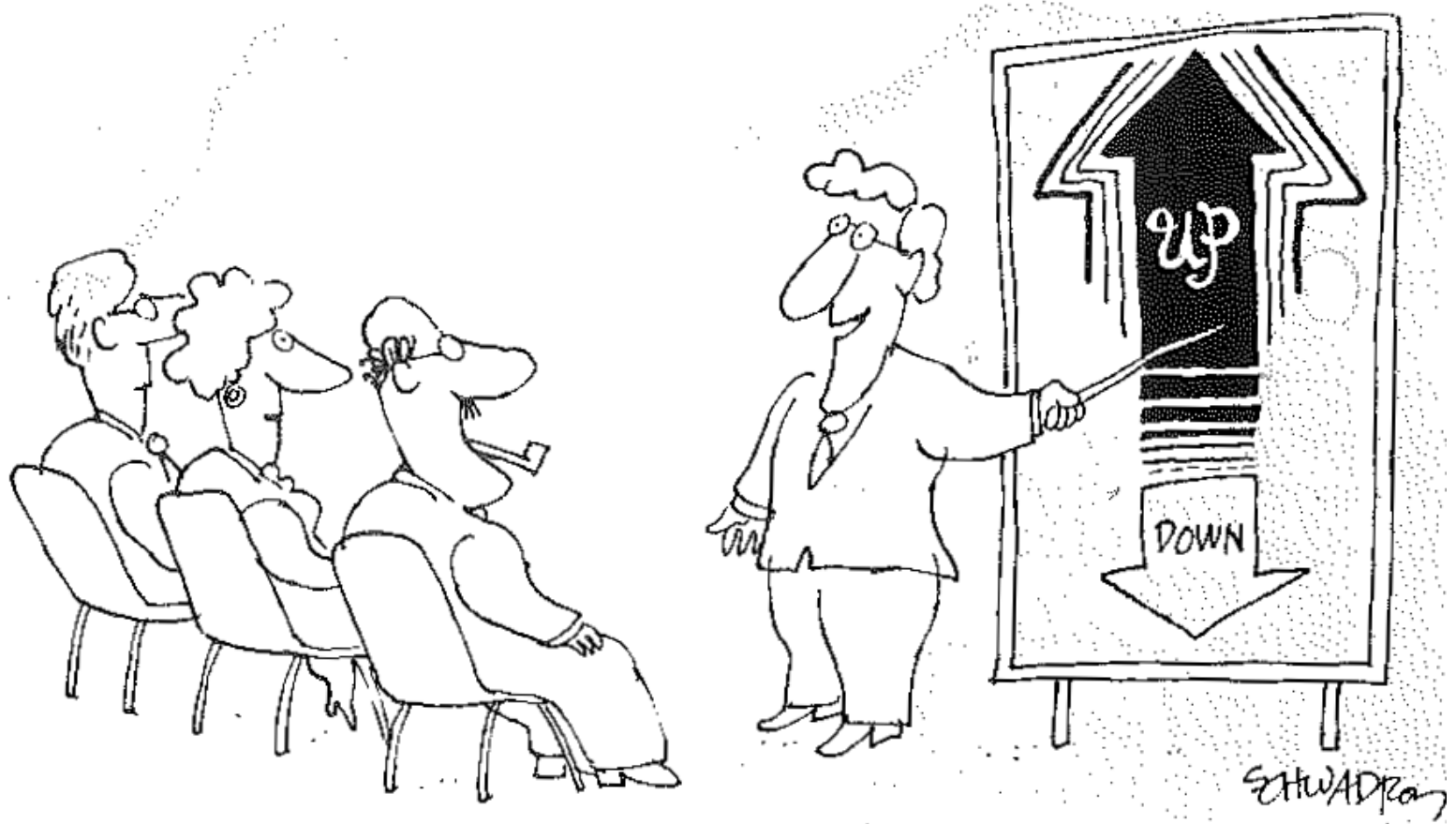




The objectives of investor relations



T.R.U.S.T.



"This downward trend in the economy is balanced by this upward trend conceived by our graphic art department."

