

#### ABOUT BURSA MALAYSIA

Bursa Malaysia Berhad is an exchange holding company, listed on the Main Board of Bursa Malaysia Securities Berhad. We operate a fully integrated exchange, offering the complete range of exchange-related services, including trading, clearing, settlement and depository services. We also provide information services related to the Malaysian securities market.

Established in 1973, Bursa Malaysia today has over 1,000 listed companies offering a wide range of investment choices to the world. Companies are either listed on Bursa Malaysia Securities Berhad Main Board for larger capitalised companies, the Second Board for medium sized companies or the MESDAQ Market for high growth and technology companies. We also have an offshore market.

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#### ACKNOWLEDGEMENTS

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# INVESTOR RELATIONS

## PUT INTO PRACTICE

INVESTOR RELATIONS ■ Put Into Practice

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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

### **CSR**

Corporate Social Responsibility

### **Exchange**

Bursa Malaysia Securities Berhad, which is the stock exchange of Malaysia

### **IPO**

Initial Public Offering, which is the process by which a company's securities are first admitted to the Official List of the Exchange

### **IR**

Investor Relations

### **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

### **PLC**

Public Listed Company, a company listed on the Exchange

### **PR**

Public Relations

### **Q&A**

Question and Answer

### **R&D**

Research and Development

### **Securities Commission**

The central authority responsible for the regulation and development of the securities and futures industry in Malaysia

## **THE PURPOSE OF THIS MANUAL**

This manual is for companies who take their responsibilities as a PLC seriously and see the importance of consistently informing their stakeholders of the company's developments.

The Exchange encourages all PLCs and companies planning a listing, to develop a pro-active IR programme. Each programme will vary, depending on the unique circumstances of the company. This manual is designed to act as a resource for a company planning an IR programme or reviewing an existing programme. It does not attempt to provide a template, but offers insight into best practices and the policies and processes which accompany successful IR activities.

## **OTHER REFERENCE MATERIALS**

In July 2004, the Taskforce on Corporate Disclosure Best Practices, established by the Exchange published a paper entitled "Best Practices in Corporate Disclosure" to assist PLCs in complying with the continuous disclosure requirements. A copy of the Best Practices can be found on the Bursa Malaysia website ([www.bursamalaysia.com](http://www.bursamalaysia.com)) in the section on Rules & Regulations/Listing Requirements/ Guidelines – Best Practices.

In December 2006, Bursa Malaysia's Board of Directors approved an "Investor Relations Policy" for Bursa Malaysia as a listed company. While the policy itself is designed to meet Bursa Malaysia's own requirements, it is an example of an effective IR policy and can be found on the Bursa Malaysia website in the section on Investor Relations.

The Malaysian Code on Corporate Governance lists the adoption and implementation of a policy for effective shareholder communications as one of the six principal responsibilities of the board of a company. Under the Listing Requirements, PLCs must describe how they have applied the Code and state where they have failed to comply with the best practices for corporate governance described in the Code. It is incumbent on all PLCs, therefore, to be fully aware of the Code and its implications for their IR programmes.

# 1. DEFINING INVESTOR RELATIONS

## ■ A Component of Capital Management

## ■ An Element of Corporate Strategy

Currently 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 method of communication is the Annual Report and the AGM. However, AGMs have proven to be largely ineffective, mainly due to poor attendance, 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 internet, companies which do not engage with investors on a continuous basis will lack visibility. Investors have so much choice, PLCs which do not have an IR programme will lack coverage and support. Eventually this leads to illiquidity of the stocks, poor valuation and unhappy stakeholders. The IR challenge is to secure investors’ interest by delivering information effectively and in a clear 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 treat their investors accordingly. Uninformed investors can easily become disgruntled investors and meeting investors once a year through an AGM can become a painful affair. Managing investor expectations through an effective on-going IR programme is crucial for any PLC.

