VMA
GROUP

Investor Relations
Industry Report 2012/13

Key career trends, benchmarks and industry commentary

Europe | Asia-Pacific | North America www.vmagroup.com

Contents

The VMA Group Investor Relations Industry Report 2012/13

Introduction

Ask any fund manager how the FTSE 250 has fared over the past year and they will tell you that it has continued to do what it has done over the past decade or so: outperform the FTSE 100. In 2012 the midcap index rose 23% against the FTSE 100's 10%. VMA Group is proud to work with 70% of FTSE 100 companies across all our practice areas, yet in the Investor Relations practice, our focus in 2012 has been on the FTSE 250 companies and it is from this index that the majority of our investor relations mandates have come. We have seen a number of mid-cap firms bringing a dedicated IR resource on board for the first time either to devolve some of the responsibility for IR from the CFO and CEO or from the person also overseeing strategy or communications. So whilst team sizes have stayed fairly static over the past year where headcount has increased, more often than not it has been within a mid-cap company.

Our general findings with regards to salaries and bonuses have shown that there hasn't been significant movement year on year due to the adverse market conditions. There continues to be severe competition for jobs by candidates with the supply and demand effect kicking in this year. The markets have proved that whereas three years ago it was a candidate driven market, the markets are now driven by clients as there are now significantly more candidates chasing fewer jobs. In addition, there hasn't been significant movement at the most senior level compared to two years ago and salaries have reflected this. We've found also that due to roles being merged, for instance, the convergence of communications and IR and Corporate Development and IR, means that candidates are favouring role development internally rather than moving on and increasing their salaries.

The convergence of IR and corporate communications is another area we have been watching with interest. Input into the overall communications strategy by IROs is increasing and we have examined the critical role that two-way communications plays within organisations in some detail.

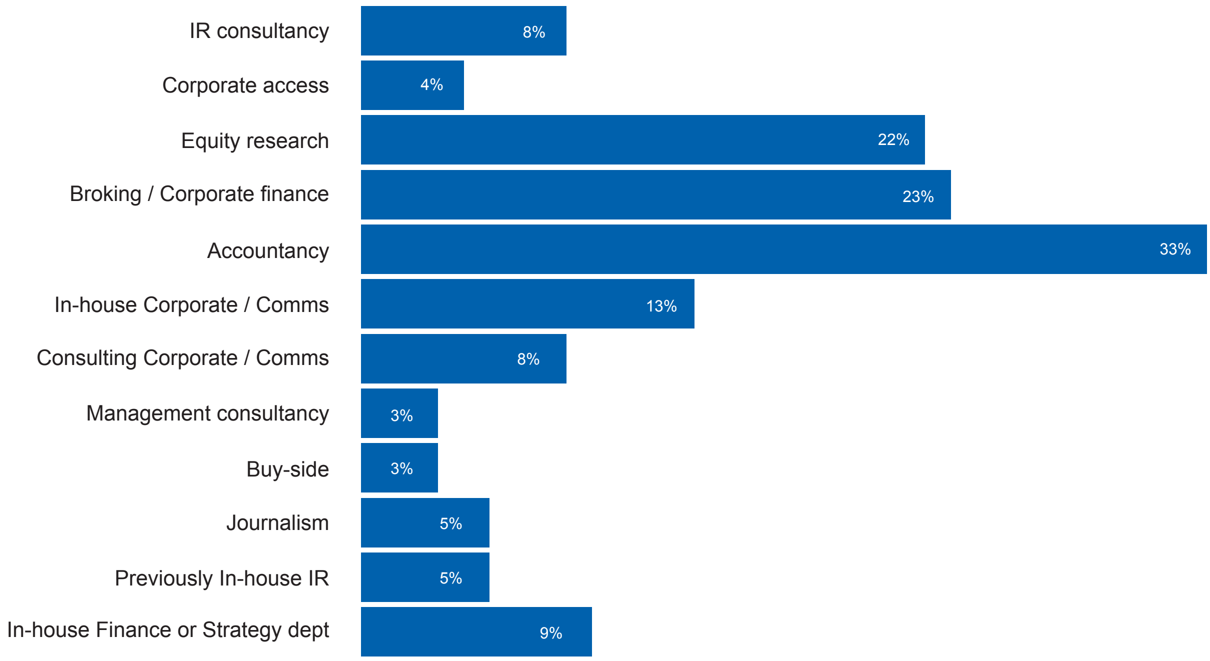
The questions we asked our respondents around the changing role of brokers, corporate governance and the amount of input IROs have into corporate strategy pointed to some interesting and in some instances surprising sentiments.

Overall, the findings of this study show that the role which investor relations plays has never been more important for companies communicating in volatile markets and that the relationship between IROs and the C-suite is critical in doing this effectively.

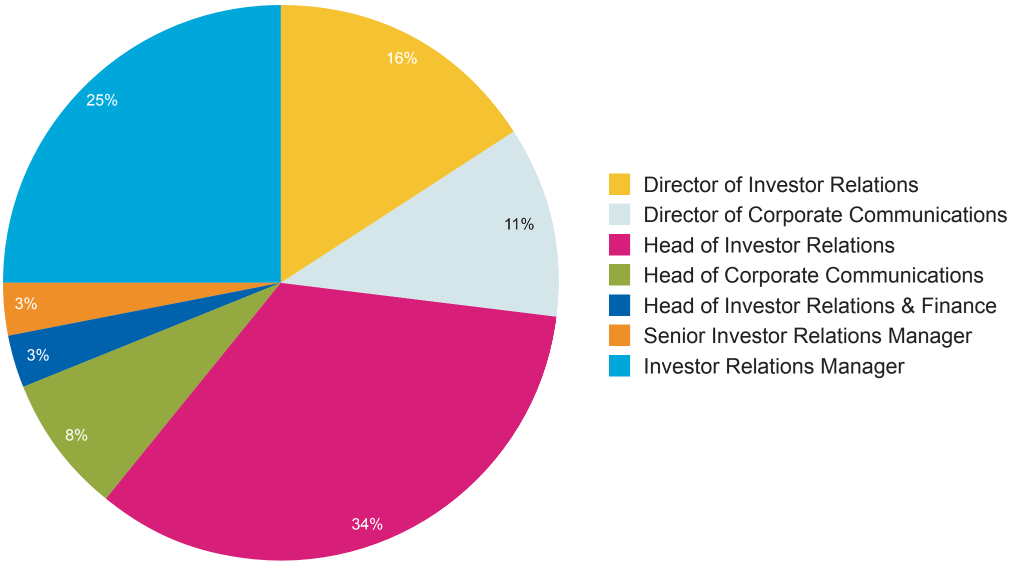
Respondent Background

VMA Group ran two separate surveys this year, targeting in-house IR Directors & Heads of IR and IR Managers across the FTSE 350 (with the majority of respondents working within FTSE 250 companies) and where possible, have split out the findings between the two levels.

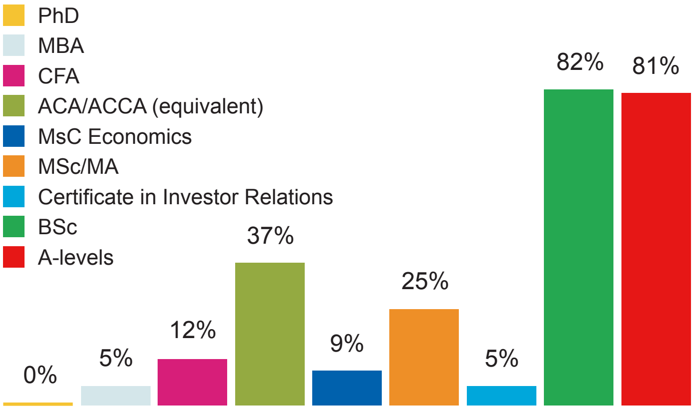
Respondent Background prior to current in-house IR role



Seniority of respondents



Qualifications



A-level and Bachelor degrees are pretty much the norm for an IR professional, but what is more interesting is that 75% of individuals have some form of further study. 1/3 of these individuals continue to an MSc whilst just under half have accounting qualifications.

A-level and Bachelor degrees are pretty much the norm for an IR professional, but what is more interesting is that 75% of individuals have some form of further study. 1/3 of these individuals hold an MSc whilst just under half have accounting qualifications.

The debate around whether an accountancy qualification is mandatory for in-house investor relations professionals continues but it is interesting to note that there has been a significant increase in the number of respondents who hold a financial qualification (ACA/ACCA or CFA) from last year's respondents. In 2011, 38% of Heads and Directors of IR were ACA/ACCA holders as were 27% of Managers.

Our previous survey pointed to a 'training spike' in the move from Manager to Head of level and we have seen a direct correlation between the salaries of IR Managers and financial qualifications. What is interesting to note is that IR Managers appear to be a pretty driven and studious group when it comes to post-graduate qualifications - 23% of respondents at this level had MBAs. Whether the impetus behind gaining MBAs has been to gain an edge over other professionals by gaining additional skills, such as managerial and marketing skills, broadening their professional network or simply for the intellectual challenge is an interesting question but in general it's likely to be a combination of all of these. There are, of course, many IROs from non-financial or City backgrounds who make the move client side, often to small or mid-cap companies who are bringing communications in-house for the first time - from financial PR consultancies, for instance. These are skilled communicators who know how to devise and implement a communications strategy, can tailor a message for multiple stakeholders and put an annual report together. For answers to detailed questions from analysts on the numbers, they rely on their finance teams or CFOs. These corporate communications/corporate affairs practitioners may have many aspects of the IR function as an intrinsic part of their remit to begin with but, as we have observed in the course of working with many FTSE 250 firms and those on AIM moving up to the main board, companies reach a 'tipping point' when they may bring in additional IR support to complement the Corporate Communications Manager, thus allowing the manager to focus on the communications piece and the CFO to spend less time at conferences and more time in the business.

