

Measuring IR Effectiveness

& How Investor Perception Research Can Help

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WHO IS RIVEL RESEARCH GROUP?

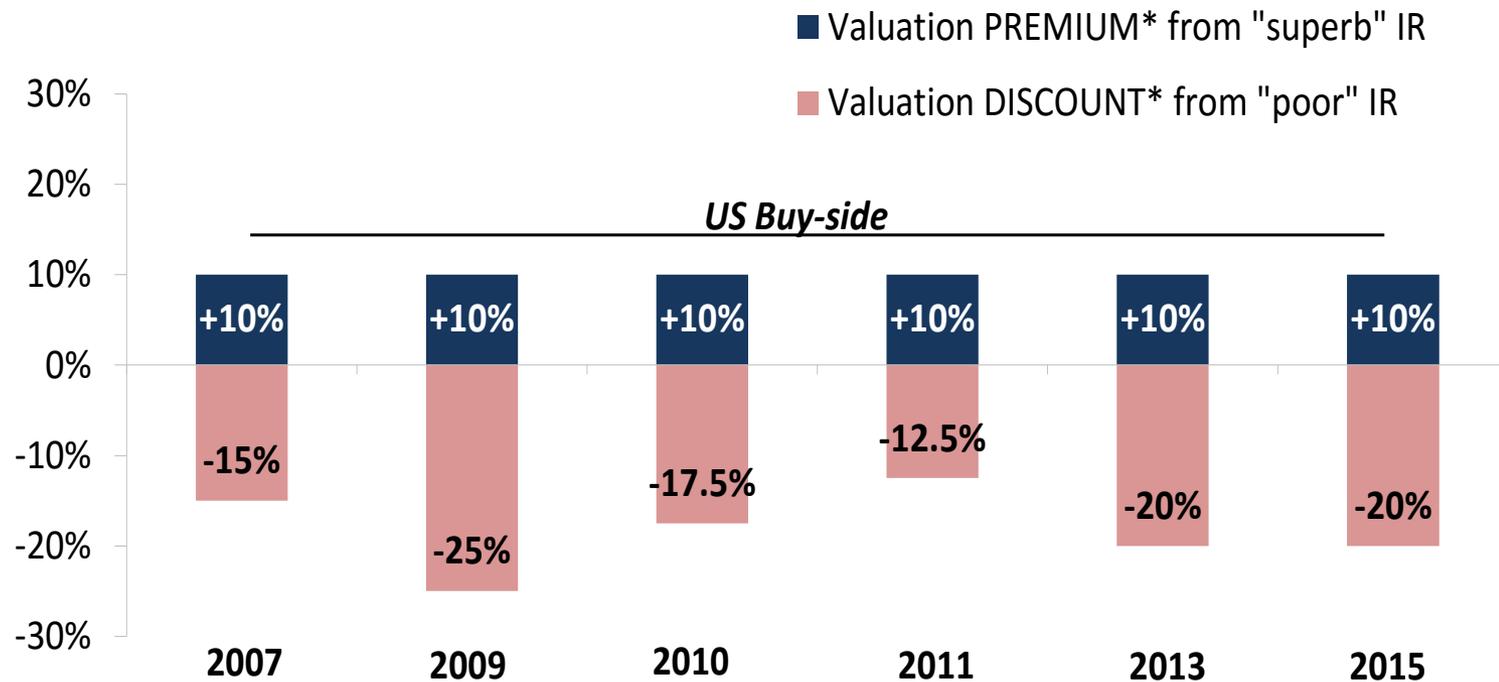
- ▶ **Founded in 1991**
- ▶ **Core philosophy – Buy side determines what constitutes IR Best Practices**
- ▶ **Exclusive focus on investor perception research**
- ▶ **150+ custom investor perception studies annually**
- ▶ **Research-based IR best practices - Rivel Intelligence Council™**
- ▶ **Work with over half of the S&P 500**
- ▶ **8,500+ telephone interviews annually with buy-side and sell-side**



How to measure IR effectiveness?