### **What is IR?**

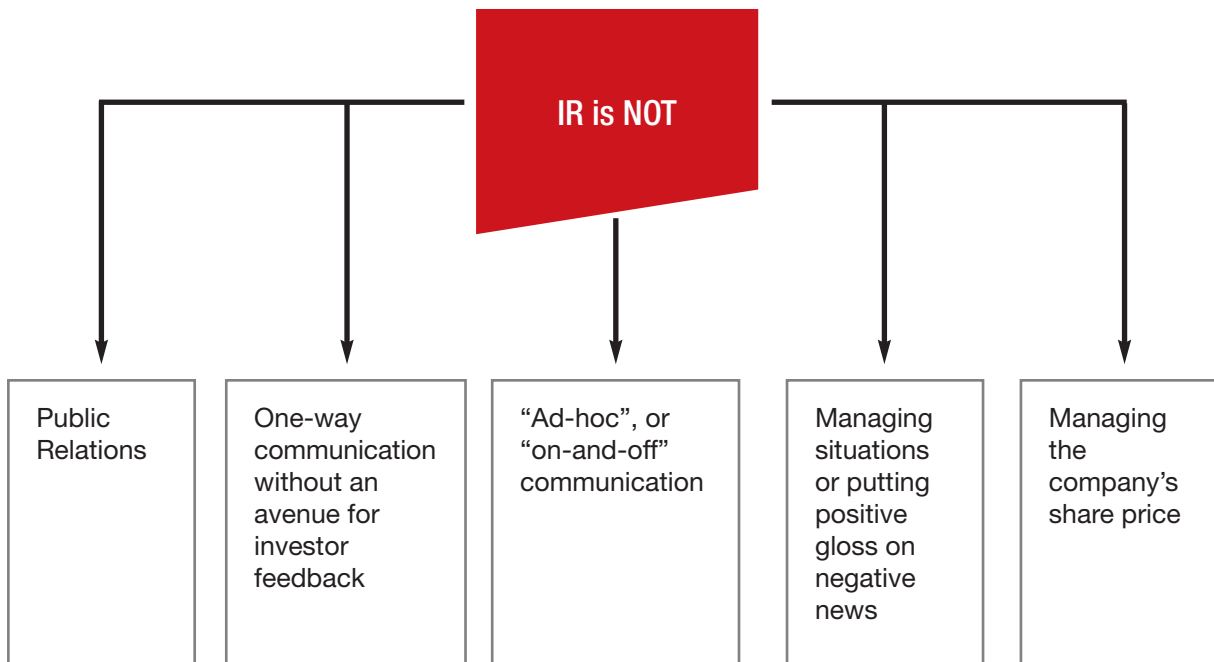
Investor Relations (IR) is that process through which a public listed company organises and conducts itself in effective two-way communications with its shareholders, the financial community and other stakeholders with the objective of accurately representing the company, achieving a fair market value for the company’s securities and ultimately lowering its cost of capital.

### **Why is it Important?**

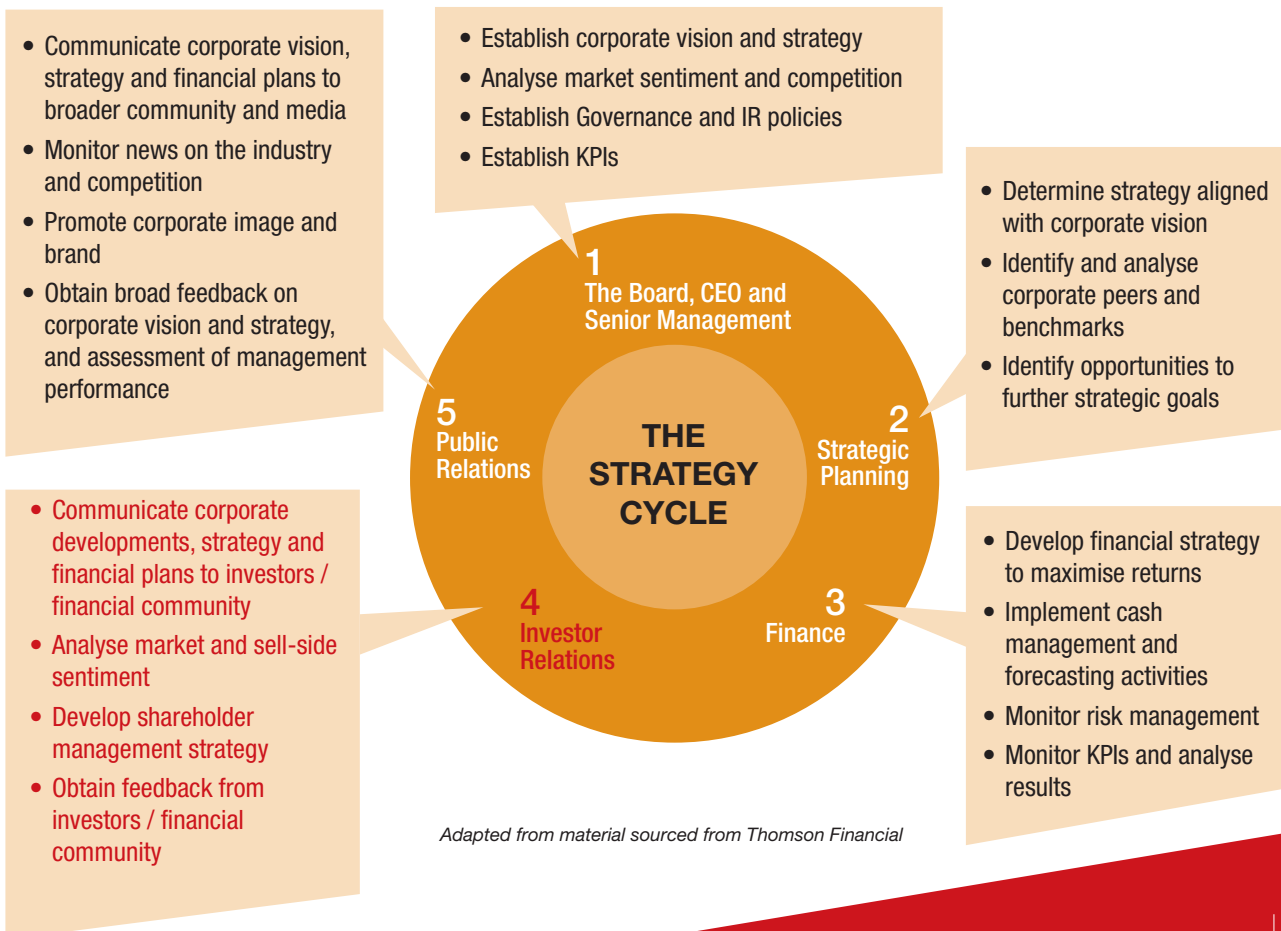
By providing information and analysis which helps investors develop a well rounded understanding of the company and its strategies, a company can help achieve a fair market valuation for its securities, create a body of investor support and a climate of favourable opinion. The result is a loyal shareholder 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 and the price of those 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”.