Does a title indicate experience?
The answer is "somewhat". Our participants when grouped into titles showed diverse ranges of time in spent in an IR role. A Director of Investor Relations is just as likely to have 7.5 years of IR experience as 12 years. The mean range or norm of years in IR for each title is given below, with the absolute average in brackets:

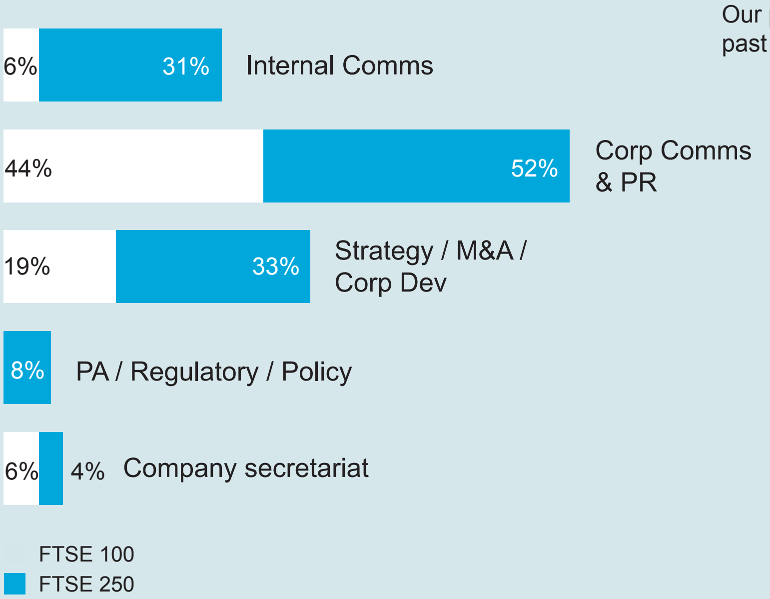
- Director of Investor Relations 7.5 to 12 years (9.75yrs)
- Director of Corporate Communications 7 to 11.5 years (9.25yrs)
- Head of Investor Relations 4 to 9.75 years (6.9yrs)
- Head of Corporate Communications 3.75 to 5 years (4.3)
- VP/Senior Manager 1.5 to 7.25 years (4.4)
- IR Manager 3.5 to 6 years (4.7)

The ranges are interesting here, showing that there is a significant difference in the experience of a Head versus a Director. Of equal interest is that there are similar levels of IR experience between some whose title contains Corporate Communications or just IR alone at Director level. Looking at the skills of both sets of directors it does seem that these Directors of Corporate Communications are coming from the IR route, adding external communications to their remit as they develop, as opposed to External Communications individuals developing IR knowledge (which would be indicated by a comparatively lower range). This is not true at the Head of level, where a Head of Corporate Communications generally has up to 5 years less experience than a Head of IR but a similar amount as an IR Manager.

Another interesting band is the VP or Senior Manager (sometimes called an Analyst). VPs or Senior Managers are shown to have less time on average within in-house IR roles than their IR Manager counterparts. Further analysis shows that this group often have an equity research background. The VP/ Analyst level seems to be the access point for knowledgable, market savvy financial analysts to come from. Our gut feeling is that this is the most appropriate level at which Analysts and Researchers from the city access Corporates, with VP level hires in 2012 almost exclusively having finance/sell-side backgrounds.

Responsibilities

The convergence of corporate communications and IR is something which we have tracked with interest over the past few years. Companies in crisis are obviously in communications overdrive but investors increasingly expect clarity and quality of communication in all scenarios - be it a corporate action, around a company's financial and strategic plans or through a crisis. Continuous and consistent communication is key and in this sense, the merging of communications strategies and programmes, be they corporate or investor-focused, makes sense.



When these functions are officially combined- i.e. there is an individual leading the function with the title "Head of Corporate Communications (and IR) - that individual is 60% likely to have a background in financial or corporate communications, where they have been used to discussing the share price and developing communications around annual results, capital markets days, investor meetings etc. and often going on roadshows, but they are not undertaking shareholder ID or financial modelling.

Our practice has seen an increase in 'hybrid' roles in the past year - and it is not always a cost-cutting initiative.

Does your organisation engage any of the following:

IR consultancy:
24% yes, 76% no

Financial PR:
87% yes, 13% no

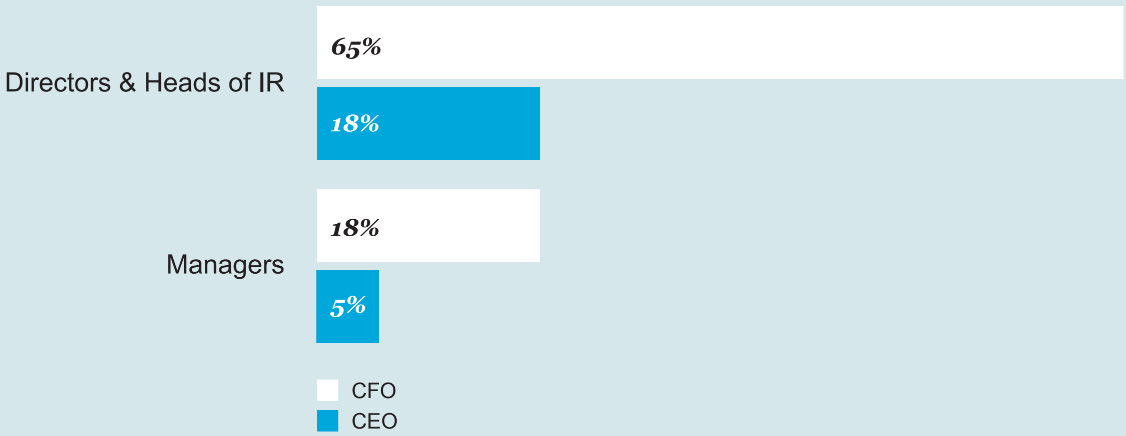
How feasible is it to combine IR and Communications remits? Case study

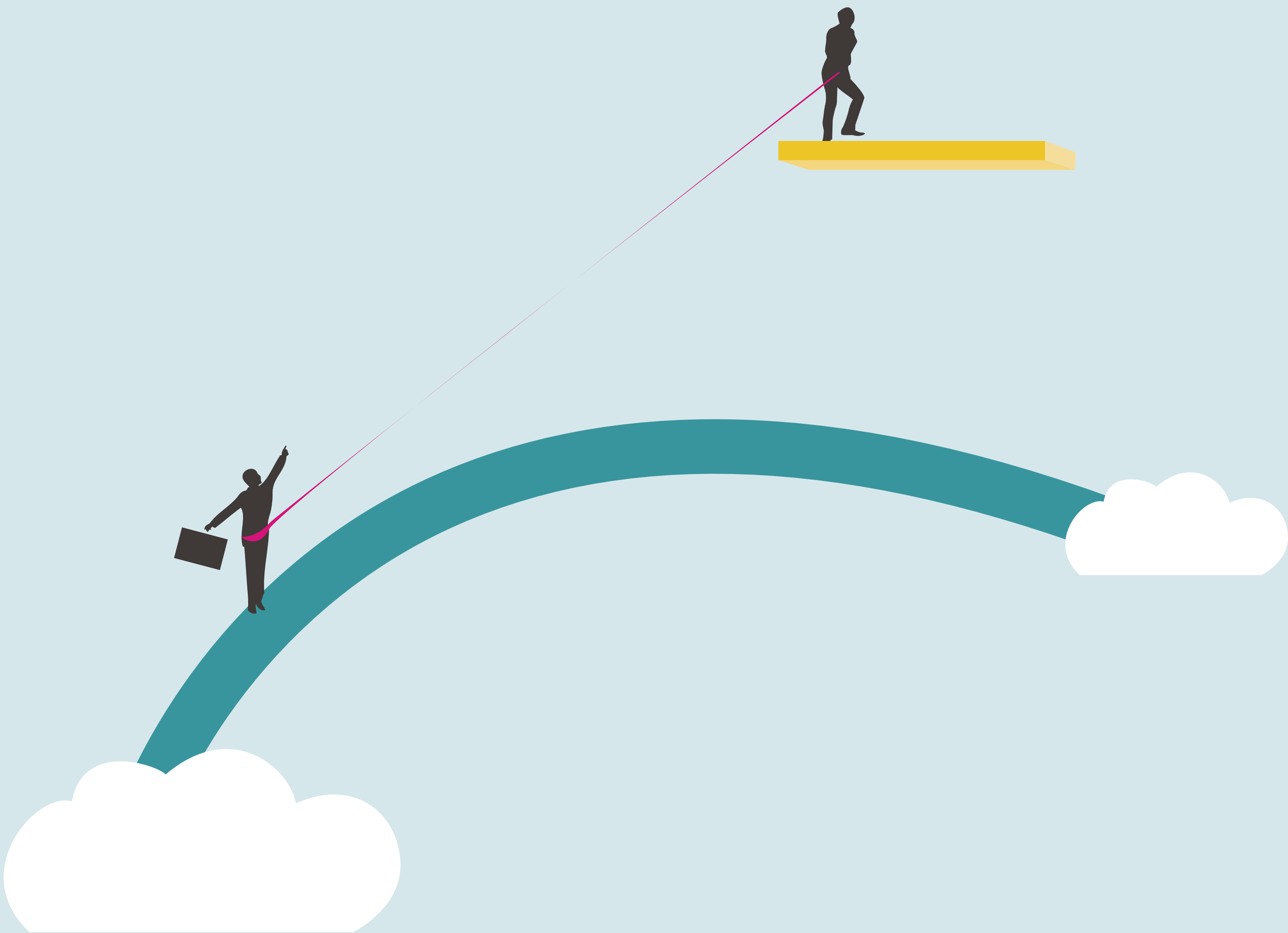
When Man Group plc bought GLG Partners in 2010, we took the opportunity to create an integrated IR, media and internal communications team reporting to the Chief Executive. Our objective was to pool our communications resources - financial literacy, product knowledge and strategic communications expertise - to provide a high quality of service to all interested parties, inside and outside the company. This meant in practice that the IR team led on all "finance heavy" communications assignments (notably results and M&A), but was able to draw on exceptionally strong working relationships with media and internal communications colleagues. The result was that we spoke with a consistent voice to all communities and were able to match the evolving needs of our audiences. There has always been a virtual / vicious circle linking corporate communications audiences: analysts' first glance reactions influence press coverage of major announcements, and press coverage is picked up by staff and customers. The explosion of social media, however, has sped up the news cycle and made it imperative for companies to be able to respond fast; the growing volume of expert commentary from Reuters 'BreakingViews' and the FT has increased the level of financial literacy required to deal with the press; and communicating broader corporate strategy to analysts is as important as explaining the nitty gritty of the financial results. Is it easy to find individuals with the right skill sets to work across IR, media relations and internal communications? No. Simply put, you may be given an hour to explain your investment case to investors and analysts, whereas you often have a maximum of ten minutes to make a point to a journalist. It is rare to find people equally adept at doing both. However, the more complex the communications challenge becomes, the greater the benefits to be gained from pooling resources and taking an integrated team approach.

