

A review of Investor Relations Websites

How do Listed Companies Communicate with their Shareholders Online?

The “investor relations” navigation button is one of the most important elements on a listed company’s official website. Analysts and investors expect to be able to find all the latest information and historical data they need to determine whether to invest in the company. We have taken a closer look at the websites of large Swiss listed companies.

By Dr Petra Nix and Susanne Erdt

We examined the websites of 50 large listed companies regarding their content in the areas of investor relations (see Fig. 1) and corporate governance. In addition, we also assessed the user-friendliness of the websites.

Little information about shareholder structure

Some information – such as a current factsheet – has become standard on all company websites. However, little information is published about a company’s shareholder structure, even though it may allow investors to draw important conclusions. For example, the design and absolute level of management compensation tends to be viewed differently by European investors and Anglo-Saxon investors. Another consideration is the investor type (e.g., hedge funds, domestic or international pension funds), which may result in different or even conflicting views that impact the investor’s influence and voting behaviour at the Annual General Meeting. An investor’s position may also have an impact on the approach to strategic topics within the company. Another consideration is the investment horizon of its shareholders, which may influence management’s long-term orientation. One may expect that a company where the main shareholders are Anglo-Saxon hedge funds is subject to greater influence by its investors, which must be

taken into account when making corporate decisions, than a company with mainly large sovereign funds and European pension funds as its investor base. However, there were only a few instances where the company’s shareholder structure was categorised by geography, investment horizon, investment style or size of shareholding.

„Why to buy“ a rare disclosure

The reasoning why an investor should buy shares of a company – the “equity story” – is the basis for a successful IR. Surprisingly, many companies provide little information here. The results of our analysis show that about two-thirds of the companies surveyed provide some information on this topic. However, a third of the companies seem to place little value on making a consistent, deliberate, and interesting investment case, and we judged their efforts as inadequate. The development of a convincing equity story involves a manageable amount of effort, but it is a very effective method of conveying the essence of a company’s strategy and should be a ‘thread’ through communications with all stakeholders. In view of the implementation of the MiFID II regulations, IR managers will have to interact with an ever larger group of investors, and as a result effective communication of a company’s equity story will become increasingly important.

Sustainability report as standard – a Swiss phenomenon?

In Switzerland, the vast majority of large listed companies publish a sustainability report, most of them based on recognised reporting standards, such as the Global

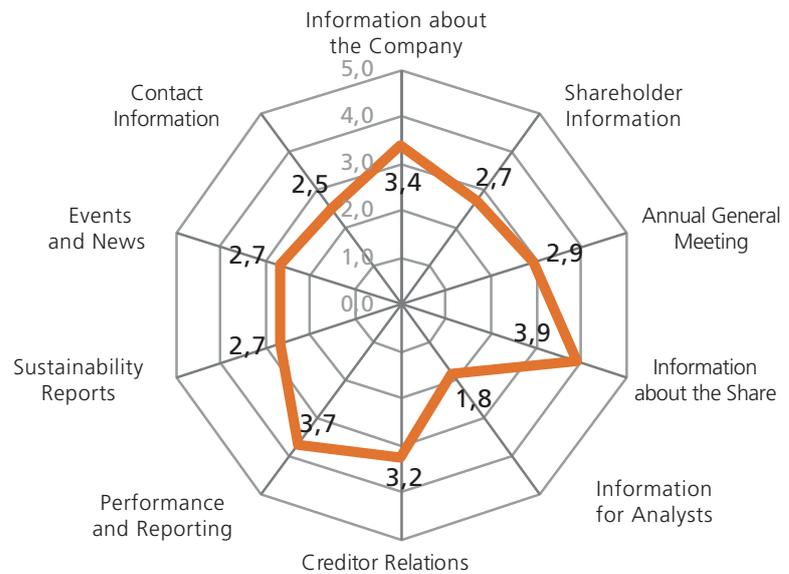


ABOUT THE AUTHORS

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Fig. 1: Evaluation of the criteria for Investor Relations



Source: PETRANIX

Reporting Initiative (GRI). In contrast, only 3% of the largest listed companies worldwide prepare a sustainability report. In that context, the stock exchange regulator's opt-in approach, under which a sustainability report needs to be prepared in accordance with one of their recognised standards, appears adequate. Information on a company's sustainability policies can be found via a dedicated sustainability navigation button on the websites of most of the companies we analysed. However, a sustainability manager was listed for only two of the samples. However, it was often not clear based on the information on the websites how sustainability issues are integrated into the company's strategy and its equity story.

Conclusion

A good IR website enables quick access to key information. The site must be complete and up to date, and it must be easy to find

information. Since the volume of information provided continues to grow, a logical structure, clear content and web-optimised text are essential. The search function must be intelligent to enable targeted navigation of the website's content, across various reports. Interactive content can also convey the company's key messages.

Overall, the websites of the assessed companies varied significantly, depending on the criterion. It is true that a consistent and well-planned company website involves some effort. However, full incorporation of the website into the company's communications concept

offers much untapped potential – particularly in the context of integrated reporting and MiFID II – to give current and future investors and financial analysts easy access to decision-making information. A better understanding of a company's strategy and its unique positioning reduces investor and financial analyst uncertainty, which generally leads to a better company valuation. ■



The detailed results of our study will be published in November. Please contact us for more information: mail@PETRANIX.com

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