**But an Integral part of the EXECUTIVE DECISION MAKING PROCESS**



## 2. 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 the market places on 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 transact 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:

- the existing value of the business;
- the company's future prospects, its goals and its strategies;
- the outlook for the sector in which the company operates;
- the company's performance relative to its peers;
- monopolistic or niche features;
- relative returns and cost of capital;
- management and governance track records;
- broader economic influences; and
- 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 performance and prospects, will attract little following and its strengths may not be appreciated. The consequent low market valuation will have the following repercussions:-

- Attempts to raise additional funds will require the issue of more shares to raise the same amount, with the accompanying dilutionary effect for existing shareholders;
- Under-subscription becomes a risk. Underwriting support may be difficult to achieve. This 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; and
- A vulnerable target for takeover.

### 3. 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 behaviour and a model which concentrates on corporate fundamentals.

Behavioural patterns do not normally consider corporate fundamentals. They are based on the pattern of market 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 "run the company numbers" 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 three basic approaches which use the corporate fundamentals model are growth, value and income.

Growth investors	Value investors	Income investors
<ul style="list-style-type: none"><li>■ Focus on rising trends in revenues, earnings, and cash flows which match the investment time horizon</li><li>■ Less interested in dividend payout</li><li>■ Ultimate focus is on the future share price</li></ul>	<ul style="list-style-type: none"><li>■ Focus on companies with hidden virtues not recognised by the market: e.g. under-valued stocks</li><li>■ Will consider companies in recovery process, companies which might be acquisition targets, and companies on a cyclical uptrend, etc</li></ul>	<ul style="list-style-type: none"><li>■ Focus on companies with good dividend payouts relative to the share price, or companies with surplus cash ie. potential for capital repayment</li></ul>

Ultimately, all fundamental investors are interested in the total return from the investment – the combination of share price improvement and the cash returns. It is important that the IRO understands the approach taken by institutional investors especially, 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 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.

In the end, it is often up to the IRO to make the calls, establish contact and ask the questions. There is little point in 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 fashion its presentations to focus on delivering data in a way which reflects the investors' particular interests and criteria.

However, this is not a once only process. As a company evolves, so will its characteristics. Fundamentals will change and this may lead to a company becoming of less interest to a particular investor. At the same time, the process may mean that the company has begun to fit with the criteria of a new investment style and different investors. The job of the IRO means staying abreast of both the changes in the internal characteristics of the company and the way they are perceived externally. Targeting investors is a constantly changing process.



## 4. 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 trusts and fund managers use analysts' research reports in making their investment decisions although some also conduct their own analysis. The financial media, on the other hand, depends on analysts' reports as they provide an independent review of the company.

Leading analysts can develop their own following and are often quoted in the financial media. They tend to concentrate on one or two sectors and develop considerable expertise in the businesses and companies they cover, resulting in their opinions carrying great weight with investors. Companies can also take advantage of meeting with these analysts to obtain feedback on plans and strategies.

Analysts naturally tend to focus on stocks which generate interest. Well followed companies may have several analysts covering their stock. The smaller company, however, may find it difficult to obtain research coverage. Participation in the CMDF-Bursa Research Scheme (CBRS) would be of help in getting consistent coverage for these companies.

### Managing the Analyst Relationship

As analyst opinion can influence both institutions and retail investors, they can enjoy a special relationship with the companies they follow. Some company managers and IROs make efforts to court analysts in the hope of ensuring favourable opinion. However, care must be taken not to become involved in selective disclosure. When information is given, amplification of already published information is acceptable, as is guidance with the assumptions used by the analyst. However, no attempt should be made to interfere with the analysis itself or the conclusions of an analyst.