Miriam McKay
Head of IR and Financial Communications, Man Group

Reporting lines

The majority of respondents are happy with their reporting structures. Amongst those who would like to see a change in their reporting line, dissatisfaction centred around the fact that these IROs reported into a function other than a member of the senior management – the CFO in particular - and having a dotted line to the CEO/CFO rather than reporting directly.





Remuneration

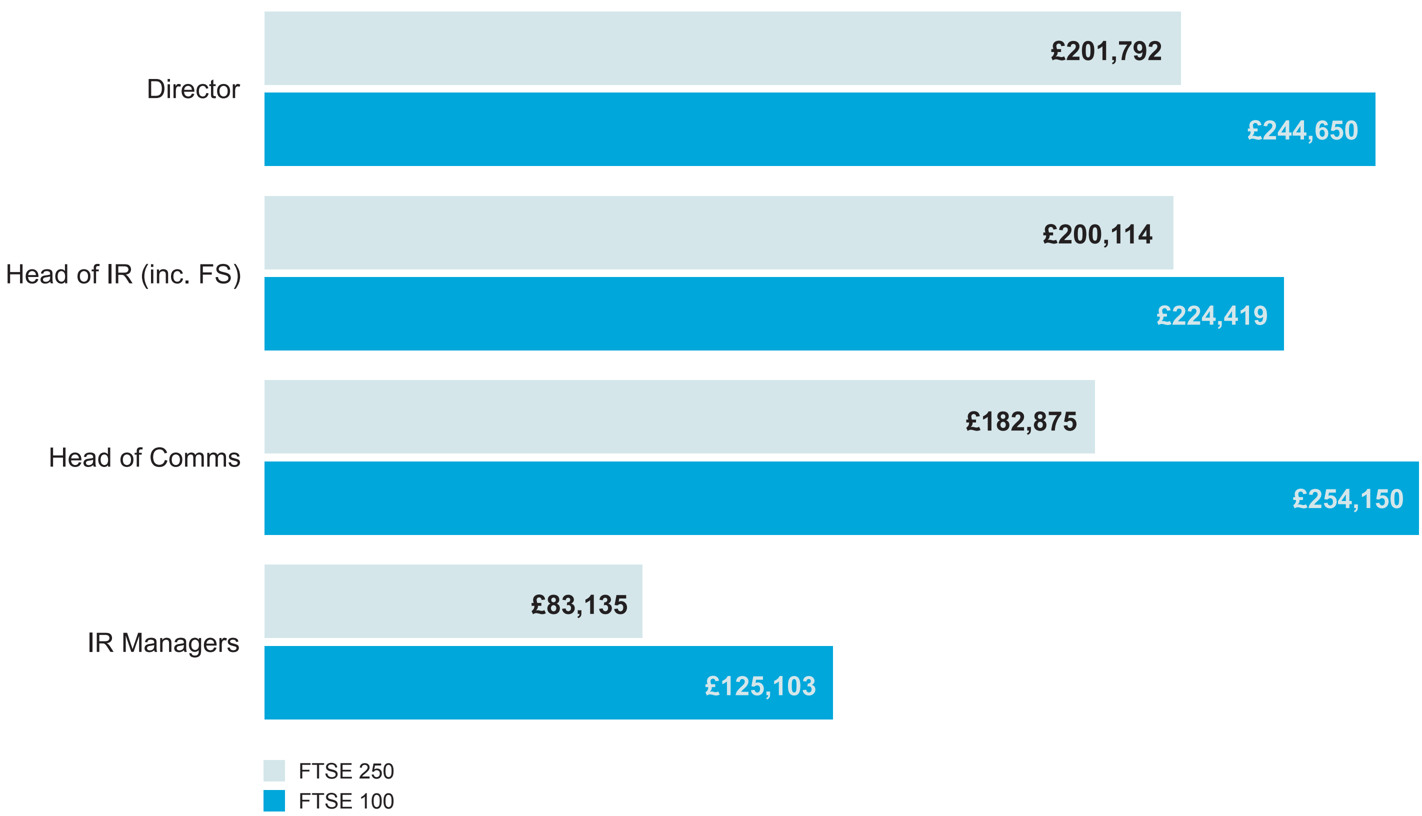
One of the most interesting results from this study has shown that salaries and bonuses have remained static since last year's survey. There are several factors at work here but this lack of movement is due mainly to the slow market for recruiting senior IR professionals. More movement has always equated to an increase in salaries and less movement means the supply and demand aspect of the market negates any uplift in salaries.

Overall compensation has remained largely unchanged with the average Director of IR salary around the £250,000 mark. Needless to say, however, as our market data and anecdotal evidence consistently shows, salaries at the senior level vary dramatically with one group of Directors of IR being paid around the £300k mark and another group, this one from the smaller caps, being paid up to £120k.

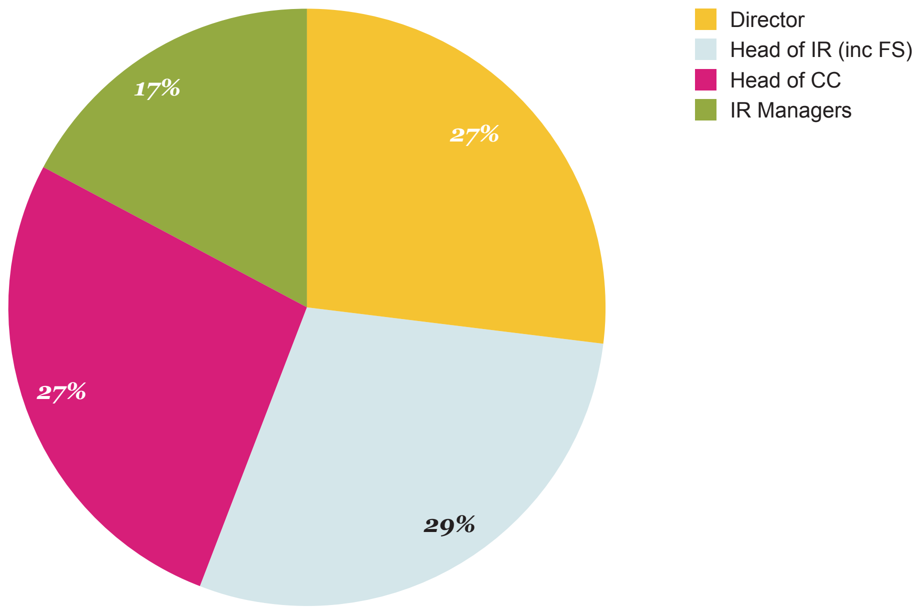
Bonuses have reduced slightly year on year due to the economic downturn but the percentage of bonuses vis-à-vis salary has remained the same.

What is obvious is that due to the combined factors of market uncertainty, little or no movement at the senior levels and a significant reduction in the number of new companies coming to the market, demand and supply factors have not been good for salaries within our industry. An abundance of talented candidates, both incumbent IROs and a few out of work, coupled by a surge in the number of candidates looking to move into IR from the sell & buy sides and corporate broking, has put a dent on any significant hikes in salaries. The 'musical chairs' scenario which was prevalent up to 2011 has not been seen over the past 24 months. We expect this to continue into 2013 but are predicting an uplift in 2014 and beyond as the markets stabilise and investor appetite is galvanised for new IPOs.

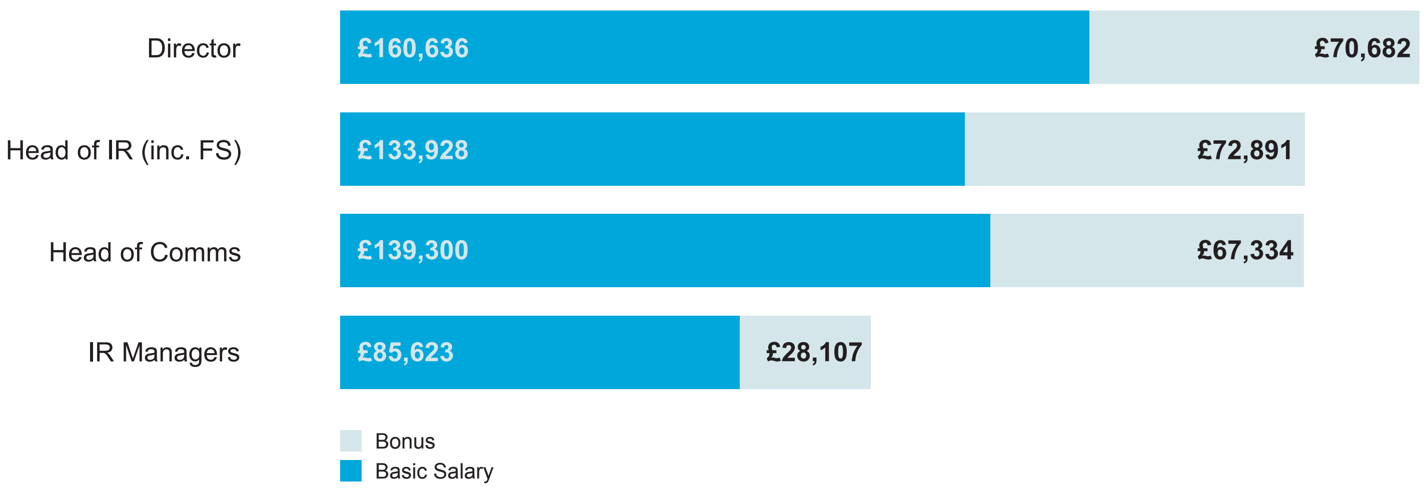
Total remuneration by seniority, FTSE 100 vs 250