Impact on Valuation of Superb versus Poor Investor Relations (Unaided)

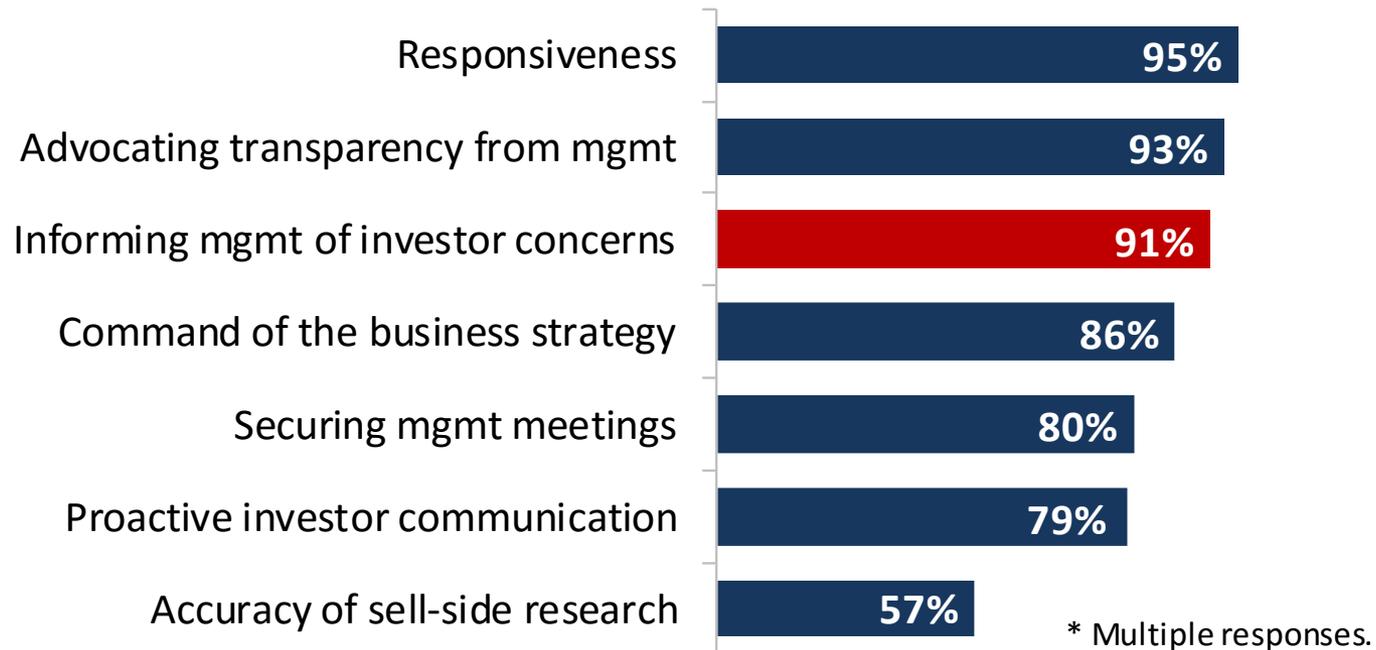
(Among US respondents who believe IR affects a company's valuation)