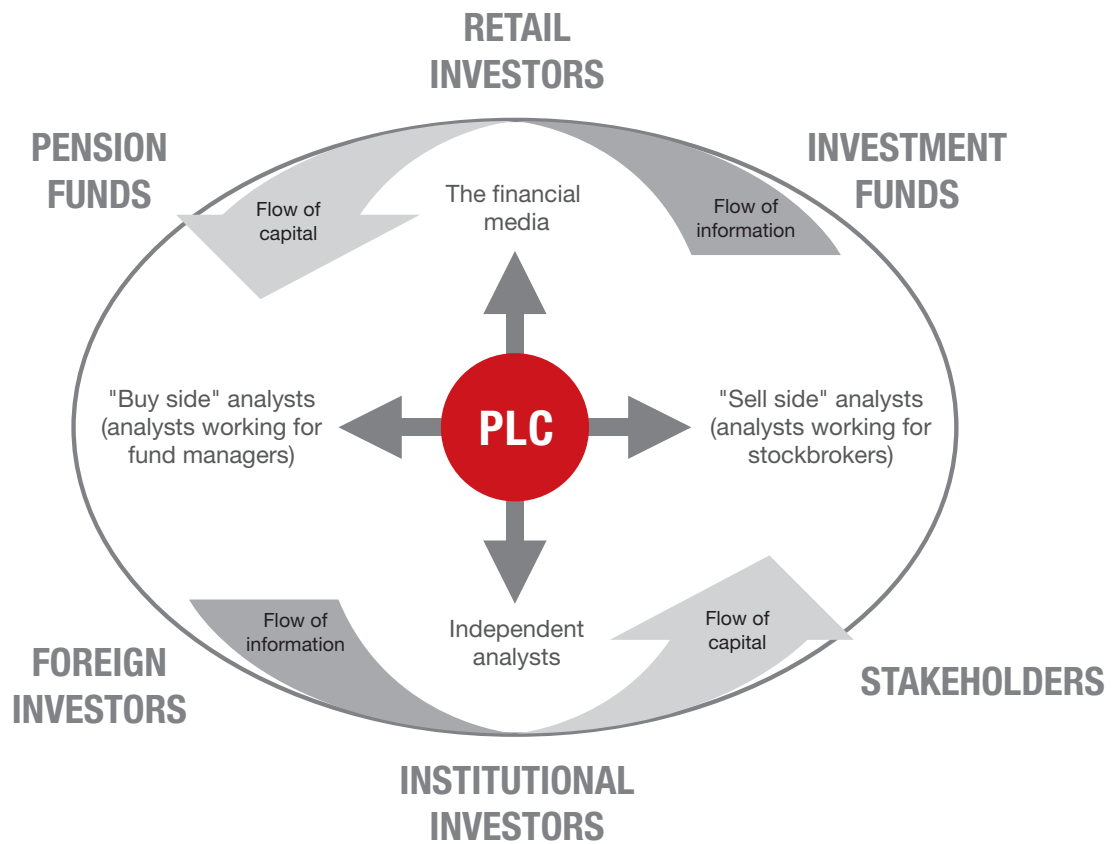
In general, it is also advisable for companies not to endorse the opinions of analysts, even if the company agrees with the report. Circulating an analyst's report to shareholders or others outside the company could be considered as agreeing with its predictions and providing a forecast. However, the IRO should make analysts' reports available to the company's directors and senior managers, 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 continues to be a most effective conduit. News, events and results can be disseminated to all classes of investors and effective media coverage generates interest from individuals, institutions and analysts alike. Investor 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 media. Simply putting out press releases does not guarantee coverage as there is competition for the attention of the media and coverage capacity is limited.

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. Occasional feature articles, perhaps in association with an important corporate development, or profiles of key members of management, can be effective in creating effective communication with the investors with the widest possible reach.



Analysts and Media –  
Conduits between the Company and the Investment Community

## 5. 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. However, the IR function tends to have at least a co-ordinating role in all financial communications and retain control of the principal constituencies and other stakeholders which are part of the financial community.

### 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 ie. appreciation of what the market needs and how the capital markets work;
- Familiarity with all relevant regulatory requirements;
- A sound knowledge of the company, its activities and prospects;
- Ability to utilise a variety of corporate and financial communications channels;
- Ability to develop the key IR messages ie. to translate complex corporate financial and technical data into an understandable form; and
- Presentation skills utilising modern communications skills.

“People skills” are important as well. An effective IR programme revolves around many relationships, both inside and outside the company. The IRO should be able to develop and maintain these relationships.

### Where is IR in the Organisation?

Because IR touches on so 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 needs to be specifically mandated to handle most day-to-day communications with investors and analysts. CEOs and CFOs have wider mandates which do not always permit their availability to handle speaking to audience members on an ad hoc basis. Of course, 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. And it is the programme which will determine what is required in terms of staffing, 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 implement the IR Programme:

- analyse the shareholder register and identify targets among investors, analysts and the broader financial community;
- ensure all corporate events are well attended by key financial community members;
- prepare presentation materials (including any press release);
- develop the main company messages; and
- post event, follow up with the audience participants.

The IRO will also be involved in the preparation of presentation materials for the AGM, and in rehearsing management responses to likely issues or queries. The IRO needs to be alert to what is said in any IR event, including the AGM, whether it be responses to queries or in the process of promoting the company, so that the company complies with its reporting obligations to the Exchange.

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:

- Stock brokers
- Investment banks
- Legal advisors
- Auditors
- Government & regulators
- Lobbyists & other activists
- Suppliers
- Customers
- Employees
- Share Registrars
- Information providers
- Financial designers & printers
- PR consultants

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

### INVESTOR RELATIONS OFFICER

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

## 6. BUILDING THE IR PROGRAMME

- The Shareholder Register – a guide
- Target the audience and tailor the message

A well balanced shareholder register aligned with the company's strategic goals is the real objective of the IR programme. The aim is a loyal long-term shareholder base.

If this is achieved, the benefits are:

- easier future 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.

### Objective of an IR Programme

Although influencing the make-up of the shareholder register is the real purpose of an IR programme, there is no ideal mix of shareholders to suit every company. What is achieved will depend on the targets set by the company and on the resources it dedicates to the programme. 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 shareholders mix?
- What is the relative weight of institutions and retail investors?
- Are there any worrying concentrations?
- Are there behavioural patterns associated with the timing of market movements or company announcements?