Bonus as a percentage of basic by seniority



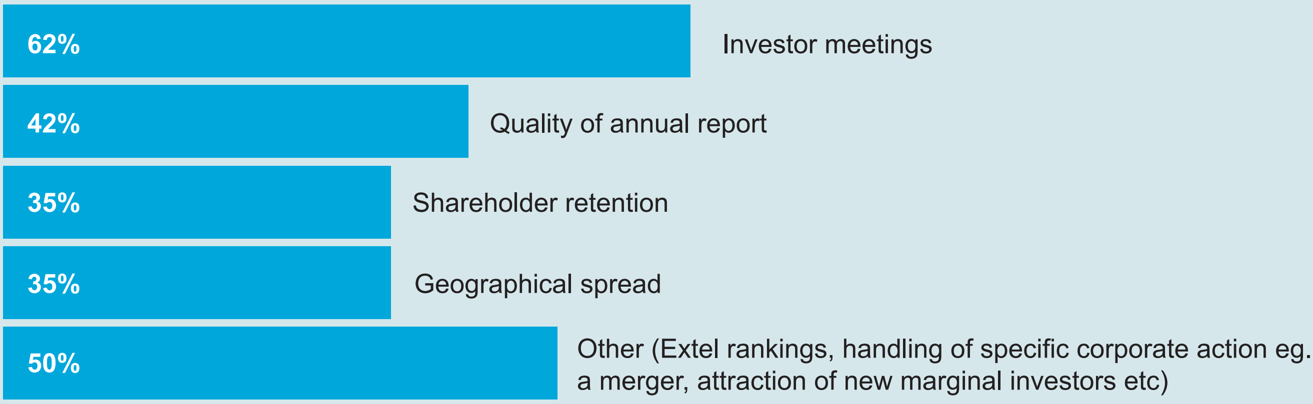
Average basic salary & bonus by seniority



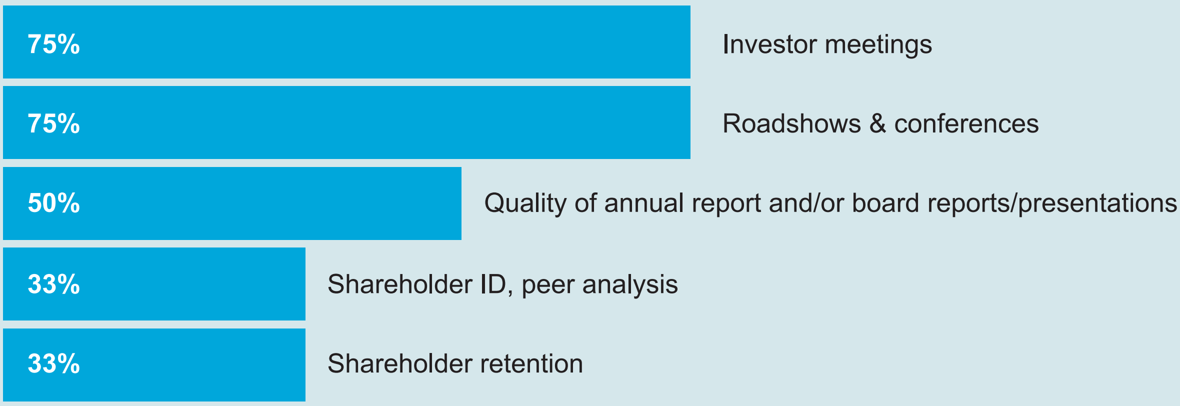
Key performance indicators

63% of lead Investor Relations Officers and 59% of IR Managers have clearly defined KPIs, and these are of course different depending on level of seniority. These percentages, however, would imply that around 40% of lead IROs and IR Managers therefore do not have clearly defined KPIs by which their performance is measured. How to measure the IR effectiveness is clearly something of a grey area for some organisations but a considerably more structured one in others. For Lead IROs these are usually mutually defined by the IRO together with the CFO and/or CEO. IR Managers' performance targets are usually set by the Head of IR and/or CFO, but some respondents reported to have been left to set their own objectives as the best way to add value to the company.

Top KPIs for IR Directors/Heads of IR



Top KPIs for IR Managers



***85%** are targeting shareholder activity in North America, **54%** continental Europe, **25%** sovereign wealth outside Europe, **19%** emerging markets.*

Case Study The Greenfield role

The call from the headhunter sounded interesting – they were seeking an IR specialist for a newly created role at a large, pan-European, specialist buildings products company headquartered in the North of England.

After some desktop research I quickly worked out that the company was SIG plc. Originally a family business selling insulation products through a chain of branches in the UK, the Group had listed in 1989, expanded into Mainland Europe and diversified into other related specialist areas of interior fit-out and roofing products. SIG is one of those deceptively ‘big’ companies - you don’t realise quite how big they are unless you’re familiar with the industry or you’ve taken a particular interest in the business – today SIG is a FTSE 250 business with over 10,000 employees and revenues approaching £3bn.

So, what did I think the headhunter wanted to know? Having been an IR professional for the last ten years or so and having worked in the diverse sectors of utilities, biotech and technology, I was keen to gain experience in other industries; it was an opportunity certainly worth considering.

Like some other companies in the sector, SIG had recently been through a difficult time having grown rapidly during the good times and then been hit hard by the recession, which had been particularly deep in construction markets. The Group’s balance sheet was stretched, the company having been very acquisitive during the 2000s, and an equity issuance followed. Unsurprisingly, this had left SIG out of favour with some investors who were nursing heavy losses.

Having been through an unsettling period, the Group was now on a much firmer footing and moving in the right direction. The balance sheet was fixed, a new strategy was in place and the economy at the time was building momentum. The Board had also been refreshed, with a new Chairman and NEDs, who were particularly keen to rebuild investor confidence in the business.

As is typical with many FTSE 250 businesses, all IR matters had previously been handled by the CEO and CFO. However, they now felt the time was right to hire a specialist. As well as committing more resource to investor relations, this appointment would also lighten the load, giving them more time to focus on the day to day running of the business.

The attraction for me was that it was a new role in a new sector with an interesting recovery story. I’d have the opportunity to mould the position and, importantly, felt I could work well with the management team. My experience was also very relevant and seemed a good fit as my previous two IR roles had also been new appointments, although for companies that had just floated. I accepted the position.

Upon joining, my first step was to familiarise myself with the business. I believe IR to be a very transferable skill and lack of industry knowledge has never held me back, but it does mean that you need to learn quickly. It’s difficult to command the respect of analysts or investors if you don’t have a good knowledge of the business and markets you’re in.

Another key priority was to put together an IR plan for the forthcoming year. This covered all announcements, conferences, roadshows, meetings and the like - anything related to contact with the buy and sell-side.

One important element of the plan was to hold a ‘Capital Markets Day’ in the City. This would serve two primary purposes: It would provide a platform on which the CEO and CFO could outline the Group’s medium-term strategic and financial targets and include a series of educational presentations on the business from the operational management team. To be followed by drinks, it would also give the analysts a chance to meet the SIG team in a more informal setting.

This would be the first time the Group had hosted such a day for several years and would give investors a clear idea of where the Board wanted to take the business and on what metrics to measure success. Amongst other KPIs, this included a new focus on return on capital employed (ROCE), with an explicit target of beating the Group’s weighted average cost of capital by 3% in the medium-term. These targets were well received by the markets and progress against them is now reported at every results presentation.

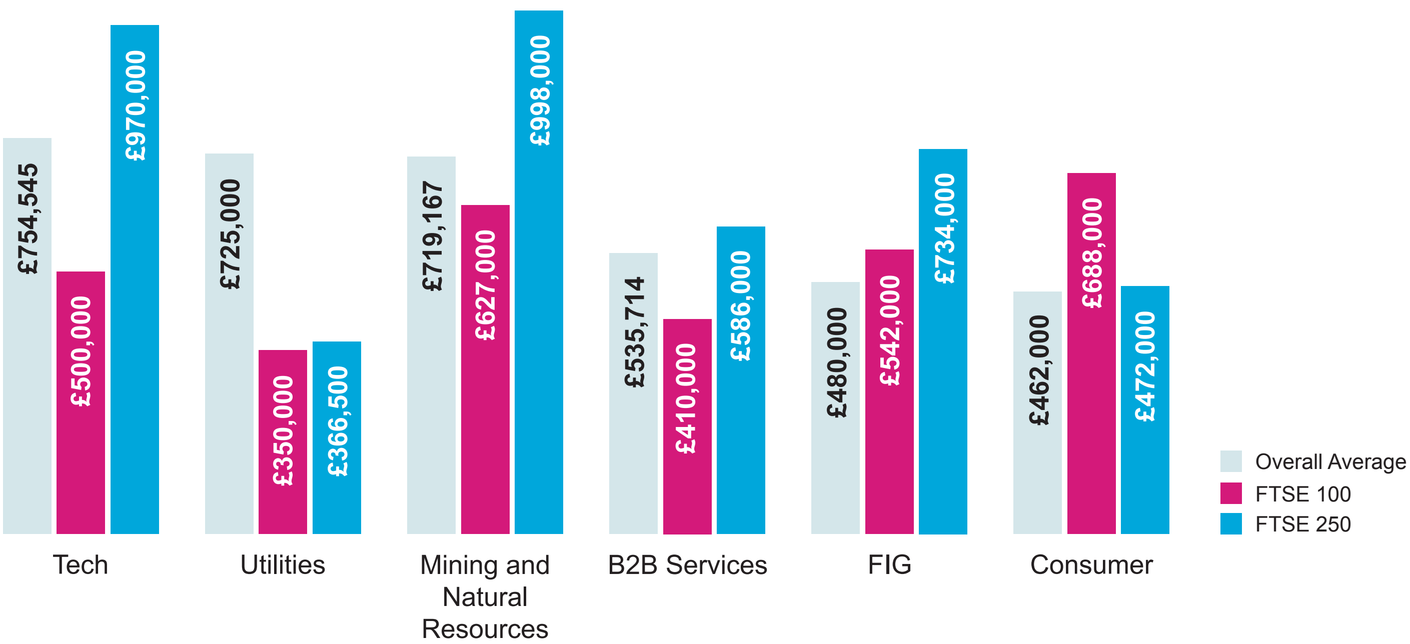
One other change was the handing over of responsibility for meeting with Private Client Fund Managers (PCFMs) from the CFO to myself. PCFMs are an important part of our investor base and I was able to dedicate more time to visiting them, particularly in the UK’s regional cities, freeing up a number of days from the CFO’s diary. In addition I often handle one-to-one meetings with smaller investors or those less familiar with the business.