Liebe Chefs – sprecht bitte Klartext!

Grosskonzerne, Behörden und Verbände beschäftigen heute ganze Stäbe von Kommunikationsfachleuten. Wie auch der Umgang mit dem Krieg zeigt, wird das Gesagte aber immer weniger authentisch – und die wichtigsten Dinge bleiben ungesagt. Von Dominik Feldges



Wirtschaftsführer
müssen sich auf Debatten
einlassen, ungekünstelt und
nicht nur einmal pro Jahr
an der Generalversammlung.

Dass sich viele Unternehmen lieber hinter wohlfeilen Formulierungen verstecken, als Probleme offen anzusprechen, dürfte mit ein Grund für diese Entwicklung sein. Aber wohl auch, dass viele Firmenchefs zu wenig auf Tuchfühlung mit der Öffentlichkeit gehen. Man wird dabei den Eindruck nicht los, als ob sie es ein wenig verlernt hätten. Doch Wirtschaftsführer müssen sich auf Debatten einlassen, ungekünstelt und nicht nur einmal pro Jahr an der Generalversammlung. So sollten sie sich wie frühere Generationen von Topmanagern auch wieder raus in die Säli dieses Lands begeben. Dort können sie den Leuten deutsch und deutlich erklären, weshalb es für den Wohlstand zentral ist, dass beispielsweise die Arbeitsmärkte flexibel bleiben, und dass es sich lohnt, gewisse Steuern und Regulierungen abzuschaffen. Wer natürlich und direkt kommuniziert, wird gehört.

Source: <https://www.nzz.ch/meinung/unternehmenskommunikation-die-chefs-muessen-raus-in-die-saeli-ld.1670356>

How IR work has changed over the years

Investor Relations has come a long way over the last 30 years

- Investor Relations has become a real profession and career
- Accepted processes and rules have replaced former uncoordinated and highly individual approach
- Amount of information to absorb and to turn into a clear message has grown over proportionally
- Speed of news dissemination has grown manifold
- Ever increasing reporting requirements have led to a certain level of confusion
- Clarity about really needed information occasionally blurred
- Managing a company is no exact science

