



MiFID II ratchets up pressure on investor relations teams as investors go direct

- Investor relations officers (IROs) of the UK 350 held 24% more meetings with investors last year
- A third of IR teams see increase in direct meeting requests as key challenge, as broker support diminishes
- As a result, 44% of IROs state pressures on resource is a key concern
- The strain is being felt more heavily among mid-cap companies than large-caps, given their smaller IR teams
- Quality of insight on investors is a key issue; just 12% of issuers understand their investors' target price for their stock

Regulatory change has put the investor relations teams of UK companies' under increasing pressure as demands from investors soar, according to the latest research from Orient Capital, the investor relations specialist and part of Link Group.

The implementation of MiFID II in January last year increased the range of responsibilities IR teams must take on as support they receive from brokers has reduced, and investors engage with issuers directly. This is placing IR teams under strain. In a survey of IR professionals from the UK's 350 largest companies, 44% see the limited resource available to them as their primary concern, up from just 14% in 2017.

The squeeze on resource was felt more acutely among companies in the 250, who typically have smaller budgets and IR teams. 50% of IR professionals for mid-cap companies cited resource as a key concern, compared to 39% in the top 100.

Greater direct interaction with investors, and a more proactive approach to arranging investor roadshows has placed IROs under greater pressure. 32% of IROs identify the increase in direct meeting requests from investors as a key challenge. Indeed, Orient Capital's analysis shows that average IR teams held 24% more meetings with investors last year than the previous year. The typical company in the UK 350 now conducts 328 investor meetings per year – up from 265 meetings in 2017.

The increased burden on IR teams has led to larger budgets. Half of all IROs have seen their budget increase since MiFID II. This is slightly more prevalent among the FTSE 100 (53%) than the 250 (47%). Meanwhile, 26% of companies have increased headcount within the IR this year. Nonetheless, rising concerns over resource suggest bigger budgets have proved insufficient to cope with demand.

As IR teams' workloads increase, and they take a more proactive approach with investors, it is important that available resources are used strategically and efficiently. Investor targeting, based on detailed insight of investors, is central to this. Many companies, however, are unsatisfied with the quality of the targeting reports they receive. 38% of respondents would like more information on existing investors to shape their engagement. Worryingly, only 12% of issuers understood their investors' target price in relation to their stock.



Alison Owers, EMEA CEO of Orient Capital, commented: "Seismic regulatory changes have shifted the ground beneath investment relations teams. They are under greater pressure as disintermediation takes place, and investors increasingly seek to engage directly. At the same time, sell-side research coverage has reduced, creating a need for IR professionals to take a more proactive approach. This is creating a perfect storm when it comes to demands on time and resource.

"As investor relations teams adapt to the new world, it is more important than ever that they use their available resource as strategically as possible. This means having the right analysis, targeting and support to prioritise and plan meetings, and focus their communications effectively. They cannot afford to fly blind."

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Note to editors

Methodology:

Following the implementation of MiFID II in January 2018, Orient Capital interviewed a cross-section of investor relations professionals from within 36 FTSE 350 companies, across 12 sectors, to help understand the changing industry landscape and dynamics. This survey took place over the summer of 2018.

About Orient Capital

Orient Capital, the investor relations division of the Link Group, is a global leader in share ownership analytics, market intelligence, investor communication and shareholder management technology.

Orient Capital is the largest analyser of share registers globally and the dominant provider of equity ownership analytics to listed companies in multiple markets. In addition, Orient Capital's unique web-based, capital markets' management platform, is the desktop investor relations solution of choice for over 1,200 listed companies in the UK, Europe, Australasia, Asia and Africa.

About Link Group (ASX: LNK)

Link Administration Holdings (Link Group) administers financial ownership data and drives user engagement through technology. Underpinned by its investment in technology, people and



processes, it delivers comprehensive data and information solutions for companies, large asset owners and trustees across the globe.

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