While there is still much more to do, I believe we’ve made a good start to rebuilding investor confidence in the Group. The next priorities include a revamp of the website, broadening our IR programme, for example to North America and other countries in Europe, and planning other events that will further improve communication with the markets.

Simon Bielecki
Head of Investor Relations, SIG PLC

Budgets & Team Structure

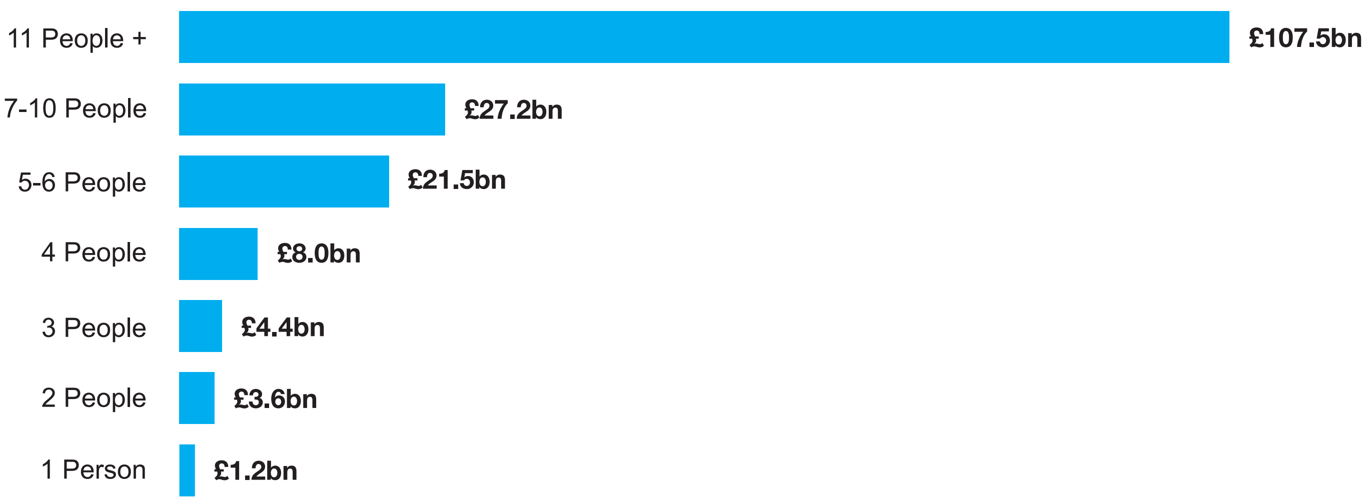
The average annual IR budget (not including salaries) for a FTSE 100 team reported in our 2010/11 survey was around £850,000 and the average for FTSE 250 teams, around £400,000. The figures in the chart below clearly indicate a decrease in spend amongst FTSE 100 firms and a slight increase in the budgets of FTSE 250 companies. This may be due in part to some FIG companies dropping out of the FTSE 100 - companies in this sector tend to have larger teams and correspondingly larger budgets. This finding also confirms the increased IR activity we have seen in FTSE 250 firms over the past year.



Team Size

Teams have remained fairly static over the past year within the FTSE. Where headcount in IR has been increased it has tended to be within mid-cap companies and most often at Manager level.

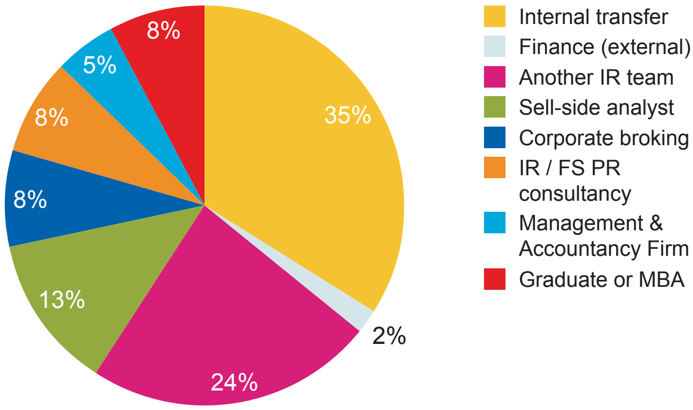
Average market capitalisation and team size (£billion)



Clearly the activity over the past year shows IROs are brought into in-house teams from elsewhere in the business, in the majority of cases from finance roles. This is perhaps unsurprising given that companies have been keen to keep costs down in the current economic climate. Where IROs are sourced internally, these appointments tend to be part of a company's rotation programme: people spend an average of two years in the IR team before moving elsewhere in the business. That said, the number of new IROs recruited from sell-side analyst and broking teams increased slightly over the past - again, unsurprising given the downsizing of banking teams. Those already working in IR teams in other corporate teams, however, had the edge over those without any prior IR experience.

The majority of hires into IR teams were at Manager level with these mid-level resources being brought into teams in order to take ownership of key sell-side relationships or to focus on investor targeting and contact programmes in a particular geographical territory. The next most often recruited position was an IR Analyst, followed by Head of IR roles - the latter frequently being new positions within mid-cap companies where an FD and CEO had previously been managing all IR activity.

Background of new recruits



Case Study Sell-side to IR

Until my move to an Investor Relations role at TUI Travel I had never worked in a corporate environment before. My experience up until that point was firmly entrenched on the investment banking side, having worked as a sell-side analyst for over ten years. I had worked for a number of different institutions, ranging from UK-focused mid-cap bank Evolution Securities to bulge bracket firms such as Citi and Merrill Lynch.

Despite having an interesting and invaluable experience on the sell-side, there came a point in my career where I wanted to pursue something different outside the City. The Investor Relations role sounded like a natural evolution following on from my career as an equity analyst.

Throughout my time as an analyst I dealt with many people on the investor relations side, forming close relationships with frequent two-way dialogue to ensure I kept up-to-date with company matters. Also having worked at banks where we were appointed brokers to a number of companies gave me very good insight into the role of an investor relations officer, especially those late nights prior to an earnings release!

This broad base of experience has meant the transition to the IRO role at TUI Travel has been a smooth one. I have been able to leverage my experience as an analyst in a number of different areas. As an analyst, you are often exposed to the top seat of management to better understand the business and question strategic moves. This has led me to be quite comfortable in expressing an opinion to management without being overawed.

My experience has also been very useful when it comes to drafting earnings releases and presentations. I can put my 'analyst hat' on whilst going through the process to determine how certain language may be interpreted by the markets. Of course, as well as drafting financial reports and presentations, there is the day-to-day role of dealing with queries from analysts and investors. Many of the analysts in the sector are people I already knew from my time in the sell-side, which helps in terms of credibility. As well as guiding on numbers, I often field questions on disclosure and how this can be improved. Transparency is something we take very seriously but there has to be the right balance between transparency and keeping sensitive information out of the public domain.

A good knowledge of the investor base in London and abroad has also helped in maximising management time when targeting clients for roadshows. Trying to focus on improving the shareholder register is the aim of any listed company but there are no short-term solutions to this. Consistently staying in touch with investors who genuinely buy into the strategy but do not have a holding is always a good first step.

The role involves understanding every facet of the business which means having a wide array of contacts from inside the business. Having management buy-in regarding the role means that everyone is always helpful, regardless of whether we need information from a business in the UK or overseas. Having driven and focused people working around me also pushes me to work harder too, although people have a more balanced approach to working which is refreshing coming from the investment banking lifestyle.

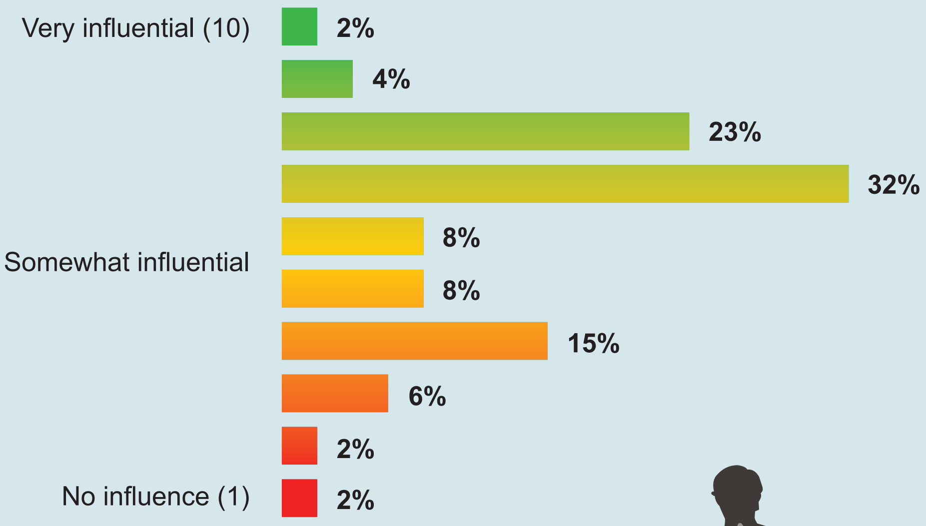
Overall, I am thoroughly enjoying my time as an IRO and corporate life in general. Working inside a company gives you a deeper understanding of one company and its strategy going forward, which I find more satisfying than sitting on the other side of the fence and looking in from the outside.