The ideal IR manager – job requirements



The IR manager has not one but many jobs

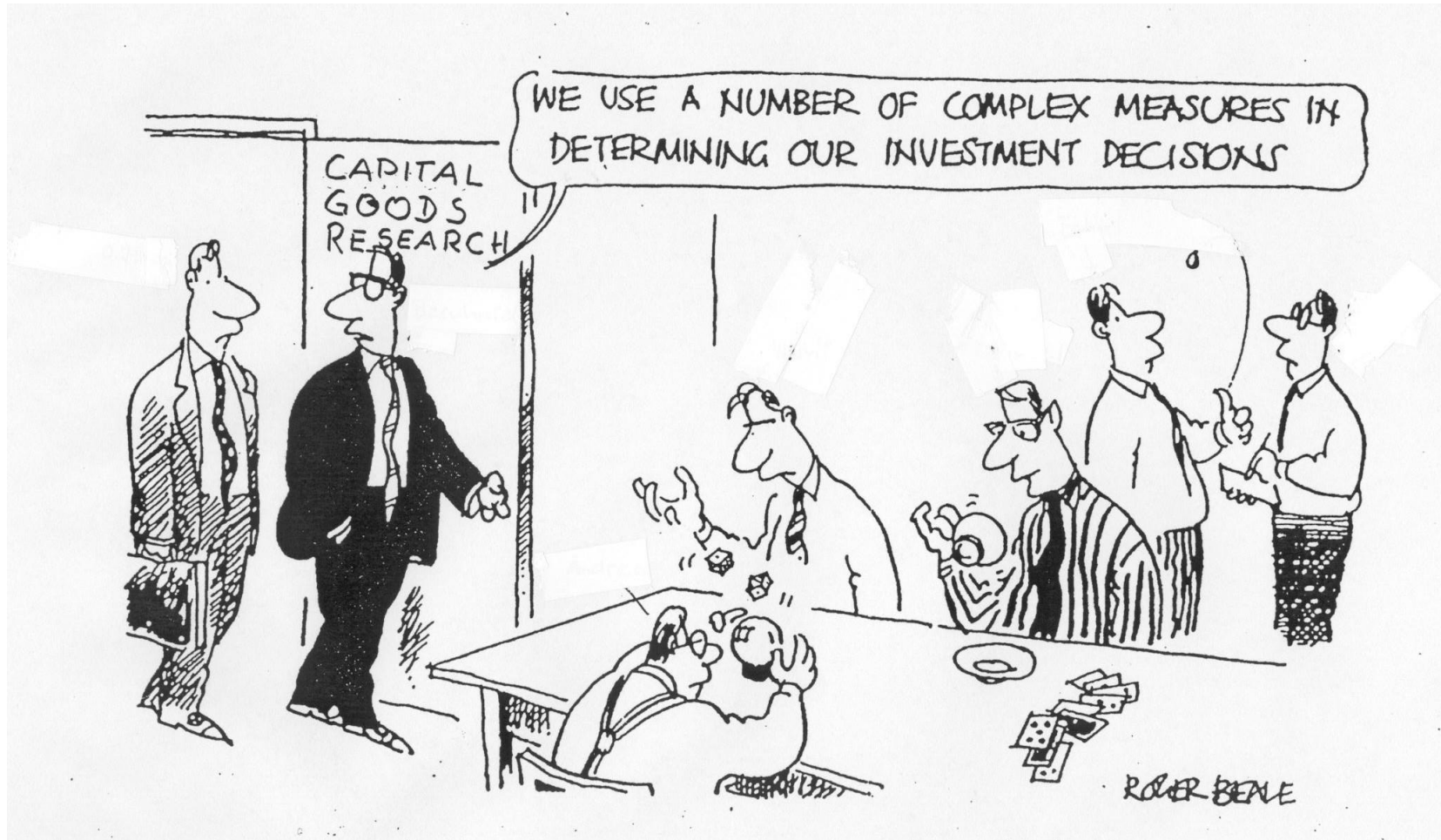
- **Communication Strategist** - development of the equity story, positioning of the company in the capital market
- **Speaker and "marketer" of the company to the capital market** – presentations, events, individual discussions
- **Analyst** - peer group analyses, investor targeting, perception study, interpretation and discussion of analyst reports
- **Advisors** - to management and to the Board on capital market issues
- **Writer** - preparation of annual and interim reports, Ad-hoc announcements, speeches, etc.
- **Presentation designer** - IR presentations
- **Online manager** - design and content management of the IR website, monitoring online portals, social media
- **Event manager** - roadshows, conferences, annual general meeting
- **Permanent "translator" and "networker"** - in the company as well as between companies and target groups

The ideal IR manager – personal skills

The ideal IR manager has a broad set of professional and personal skills

- **Excellent knowledge of the company and its markets** – potentially due to direct business experience and established via direct access to all sources of information within and outside the company
- **Finance and accounting capabilities** – very good understanding of financial analysis and controlling/accounting; deep experience of the functioning of capital markets
- **Experienced in interpersonal skills** – IR is a person's business that requires a certain level of extroversion and a passion for engaging in discussions with other people
- **Written communication** – the ability to put complex facts into an easy and pleasantly to read story
- **Organizational talent** – at the end, the IR manager is responsible that everything works
- **Good with languages** – especially in Switzerland mastering several languages is a benefit in the interaction with stakeholders
- **Center of calm** – the IR manager ideally is a center of calm as circumstances may heat up at times and a clear and structured approach is required
- **Like good wine** – the IR manager gets better with every year in the job as the experience in changing environments grows

Analysts and investors are sophisticated



How to measure the effectiveness of IR



- Investor relations deal with many hard- and soft issues
- Many hard factors cannot be influenced directly by the investor relations work; these factors include the general market development, sales and earnings growth, new products and their market success, general financial market sentiment
- Good IR work executes on the soft issues including the reputation of senior management, the public understanding of company's strategy and market position, creating a approachable environment in which a company sustainably can interacted with
- However, a direct measure of the effectiveness of a company's IR work is very hard to find