### 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 bi-annually.

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 include:

- Basic Communication Principles – clarity and reliability of information, its openness, 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;
- Publication Procedures – covering press releases, results announcements, Annual Report, company website and others;

- Events – events and presentations involving investors, analysts and the media, their conduct, the support materials and those responsible, including the AGM, one-on-one meetings and media interviews; and
- Others – including confidentiality of information, handling reports and rumours, controlling insider dealing in the company’s securities, trading restrictions for Directors and staff, special situations (e.g. mergers and acquisitions) and crisis procedures.

## 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 is vital for any IR programme to be effective. The principal components are:

- Institutional investors;
- Retail investors;
- Analysts; and
- 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;
- employees;
- creditors and suppliers;
- bankers, lenders and bond holders;
- regulators;
- environmental and other lobby groups; and
- the community at large, especially a community in which a company has operational facilities.

## The Programme

A database is the main foundation point. Using an analysis of the shareholder register the IRO should:

- identify key members of the investment community;
- determine with senior management which names to concentrate on;
- ensure contact is established and maintained;
- assimilate the preferences and requirements of each contact into the planning process; and
- develop an invitation list for briefings and other corporate events.

Over time, careful selection of the audience will make the IR programme more effective. Especially for smaller and medium sized companies, without a high market profile and an established following in the investment community, a targeted approach is best. It is easier to commit limited resources to a focussed IR programme than it is to a general public relations campaign.

Finally, a diary of events and contact activities will be useful so that a planned process of relationship building and management continues between the main corporate events. The diary will also act as a guide for internal IR reporting, ensuring management is kept informed of IR activities and their results.

A word of caution, once an IR programme is started it must be followed through. Nothing will do more to discourage interest from the financial community and the media than an “on-and-off” approach to the giving of information. The company needs to understand that it is just as important to communicate in bad times as it is in good times. It is also important for the IR programme to actively seek feedback from the financial community.