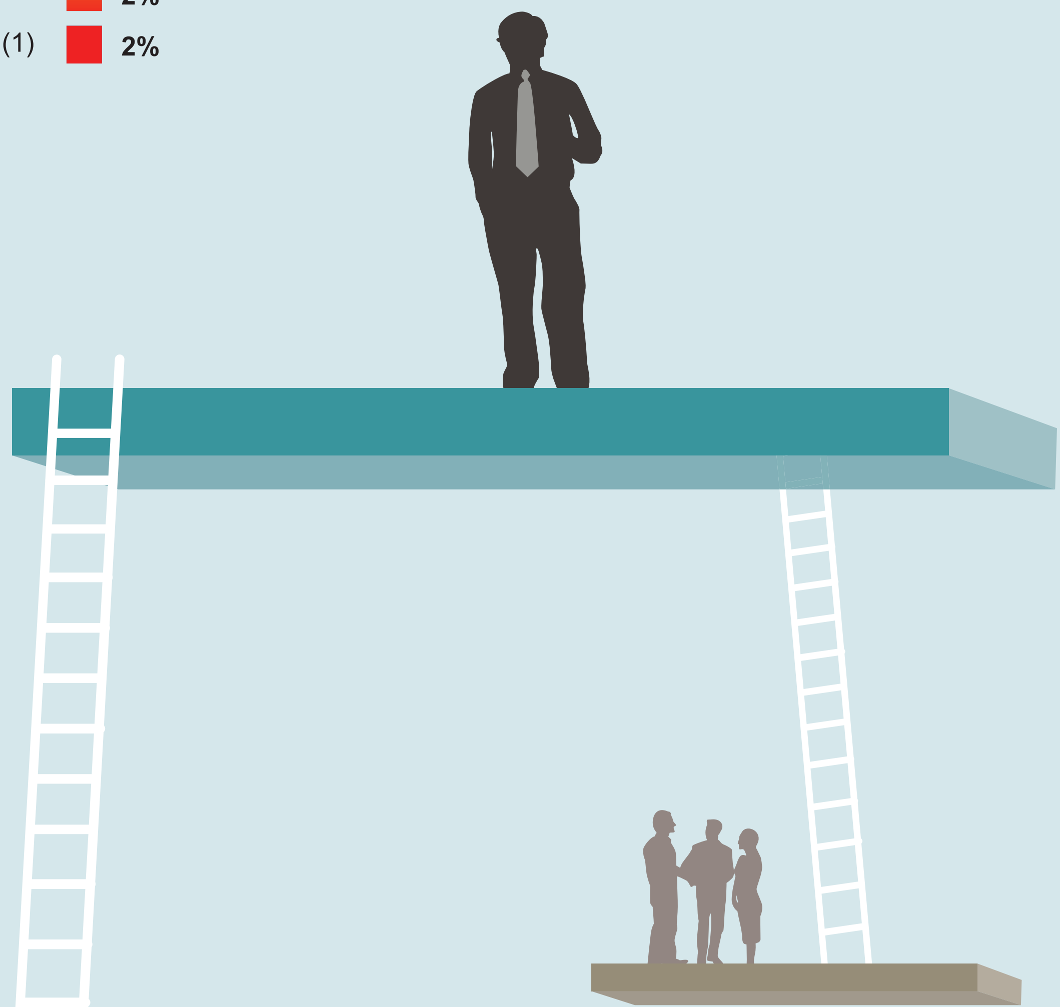
Tej Randhawa
Investor Relations Manager, TUI Travel

IR and the C-Suite

Our questions in this section of the survey examined the role of IR from the point of view of senior management – and what IROs perceive to be the key ways in which they can enhance the IR function and add value to their organisations. 79% of respondents believe that senior management's view of the role which Investor Relations plays within their own organisations is far more positive than it was three years ago.

Scale of perceived influence on senior management (1 -10)





Management’s Time

Managing and maximising the CEO’s and CFO’s time is one of the key components of the IRO’s role and one of the most challenging.

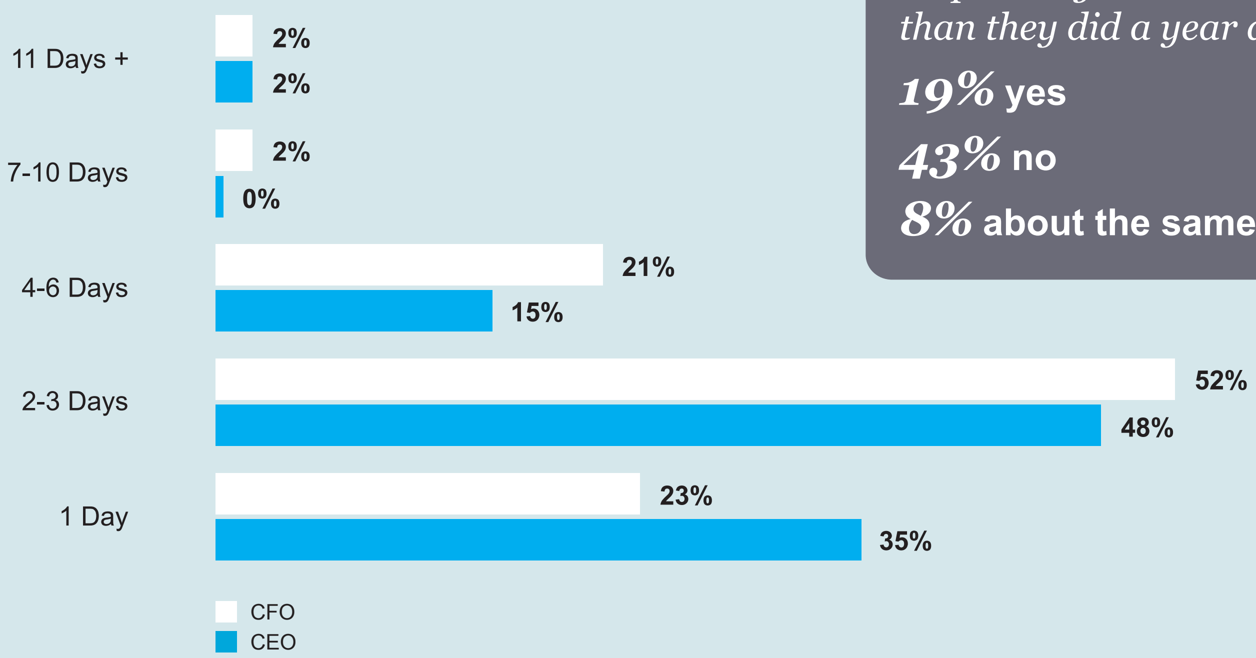
Are investors raising more questions regarding corporate governance than they did a year ago?

19% yes

43% no

8% about the same

Days spent on IR per month



Key challenges in terms of utilising management’s time effectively

Q&A with Justin Read, Segro

Q: How much time do you spend on IR in a one month period? 1 day, 2-3 days etc.

A: It's difficult to be precise. There are peaks and troughs depending on where we are in the external reporting season. Throughout the year, there is a planned programme of meetings with investors, analysts and corporate brokers and providing feedback to colleagues. I would say 15% of my time.

Q: What does good IR look like to you and what do you look to your IR team for?

A: Production of high quality/best practice printed and spoken material for our financial audience – accurate, useful and timely. Ability to develop relations, manage effective communications programme with existing and prospective investors, educate sell-side and use senior management time productively. Provision of up to the minute feedback on external views, shareholdings and forecasts. Ensuring that the company's brand and reputation with the financial markets is protected and enhanced.

Q: What do you consider are the three key ways in which IR can add value to an organisation?

A: Be a responsive and credible source of information to external stakeholders about the business. Provide feedback to the business about external views on the company and its current and future plans. Act as a valuable resource in supporting the CEO and CFO with investor meetings and presentations.

Q: Are you at all involved in defining the KPIs of your IRO/s?

A: IROs report into me and therefore annual target setting for individuals within the department is my responsibility through our internal objective setting and review process.

Q: How much input do you think IR should have into corporate strategy?

A: IR should have antennae which would enable them to help the board understand the likely response of investors to board decisions and should be able to help shape messages to communicate effectively.

Q: Do you think IR should be an ExCo role?

A: It depends on the quality of the individual and the scope of their role. There are grounds for thinking that they would be perceived as being more effective in their external communication by virtue of exposure to ExCO deliberations.

Q: Do you think it is important that IR and Communications work closely?

A: Yes I do. The tone, content and style of a company's communications should be consistent whatever the audience. Additionally, In our sector the property press has a significant voice which the financial markets pay close attention to.

Q: What do you think are the key issues and challenges faced by IR teams in the current economic climate?

A: Like any corporate centre cost base, they need to be able to demonstrate that they are adding value. IR must also stay tuned into changes in reporting requirements and best practise in the current environment.

Q: What do you think are the particular challenges of IR for mid-cap companies?

A: As always, we need to fight hard to make sure that our message is being heard by the right people.

Q: Any comments about the changing nature of the services your brokers provide to you in the current economic climate, given the competition for capital, lack of M&A activity etc.

A: Advisors are having to do more with less resource, which no doubt presents a challenge. Continuity can prove an issue due to internal 'reshuffling' and brokers switching houses.

Q: Any particular challenges within your sector

A: A capital intensive sector which relies on availability of bank funding. Not so much of a problem for the bigger players like us, but an increasing issue for some of the smaller companies.

Q: What are your predictions on the condition of the UK economy over the next 12 months?

A: I'm not expecting any significant change, which makes it all the more important to be active in those geographical markets which enjoy relative strength, like London and the South East.

Justin Read

Group Finance Director, Segro

Corporate Strategy

An overwhelming majority (70%) of lead IROs said they felt that they had ‘some’ input into corporate strategy, with 17% claiming to make a substantial contribution to strategy and 13% saying they didn’t have much input at all. Through some of the comments our respondents offered around this point, we sensed that IROs wanted more influence into strategy which might be a more divisive issue than previously expected. Some suggested that IR needs much closer involvement with corporate strategy to be truly effective. Others maintained that IROs should be more concerned with providing Management with an optimal understanding of investor sentiment than with setting the corporate strategy. Others suggested elevating the status of IR within organisations, even to ExCo level, for Management teams to recognise the expertise and market knowledge that IROs have, to solicit their views more often and involve them in more meetings around issues of strategy.

What are the three key ways in which IR adds value to an organisation?

Whilst our respondents’ answers to this question very much underpinned many of the ‘nuts and bolt’ constituents of the IR role, several themes emerged which were notable by the frequency with which they were mentioned:

1. Communication: It Takes Two....

Clear, consistent communication is one of the most critical components of the IR function in any organisation, whether IR comprises a team of one or ten. It is crucial that it’s a two-way channel. By being an effective conduit for communication, effective IROs help investors to view the company from the perspective of the senior management and equally this facilitates a deeper understanding of investors’ viewpoints.