How to measure the effectiveness of IR – cont'd

There are a number of indicators that show the effectiveness of a company's IR efforts

Quantitative measurements:

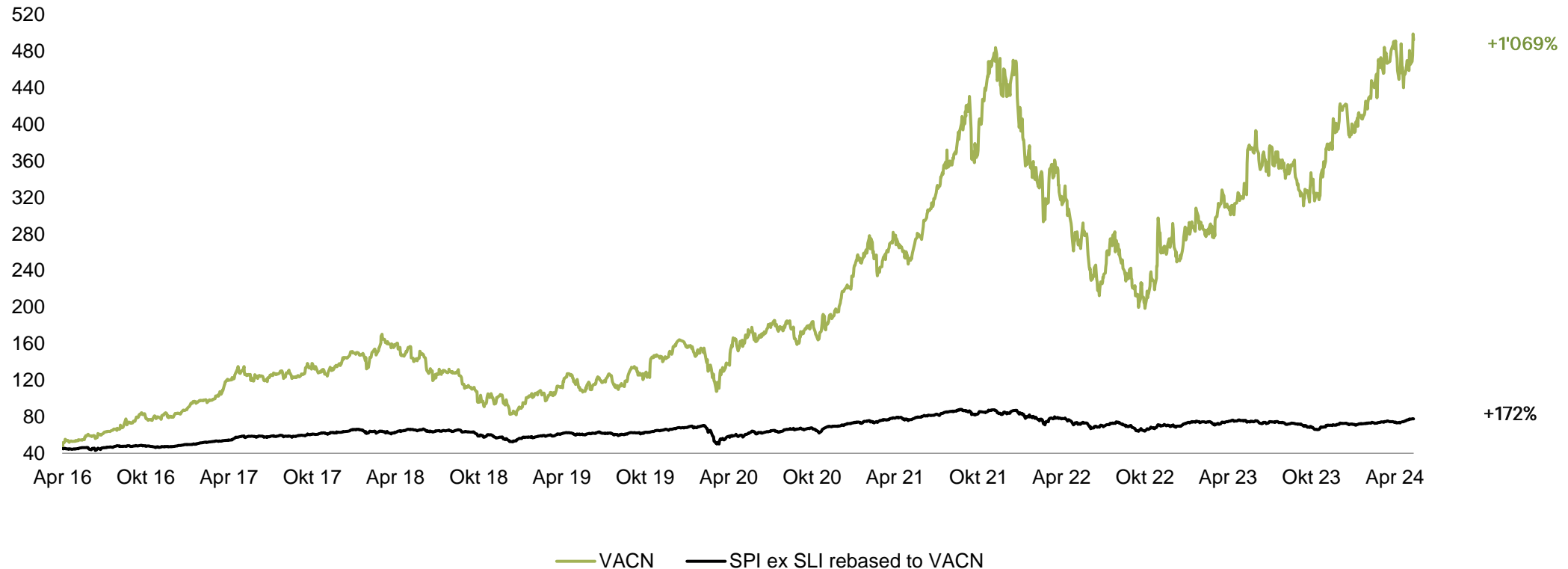
- Size and composition of shareholder base incl. share register turn-over
- Relative share price performance and relative valuation against peers
- Stock market liquidity and price volatility
- Number of investor interactions
- Accuracy of analyst estimates; number of coverages
- IR-rating by independent institutions (Extel research, F&W)
- Coverage in financial media
- Dedicated perception studies

How to measure the effectiveness of IR – cont'd



The development of VAT's share price reflects the volatility of its underlying business

VAT Share price since IPO



The ultimate measure of good and sustainable Investor Relations work



The NIRI definition says it all

Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation

“When the trust account is high,
communication is easy, instant, and
effective.”

Stephen R. Covey 1932 - 2012, The 7 Habits of Highly Effective People

And don't forget, financial markets are efficient ;-)