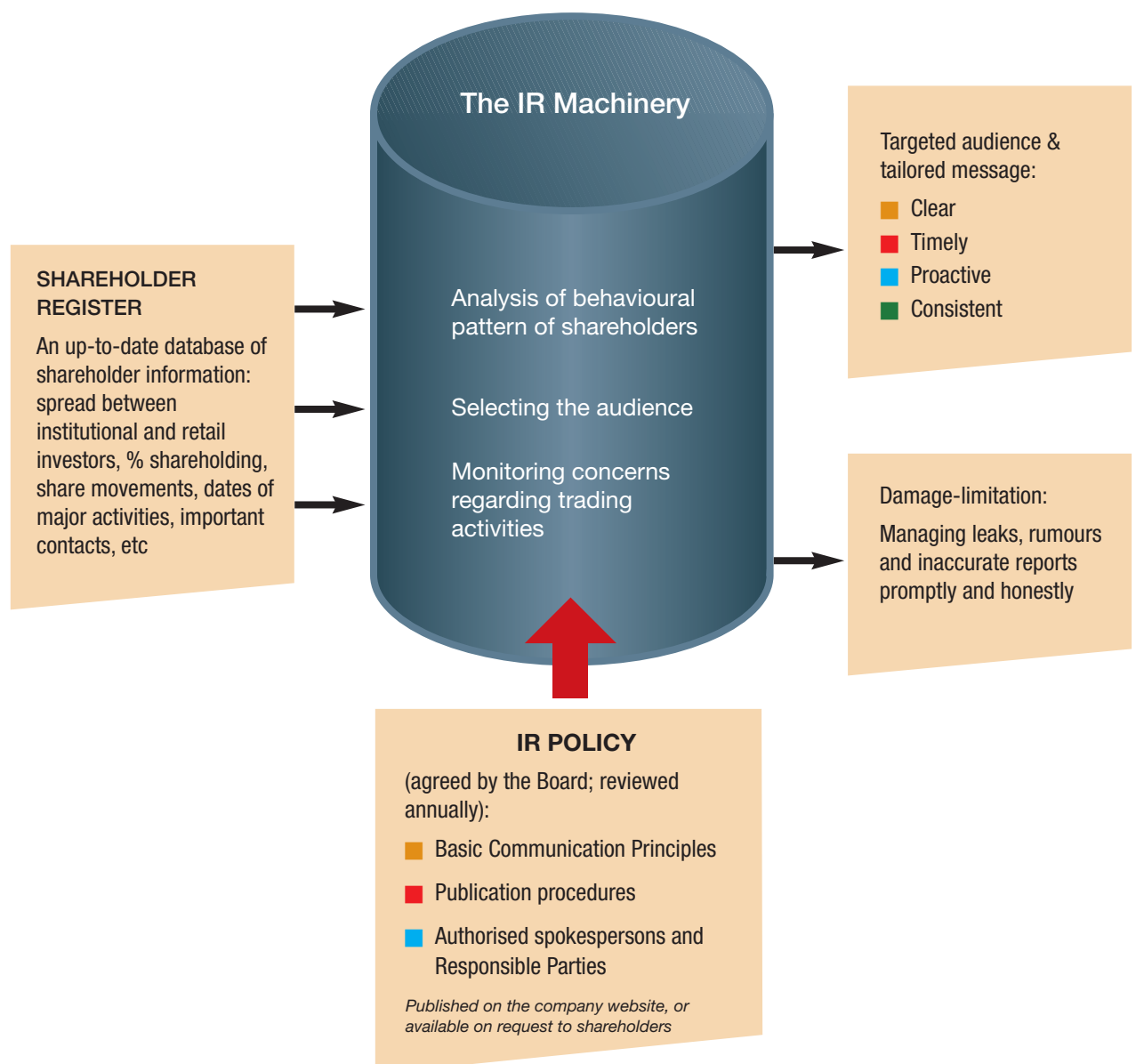


However, there is no single IR programme to suit every company. Depending on size, its stage of development and its resources, each company needs to create its own IR strategy. Guided by feedback from its contact with the investment community, the IR policy and programme should be crafted to fit the company's individual needs and circumstances. The programme and the underlying strategy must have flexibility; each must evolve as the company and its circumstances change over time.

However, there will be common features in all effective IR programmes. It is the prominence given to these features and the manner in which they are used which will differentiate one programme from another.

Careful forward planning and advance preparation is the key to effective IR programmes. Even the best crafted policies and strategies will fail if everything is left to the last minute. For instance:

- release results a few days ahead of others,
- avoid log jams at the Exchange,
- make it easier to engage with analysts and the media (they are also under pressure during “reporting seasons”),
- plan ahead and set timeframes and deadlines (internally and externally).





## 7. EXECUTING THE PROGRAMME

- 4 Quarterly results announcements
- 1 Annual General Meeting

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 focussed on corporate reporting alone. Although reporting results and developments is a vital part of any programme, arranging direct contact with investors and organising events which keep investors and those who influence their opinions 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.

### Post Results Announcement Briefing

A basic programme can be built around the standard reporting calendar. However, companies tend to wait for the last day to report. This causes a “log jam” with the financial press, resulting in stories being dropped or press releases being severely edited because of constraints on column space and competition for attention. Smaller companies can be especially vulnerable and a valuable opportunity to communicate effectively with their investors can be lost. The simple expedient of reporting results a few days earlier would avoid many of these problems.

Most companies follow their announcement to the Exchange with a press release which captures the salient features of the results. In addition, a post announcement briefing has become a feature for many larger companies, involving investors, analysts and the media. Typically, this includes:

- a slide-show or media presentation led by the CEO and/or CFO to amplify the results;
- Q&A session with the audience, employing technology to facilitate electronic contact; and
- recording of the event for subsequent display on the company’s website (webcast).

### The Annual General Meeting

AGM is a statutory requirement and must be held within six months of each financial year end. Although mandated as an occasion 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 especially, this is the principal event, often the only event annually, when they can question the company’s directors and management. The meeting is a forum to deal with all issues of relevance and concern to shareholders. Features of good AGMs include:

- a presentation which highlights key results;
- a description of future plans and strategies;
- reasonable dialogue with shareholders on operational and other matters, not just the company’s financial performance; and
- the provision of post event written responses, when all data to respond to an enquiry is not available at the time.

Companies should use these occasions to obtain feedback from shareholders 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 quarterly results announcements) are becoming common for more prominent companies. Investor days and road-shows are usually arranged by brokers, investment bankers and the Exchange itself, and the PLCs are invited to participate. 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;
- use accessible, centrally located meeting facilities with up-to-date audio-visual and electronic communication aids;
- consider the audience's needs first;
- focus on a limited number of key messages;
- 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;
- describe where the company is heading, and its strategies and plans for achieving its objectives – remember, the audience is most interested in the future;
- consider spokesperson capabilities – untrained presenters reflect badly on the company; and
- prepare and rehearse likely Questions and Answers.

If the audience has been 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 openness, transparency and competence will determine investor / analyst opinion of the company itself.

**Foreign road-shows** are normally associated with larger companies, especially those with substantial foreign investor representation in their shareholder register. A global investment bank will usually make arrangements for a presentation to be made to an invited audience of institutions and professional investors, as well as a series of face-to-face meetings. The IRO will be able to use these occasions as an opportunity to obtain feedback from a section of the company's audience with which direct contact is normally limited.

**Face-to-face meetings** are 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 openness of their responses.

**The media interview** is another kind of face-to-face meeting. Different from the briefing which is given to a wider media audience, the interview may involve only one or two journalists, who will always be from the same publication. 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 which shapes investor opinion.

**Factory or site visits** for investors, analysts and the financial media are arranged by some companies. The objective is to give attendees a better grasp of the company and its operations, products and processes.

**Press releases** are best if they are straightforward and factual, without spin or hype. When news is bad, honesty is the best policy. Good press releases also attempt to cover the predictable questions arising from the material being announced.