‘Feedback’ is another word often cited in our respondents’ answers. In the context of IR, ‘communication’ implies the more external process of imparting the messaging and company story to the markets, whilst ‘feedback’ is more often used in the context of information fed back into the company from the market. Very clearly, it’s a two-way channel with open, honest disclosure, guidance and information being communicated both into and out of the company and investor relations is perfectly placed to facilitate this two-way communication flow which is critical in aligning the goals of the company and its shareholders which in turn facilitates better access to capital and a fair valuation of the company’s shares.

Some of the comments around communication were:

- Clear and consistent communication of the investment case, company strategy and operations
- Ensuring two-way communication flow with buy-side investors and key stakeholders
- Making Management more effective in its communication with the market
- Communicate investor concerns back to Management
- Help to inform the overall communications strategy
- Provide feedback to management on investor concerns, competitor performance and market trends
- No surprises! – ensure Executive decisions are made with maximum understanding of what investor reaction is likely to be and manage market expectations.

2. Relationships:

IROs must build strong relationships

Externally:

- With the investment community
- Spend time with analysts on the business model
- Bring high quality shareholders to the table

Internally:

- Open, honest relationships with CEO, CFO and Board: provide a robust internal challenge to management strategy, key initiatives and financial forecasts.

3. The ‘S’ word

‘Strategy’ featured heavily in respondents’ answers:

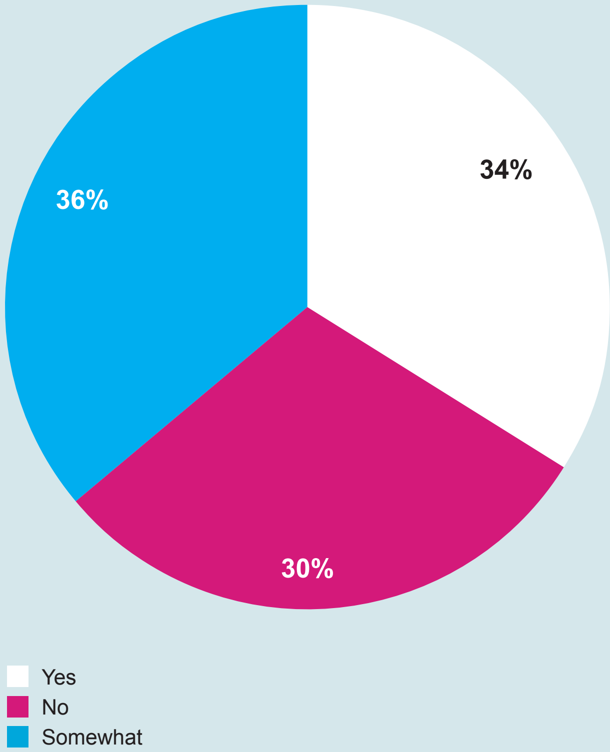
- Input into corporate strategy
- Define messaging for company across strategy, finance and business objectives
- Challenge internal thinking by reviewing strategy
- Provide greater understanding to the market of the business and its strategy
- Pre-empt shareholder concerns on strategic decisions
- Provide a voice to the market on strategy
- Responsibility for ad-hoc strategy projects
- Having to articulate strategy externally provides a valuable sense check

Acting as ‘gatekeeper’ and being the key contact point for the buy-side and sell-side in order to allow senior management to spend as much time in the business as possible and investor targeting also featured prominently in these answers.

Brokers & Analysts

There was a fairly even split of opinion on this question. Some respondents had strong opinions about the broker model and where it may be going wrong but equally many feel the pressure to seek new opportunities lie with the IRO not their brokers. Information from brokers was cited as something that is highly valued, however this comes in many forms, and US listed businesses felt they had excellent access to market information without brokers. On multiple occasions lead IROs cited a need to be self-sufficient and that they actually benefit from driving direct contact with investors/shareholders. Finally, there were reports that brokers had perhaps over-commoditised their searches, or even failed to monopolise on their unique position. There were no trends from where a positive or more neutral position on broker searches would come from: FTSE 100 vs FTSE 250; ex-broker versus accountant; IROs seems to come to their conclusions independently. This suggests the challenge for brokers is to work out who is more likely to be a loyal customer. It is also very interesting that there was no mention of investor access when discussing the value of brokers, which warrants further discussion.

Do UK brokerage services give FTSE businesses a competitve advantage?



The role of investor relations during a takeover and beyond

New challenges during the lead up to the takeover

Investor relations during a takeover presents entirely new challenges for which the 'business as usual' rules of engagement are of little use. The risks of investor relations compromising a takeover transaction are not to be underestimated but the process can be immensely interesting, rewarding, and can throw up opportunities for life after being a public company, particularly for those tired of writing quarterly earnings statements.

At my company, a FTSE-250 financial services software business, after a period of transforming the business and doing our own series of acquisitions and disposals, we were in a takeover or merger situation, on and off, for almost a full year, with four bidders involved between June 2011 and June 2012 – with a sovereign debt crisis thrown in for good measure

In the disclosure and communications environment during a takeover, investor relations had to find new ways to exert control. The first thing I noticed and had to react to was the unpredictability of our disclosure requirements – the FSA and Takeover Panel would require decisions and announcements from us often at minute's notice, with their own interpretation of disclosure requirements changing as merger and takeover negotiations evolved. Input was required from a wider range of advisors than for 'business as usual' statements – such as legal and financial PR advisors from both sides. Once announcements went out, preparation for incoming questions had to be done very rapidly.

Disclosures by third parties such as competition authorities, financial regulators, and the advisory and financing banks were even more unpredictable. I had to look for disclosures from new sources that I was previously accustomed to keeping an eye on. Once I was contacted by an analyst in the middle of the night, congratulating the company on completing a block equity sale in the US that I had no idea would be visible to analysts.

Once our takeover situation was announced, old and new contacts in the arbitrage community re-introduced themselves. These traders have an amazing ability to quickly analyse announcements for signals of conditionality or potential deal blockages, so our (and the other parties') announcements had to be digested quickly in order to stay ahead. Under UK rules, all communications with the market are heavily monitored, so I had to have advisors on every call.

The traditional existing shareholders were quiet through a lot of the process, but when their time came, they were forceful (albeit in skilled and reasonable way) about having their say, and it was important to respond to them in the right spirit of engagement and also with all due speed.

Learning and team work during the process

From the deals I was involved in, I concluded that merger and acquisition transactions are highly team-oriented processes. I believed that no single person on either side was ever in full knowledge of all the issues. Naturally this meant investor relations being proactive in getting briefed, and when communicating publically, caution was mostly the order of the day.

Working with potential merger partners or acquirers was the greatest learning experience, although not without its sensitivities. The level of detail required in presentations and Q & A sessions with potential acquirers was far beyond that required in traditional one hour investor relations meeting, and unlike the usual interactions with investors, all questions had to be answered, regardless of how inaccessible, commercially sensitive or seemingly irrelevant to the company's valuation the answers would be.

Managing a range of presenters from within the company, with varying orientations towards the proposed transaction, was also a job in itself.

So clearly, investor relations, for the right person, is a very visible role in pre-deal negotiations.

…and afterwards?

Now that the takeover is finished, the 20 or so large institutional investors I used to have in my life have been replaced with one large, very inquisitive and very knowledgeable private equity investor, which has made life in many ways more interesting.

I was lucky enough to interact, pre-completion, with the successful bidder, and demonstrate enough knowledge of and involvement in the business to be offered a new role in developing the business under its new owners, including integration with another portfolio company. This has allowed me to accelerate my own shift towards a corporate development role, based on increasingly intimate knowledge of our customers and products.

That expansion in my role to encompass wider corporate development activities was itself made possible by having joined the company at an exciting stage in its transformation, three years before the takeover I've just described. Handling corporate acquisitions, disposals and major new product launches, together with navigating through two financial crises, meant that investor relations, in explaining what we were trying to get done and actually playing a part in getting it done, was very much part of the leadership of the company.

So, I would encourage investor relations professionals to get involved in transforming their companies, because it can lead to very interesting opportunities later on.

Phil Branston
Head of Investor Relations - Misys

Looking ahead

The Key challenges for IR going forward

Issues such as continuing economic uncertainty, the competition for capital and an increasingly active shareholder base may not change the day-to-day fundamentals of the IR role but they do present some key challenges for IROs.

- Poor quality of buyside and sell side coverage – disengages management
- Risk-averse fund managers - low appetite for getting to know new companies.
- Maintaining Management's commitment to IR in the face of increasing operational pressures
- Convincing the market that the company can manage its risk profile in the current economic climate
- Being proactive in marketing and communicating to the market and keeping messaging consistent
- Gaining share of voice in a crowded market
- Lack of IR resource and squeezed budget.

Challenges faced by mid-caps

From an IR point of view, the biggest challenge our respondents see for mid cap companies is securing investor interest and getting a share of voice in a crowded market. In markets in which appetite for risk is as low as it has been, reassuring investors of balance sheet stability, growth opportunities and ensuring that management teams stay committed to IR are all key to keeping mid-cap companies on investors' radars. The point was also frequently made that fund managers and investors often took a short-term view of mid-cap companies and were too focused on macro issues rather than company specifics. Difficulties associated with share liquidity and attracting international investors who don't necessarily know the company well were also flagged.

However, as one respondent said: 'This is a good time to be in IR: it operates in an increasingly complex and challenging landscape, with more rapid news-flow. My issue is simply resource!'

IR - Stepping stone or long-term career?

60% of our respondents across all levels of seniority indicated that they viewed IR as a potential route to another role with strategy, M&A and communications functions being the most desirable areas to move to after a stint in IR. This figure was higher at 73% in our 2010/11 survey. 30% of Director level IROs also saw a move into a CFO role as a potential next step. Interestingly, and perhaps tellingly, an equivalent number (60%) of respondents also indicated that they would be happy to remain in IR over the long term.