* Median

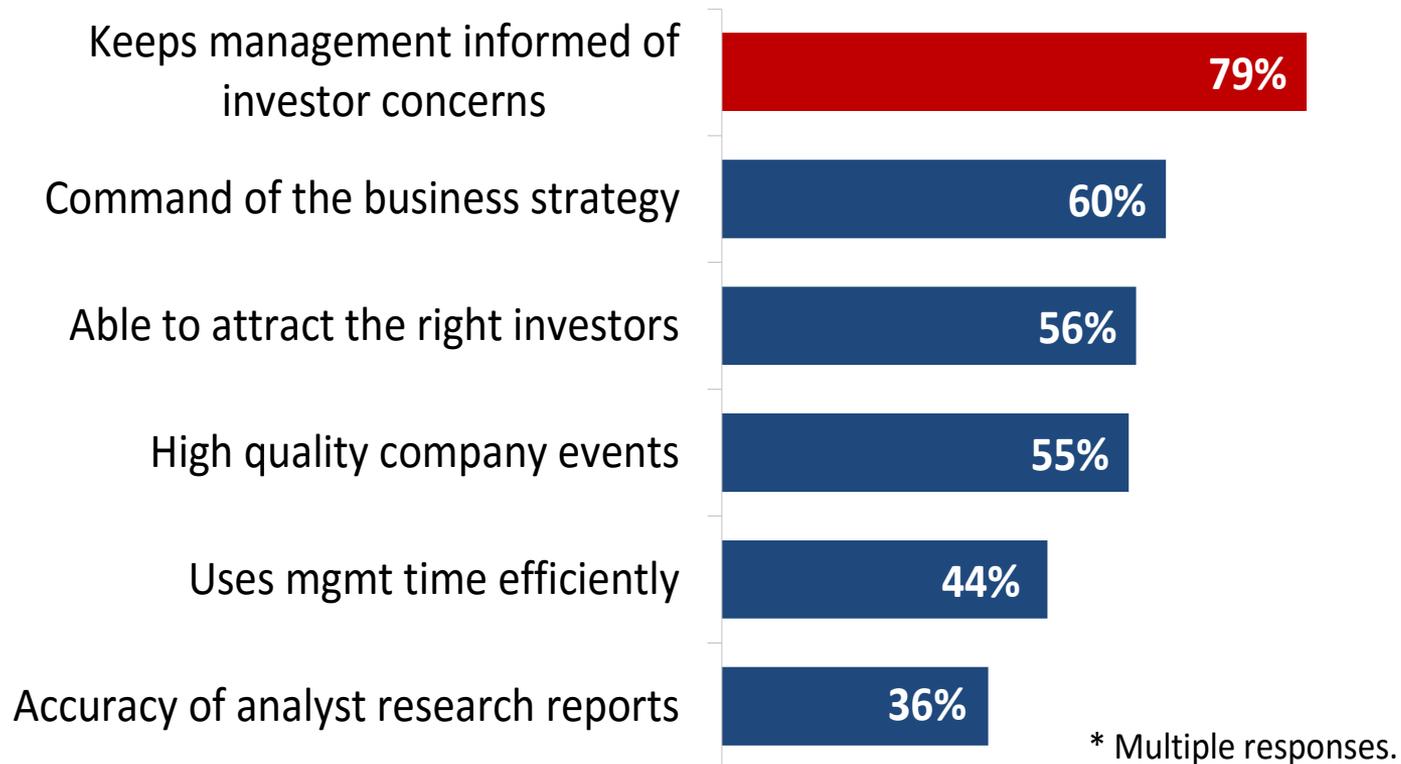
Top Drivers of IRO Credibility to the Buy-side* (Aided)

(Total Global Buy-side, February 2016, n=350)



How the C-Suite Measures IRO Performance* (Aided)

(Total North American CEOs and CFOs, December 2014, n=156)



Make sure you know what you (**the IR Team**) can control!

What IR team **controls**:

- Who follows the story
- What they hear
- IRO knowledgeability
- IRO investor outreach
- IRO responsiveness
- IRO Candor

What IR team **facilitates**:

- Management access
- Disclosure
- Transparency

What IR team has **no control over**:

- Sell-side ratings
- Stock price
- Number of meetings mgm't agrees to attend
- Investor buying
- Investor selling

Investor perception Study

COMMON MISPERCEPTIONS ABOUT PERCEPTION STUDIES

- “We have really good relationships with our investors. We get excellent and ongoing feedback from the buy-side and sell-side. They aren’t shy. They tell us how they feel. A study will only tell me what I already know.”
- “My stock is near a 52-week high and everything is wonderful. The only time to do a study is when something is wrong or the stock is faltering.”
- “It sends the wrong signal to the investment community. They will think we are worried about something.”
- A perception study is too expensive.....It’s a nice-to-have, not an I gotta have.

Questions to measure investors' opinion of **IR team's effectiveness**...

- What do you believe are the key elements of our business strategy?
- What drives value for you as you think about our company?
- How would you say we differentiate from our investment peers?
- Would you say that the IR team is
 - Responsive
 - Knowledgeable
 - Candid

- Ensure management understands the importance of IR as a value driver.
 - The buy-side sees as much as a 30% valuation delta between those companies with superb IR versus poor IR.
- Have a strong command of the strategy.
- Proactively summarize investor sentiment for management on a regular basis.
- As management credibility is the single most prominent investment driver, be vigilant in guarding management credibility by challenging overly aggressive goals.