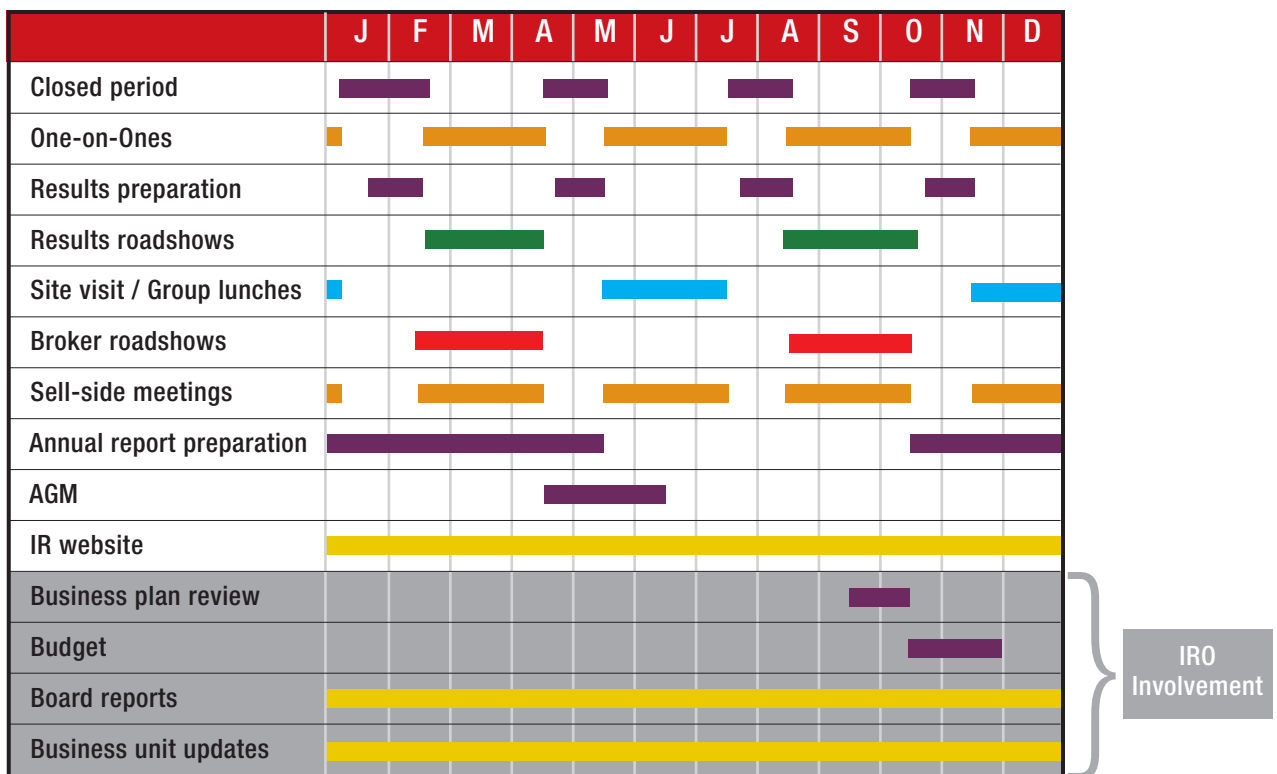
## IR means Two-way Communication

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 opportunity of contact with the investment community 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.

Occasionally, a more formal approach may be taken by sending customised questionnaires to specific financial community contacts, or conducting a programme of structured interviews. This process is probably best arranged through an independent external agency, so that results are rationally analysed and recommendations are dispassionate. However, surveys are treated by some senior managers as an annoyance and the response process can be delegated, defeating the purpose of the survey.

The objective of every process for gathering feedback is obtaining an understanding how the investment community perceives the company. 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.

### A typical 12 month IR Programme



## 8. MEASURING SUCCESS

- A loyal base of shareholders and long-term advocates
- Reasonable liquidity levels in the company's shares

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

Supportive comment from influential journalists is far more important than the amount of coverage, for instance. Equally, a shareholder register which includes names that increase their holdings in a weak market is of far more importance 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 recommendations, 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 wanting to sell down, some of which may not be a reflection of the way they perceive the prospects for the company. For whatever reason, when they decide to exit, a fair valuation will be a comfort to investors in the price they can achieve for their shareholding and in terms of the ease with which they can achieve their exit. 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 can also return in future.

Understanding these issues, and of the ebb and flow of investment fashion and trends is essential in formulating an effective IR programme. It must be approached with realistic expectations and, as long as the company is well placed within its sector or peer group, the actual share price should not be the object.

Perhaps the ways in which the success of an IR programme is most often gauged are:

- the ease of capital raising, or the manner in which capital is offered to the company;
- changes in the shareholder register in line with management's aims;
- the standing of the company in the financial community and improving external opinion of the company;
- broader coverage by analysts;
- increased liquidity and trading in the company's shares; and
- more requests from investors and analysts for meetings with the company.



## 9. THE PUBLIC FACE

- The Annual Report
- The Company Website

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

### Annual Report

The Annual Report is the single most important corporate communication published each year, and one which enjoys the widest readership. It has evolved from a dry report designed solely to provide legal compliance and financial data to a publication that showcases the full potential of the company. The preparation of a good annual report is a major undertaking warranting a dedicated project approach.

Producing the Annual Report can be a headache 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 team involved in this process. He must help ensure that the report provides a comprehensive picture of the company, its performance, products and services, the way in which it is managed and how it relates to the communities in which it operates.