IR has been said to have been 'coming of age' for a number of years now; perhaps these figures indicate that that time is edging closer and that perhaps it has taken an extended period of economic uncertainty, competition for capital, changes in the regulatory landscape and corporate governance being dragged into the spotlight, all set against a backdrop of rapid-fire news flow, for IR to have come into its own.

IR Pulse

Extracts from our IR Newsletters - 2012

Resting, Maxed Out, On Target or In Recovery? Your thoughts on IR in the current climate...

January 2012

So here we are in the first flush of 2012 and to usher in the New Year we're delighted to present the first of a shiny new piece of commentary from VMA Group's Financial Services and Investor Relations Practice. IR Pulse, as the name implies, will aim to gauge the state of IR and the IR profession at regular intervals throughout the year, to identify the particular challenges and issues facing IROs in these volatile markets. As a practice, we are in constant dialogue with Directors and Heads of Investor Relations and are well placed to consolidate your views and sentiments in these uncertain times.

As we lurched towards Christmas many of us no doubt mirrored our old friend the FTSE: one day up, next day down, a day of very little movement at all, followed by a slow and inexorable downward slide toward the end of the week as the Christmas parties and fresh Euro-zone jitters took their toll. The markets had been behaving – or misbehaving – in this way for the better part of the year of course and from an IR perspective it seems that from this volatility and uncertainty two distinct schools of thought and consequent action amongst IROs emerged: 'Hunker Down' or 'Get Out There'. (Some even attempted to do both which made for some interesting contortions). These conditions are still with us and are likely to be for some time to come so, to borrow a few terms from the closely correlated heart-rate lexicon: Is IR currently 'Resting', 'at Maximum', 'on Target' or, like many of us following the Christmas and New Year knees-up, 'in Recovery'?

For some, the lack of liquidity in the markets makes for a quiet, less proactive time on the IR front - investor meetings are tough for corporate access and sales teams to secure so this is a time to spend on putting your house in order: working even more closely with analysts on models, looking at presentations, undertaking peer analysis, etc. It would seem macro-economic and political volatility and market uncertainty is here to stay for some time so building different scenarios for communications and IR strategies for potential impacts and outcomes is a good idea. Keep planning and, critically, keep planning from a senior management point of view. IROs are having to field more questions about credit, dividends, re-financing and covenants than ever and providing forward guidance to cautious investors in times such as these is paramount.

The challenging world of the Interim IRO

July 2012

Spencer Tracy, when asked for a tip on successful film acting said: 'Learn the lines and don't trip over the furniture.' It's pretty sound advice and could perhaps be equally well applied to Interim IROs.

The trend for bringing in interim IROs has taken a distinct upward turn recently and VMA's Investor Relations Practice has worked on a number of senior level interim assignments in the past few months. Some of them have been maternity covers - and what a great time to take a few months off. By the time an incumbent Head of IR returns to the hot seat, the markets may at best be feeling a little better, at worst they'll have taken to bed with an eyemask and earplugs for the rest of the year. Either way, you may not miss much - not even a summer, if the weather trend continues. And you'll get to see a lot of the Olympics.

We spoke to a number of interim IROs to get their thoughts on the pros and cons of stepping into an IR role in the short to medium term.

One interim IRO alludes to the interesting point of 'legacy management'- making an impact, redoubling your efforts to be useful while you're in post and leaving a favourable impression with the senior management team are all important when you don't have the luxury of time to show your true colours. They key is to be proactive and look for ways to add value. Being brought on board prior to a set of results and/or the delivery of an annual report is a great way to showcase your skills – when these are over with, the CFO and CEO will often look to the interim to reinvigorate tired policies and procedures.

From a client's point of view, interim managers offer some clear benefits: They tend to be overqualified for the role so can hit the ground running, they are often available at short notice and they are able to adapt to new industries, sectors and situations quickly. Handover periods for incoming interims are often short so this last skill is critical. In a recent article for HR publication Changeboard Emma Flaherty, Head of VMA Group North's HR practice, flags up the importance of skills such influencing and stakeholder management in order to establish rapport quickly and to help drive change. On the flipside, if it's the kind of organisation which doesn't like change and considers the interim there to turn the handle, often under pressure, an interim has to be able to accommodate that, knuckle down and do the job whilst still adding value and not doing any damage to their own reputation and career - sometimes easier said than done.

Lisa Wannell
Principal Consultant

About Us

VMA Group is the global executive recruitment and professional development partner for corporate communications, PR and investor relations professionals.

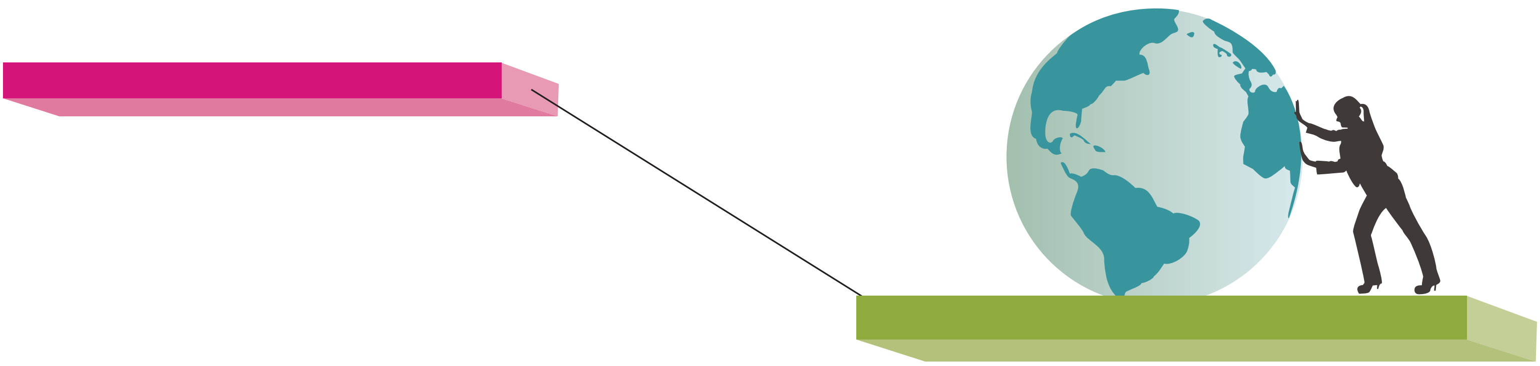
Since its inception as Vicky Mann Associates in 1978, VMA Group has grown to be the leading global resourcing and career partner for communications,investor relations and HR professionals.

Specialist practices cover internal communications, external communications, financial services, investor relations, healthcare, public affairs and marketing communications professionals.

With a truly international reach, VMA Group has offices in London, Hong Kong, Brussels, Amsterdam, Sydney, Birmingham and Manchester. We also work with an affiliate partner covering the USA with offices in Washington and San Diego.

In 2010, it introduced VMA Enhance - a holistic approach to professional development for communications and HR professionals.

VMA Group has become the leader in contemporary analysis and data for the communications profession. VMA Group regularly publishes studies on the disciplines and markets in which it specialises and these have become invaluable resources for the communications profession in planning and decision making.



Each of our consultants is focused on a specific communications discipline or specialist industry sector. In addition to our investor relations practice, we have dedicated teams of experts in permanent and interim recruitment in the following fields:

- Investor Relations
- Financial Services
- External Communications
- Internal Communications
- Freelance & Interim Management
- Public Sector & Not-for-Profit
- Government & Public Affairs
- Marketing Communications
- Healthcare

VMA Group's investor relations practice has been meeting the needs of clients and candidates within the investor relations and corporate communications markets for more than three decades:

- We are the leading executive recruitment company specialising in Investor Relations
- Our experience and exposure within the IR marketplace is second to none
- Our integrity, professionalism and discretion, as well as our ability to deliver results is acknowledged by clients and candidates alike
- We have a user-friendly approach which is unrivalled. Our proactive and client-focused staff are diligent and knowledgeable
- We have Europe's largest database of senior and junior investor relations, communications and corporate access professionals

Members of our investor relations practice have experience of working at the coal face of the investor relations industry, giving us an intimate understanding of investor relations both in-house and from consultancy and investment banking. We understand the needs of our clients and candidates.

Investor Relations Team Profiles

Oskar Yasar

Managing Director VMA International and Head of IR and FS Practice

Oskar is Managing Director of VMA International / Head of Financial Services & Investor Relations practice, having joined VMA Group in 2003 from one of the world's leading financial communications agencies, Citigate Dewe Rogerson. As Senior Consultant, Oskar had advised senior management and helped with the strategic communications and investor relations campaigns of some of the world's leading companies. Since setting up the dedicated Investor Relations Practice at VMA Group, Oskar and his team have helped to place more Investor Relations candidates than any other organisation – He and his team have handled assignments for major international in-house and agency clients including HSBC, UBS, Legal & General, Givaudan, Brunswick and Merck.

Lisa Wannell

Principal Consultant

Lisa's background encompasses communications recruitment, private equity and media and she has worked in South Africa, Los Angeles and London. She joined VMA Group in May 2010 from The Works where, as a senior consultant, she managed the Corporate desk, working with clients in the professional and financial services sectors as well as with corporate communications consultancies. Previously, she worked at Towerbrook Capital Partners (previously Soros Private Equity Partners) as a researcher. She began her professional career as an advertising copywriter, script consultant and writer of corporate training films. As a principal consultant in the financial services & investor relations practice at VMA Group, she handles mid to senior level investor relations assignments for listed companies across a range of sectors, from natural resources and real estate to leisure, telecoms and retail. She also works with several of the leading financial PR consultancies.

Jennifer Bargrove

Principal Consultant

Jennifer is a Principal Consultant who specialises in communications, marketing and investor relations recruitment within the banking and investment management industry. She has six years' executive search and recruitment experience and during this time she has managed assignments for most of the large investment banks and prominent Institutional Asset Managers, building a strong knowledge of the Financial & Capital Markets. Jennifer joined VMA Group in 2010 following a career in marketing and investor relations recruitment. She is a part-chartered Health Psychologist and her Masters studies at Surrey University included research into Occupation Psychology and the strength of psychometric testing in the workplace.

VMA
GROUP

VMA GROUP
23 Bedford Square
London
WC1B 3HH

T: **+44 (0)20 7436 4243**
E: **mail@vmagroup.com**