### The Website

It is essential that all PLCs maintain a website. Websites and other forms of electronic communication are now the norm. The website is an important IR tool with far more immediate impact than a company brochure. It is capable of being up-dated at short notice and has the ability to deliver information 24 hours a day. A good website provides key corporate background and data about the company's finances, operations, products and services.

Increasingly, investors and analysts conduct their preliminary research via the company's website, so it is crucial that the website contains the right information in the right place, and that it is easy to navigate. It is also vital that the website is updated immediately with all announcements, press releases and new presentation materials given out at briefings for investors, analysts or the media.

**Specific IR pages**, as with other website pages, work better if they 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", giving all investors the opportunity to learn immediately of price-sensitive developments, results, issues, initiatives and news at the same time, while providing a level playing field. If the IR pages are designed to accommodate a "visitors' register", they can be used to establish direct contact with the audience by e-mail alerts, electronic newsletters and articles. Electronic invitations and attendance at virtual briefings and presentations can also be facilitated via the website.

However, the IRO must remember that the website is not a substitute for normal communication channels; it is an addition to them.

## 10. DISCLOSURE AND MANAGING MATERIAL INFORMATION

- Obligatory Disclosure and Beyond
- Selective Disclosure and Insiders

Some companies think the purpose of an IR programme is to maximise the share price. This is often accompanied by selective data communication leading to inflated expectations. If the company fails to meet the expectations it has deliberately fostered, the market will usually respond negatively. Once lost, it is difficult to re-build standing with the market and the financial community.

A disillusioned market usually translates into:

- a poorly performing share price;
- an absence of investor support;
- a lack of analyst coverage; and
- the evaporation of credibility and trust.

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 known outside the company but could have a material effect on the company's share price if it were to be known, should be regarded as material information. Shareholders and others have an interest in this information and companies should make it available as soon as possible.

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 excessively "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 be fashioned accordingly.

## Obligatory Disclosure

The Listing Requirements of the Exchange give comprehensive details and examples of what constitutes material information and PLCs 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 shareholders 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;
- quarterly reports of 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.

## 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 honest communications are essential (even when developments are not favourable), so that the investment community can develop a properly informed view of how the company might be expected to perform.

## 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; and
- cultivating favourable press comment.



## Insiders

Insiders, in the broadest sense, are people who are in possession of unpublished price-sensitive information about a company. If an Insider deals in the company's shares before that information has been announced or passes that information on to someone else, it is a criminal offence.

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

Not controlling the manner in which information is released 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; and
- 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;
- verbal statements given at external events;
- Q&A sessions;
- face-to-face 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 PLCs 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 PLC’s responsibilities to help foster an orderly market in its securities. A proactive approach is required. Open and transparent disclosure of information is always best provided this does not compromise any legal obligations.

If an analyst’s report is published which 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.

## 11. 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 fashioning 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.

After the euphoria of the IPO has settled, investors will observe actual company performance. If it is out of line with the "promises" of the IPO, 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 PLCs 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;
- poor share price, low P/E ratio, weak trading volume and liquidity; and
- 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 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, however. 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 because they want the trading commissions. The media also usually wants to carry the bigger, more glamorous stories.

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 large enough amounts to be attractive.

In January 2005 the CMDF Bursa Malaysia Research Scheme (CBRS) was launched which helps smaller companies by generating research materials. A number of companies are now covered by the scheme and results have been encouraging. Any company or IRO interested in knowing more of this scheme can visit the Bursa Malaysia website ([www.bursamalaysia.com](http://www.bursamalaysia.com)).

## Resource Constraints

Limited resources in smaller companies may also act to compound the problem, as they 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 in vogue with investors, analysts may be persuaded to give coverage even if the company is small. Offering factory/site visits can be effective in these circumstances; many analysts enjoy the "day away".

Once contact and interest are established, there must be 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 I

## Quarterly IR Board Briefing

Adapted from material sourced through the US National Investor Relations Institute (NIRI)

The report provided by the IRO to the board and senior management may include:

- A one to two page executive summary explaining trends during the past quarter including:
  - Macro events in the market
  - Macro events in the sector
  - Changes in shareholder register composition
  - Percentage of foreign ownership of shareholdings (if known)
  - Number of conferences attended during the quarter
  - Number of investor meetings/conference calls during the quarter
  - Special investor events/analyst briefings during the quarter
  - Anticipated events during the coming quarter.
- One page of quarterly share price performance versus the relevant index.
- One page on quarterly share price performance versus peers' share price performance.
- Two to three pages of buy and sell side feedback.
- A page on the top 15-25 shareholders.
- One page on anything specific to the company's sector or operations that relate to IR and would be of interest to the board, including brief details of any updates to the company website.

## APPENDIX II

### A Typical IR Calendar

Adapted from material sourced through the Australasian Investor Relations Association (AIRA)

The following activities will typically appear on the IR calendar:

- Quarterly results announcement
- Half year results announcement
- Analyst briefing / conference call
- Full year results announcement
- Analyst briefing / conference call
- Dividend payment
- Preparation and release of Annual Report
- Annual General Meeting
- Site visits
- Investor Day / Domestic road-show
- International road-show
- Major international broker conference
- Industry / Trade Fair

## APPENDIX III

### 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)
- 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)