Irwin

The Ultimate Guide to Investor Relations

Discover how to create a successful IR strategy to help you engage with current and prospective investors, analysts, and your internal team.

Third Edition

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Whether you're just starting to devise an IR strategy, or you're refreshing your existing one, it never hurts to reassess your processes and come up with new ways to engage investors. In this guide, we'll cover the key functions of investor relations, and building out your investor relations strategy.

Investor Relations Overview

What is investor relations?

NIRI defines investor relations as: "a strategic management responsibility that integrates finance, communication, marketing, and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation."

Investor relations basic terms

Institutional Investors: Are companies or organizations that invests money on behalf of clients or members. These entities include hedge funds, pensions funds, mutual funds, money managers or insurance companies, for example.

Retail Investors: Also known as an individual investor, is a non-professional investor who buys and sells securities or funds that contain a basket of securities such as mutual funds and exchange traded funds (ETFs). Retail investors execute their trades through traditional or online brokerage firms or other type of investment accounts.

Private Company: Companies that are held privately means that, in most cases, the company is owned by its founders, management, or a group of private investors. A private company can't rely on selling stocks or bonds on the public market in order to raise cash to fund its growth.

Public Company: Is a company that has sold all or a portion of itself to the public via an initial public offering (IPO), meaning shareholders have a claim to part of the company's assets and profits. The main advantage public companies have is their ability to tap the financial markets by selling stock (equity) or bonds (debt) to raise capital (i.e., cash) for expansion and other projects.

Market Capitalization: Market Capitalization refers to the total dollar market value of a company's outstanding shares of stock. Commonly referred to as "market cap", it's calculated by multiplying the total number of a company's outstanding shares by the current market price of one share. Companies are typically divided according to market capitalization: large-cap, mid-cap, and small-cap.

Buy-side vs sell-side

Buy-side

The buy-side refers to firms that purchase securities and includes investment managers, pension funds, and hedge funds.

Sell-side

The sell-side refers to firms that issue, sell, or trade securities, and includes investment banks, advisory firms, and corporations.

Buy Side	Sell Side
Associated with the entities that are involved in making the investments	Associated with the entities which facilitate the decision making of the buy side entities
Includes: Hedge Funds, Asset Managers, Institutional Investors, Retail Investing	Includes: Investment Banks, Commercial Banks, Stock Brokers, and Market Makers
Buy-side firms have capital and are looking to buy assets or opportunities.	Sell-side firms are looking to pitch and sell assets or opportunities.
Buy-side Analysts: Use the reports created by the sell-side analysts and carry out their own analysis further. Reports are not available publicly.	Sell-side Analysts: Give buy, sell, or hold recommendations/ Reports are available to the public domain.

The evolving role of investor relations

With so many shifts in equity markets (activist investing, ESG, the proliferation of index funds), the nature of investor relations and the function of an Investor Relations Officer have fundamentally changed. Today's IRO needs to be a proactive, strategic, relationship builder who is capable of supporting and communicating the company strategy while building the credibility of the company management team.

According to HBR, the IRO role is changing in four major ways:

1. Modern IROs are responsible for articulating company strategy to investors. Gone are the days of simply explaining corporate strategy and practices, they're now focused on why that strategy is best positioned to unlock shareholder value to attract and keep long-term investors.

2. Less keeping track, more intelligence gathering. The modern IRO must become an intelligence agent of sorts, getting ahead of and identifying issues that investors care about.

3. Finding the right investors -- with so many companies working hard to raise investor capital, IROs need to understand their peers in-depth and get ahead of trends among buy-side analysts. Further, the best IROs will know how to find the right investors for the company and ensure that they've bought into the company strategy.

4. Being the canary in the coal mine. The modern IRO isn't just financially savvy, but they have the ability to truly understand how investors operate. Modern IROs need to stay on top of capital and talent allocation and how they fit into the company's long-term strategy. The role should function as an early warning system.

Why modern investor relations is important to the success of a company

With these fundamental shifts, investor relations is becoming more and more important to a company's success. A modern, proactive approach to IR provides many benefits including:

1. The ability to articulate company strategy effectively, maximizing long-term shareholder value.

2. Strategic feedback and competitive insights that help senior management to refine the company strategy.

3. Stabilize your share price via regular communication with investors that avoids panic buying & selling

4. Giving accurate and relevant information to analysts and investors helps to reduce the cost of capital by giving them a deeper understanding of your company and the ability to project the company's performance more accurately.

5. The ability to grow and diversify your investor base and expand analyst coverage resulting in better trade liquidity and lower cost of capital.

Read the article:
Management's Influence on Investor Decision Making

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Why modern IR teams need modern solutions

When you talk to anyone who has spent years in IR, the sentiment remains the same: it's changed and continues to change every day. From the coining of the term by General Electric (GE) in 1953 to a rise in the importance of IR post-Enron, the profession has transformed from one-way communication with investors into deepened relationships with the investment community, promoting management competence, communicating quality financial results, corporate governance, and providing quality, transparent, and credible information to investors and the capital markets at large. IROs are expected to possess extensive financial, economic, and legal knowledge, as well as organizational, relationship, and coordination skills. Hoffman and Fieseler identified the quality of IR departments - their staff, instruments, and activities as one of the most important non-financial factors influencing the decisions of the financial community and their perception of a given company.

But investor relations is broken in some ways. Inefficient process, limited access to wider networks, archaic and limited tool sets, mundane, time-consuming tasks, limited line of sight into the relationships and tasks that matter, and in many cases, up to 25% of a management team's time is spent on investor relations tasks and activities.This is a significant problem and something that needs to be solved in order to accelerate innovation within a company's core competencies.

At Irwin, we believe that the capital markets are truly an amazing place, potentially one of the greatest human inventions of all time. This complex system, at its core, is amazingly simple. Humans are built to innovate, and innovation requires capital - which has a cost. The speed at which innovation meets capital in the public markets is truly incredible. Further, the investment product that can be built out of public markets securities is also an amazing innovation, allowing investors to build more efficient portfolios with the perfect possible mix of return and risk profiles for their unique needs and timelines.

With better investor relations, companies can have more time to focus on their products, services, and employees to drive true innovation. Imagine the effect on the world if management teams no longer spent 20% of their time on IR but merely 10%. Better IR means giving time back to leadership to focus on building better companies.

Irwin's role in Building Better

Every decision we make at Irwin is designed to build better investor relations. This runs through our marketing and sales teams, our approach to account management and value-added services, the products and features we prioritize with our engineering and product teams, and our investments in database enhancement and research.

We have removed systemic barriers in hiring, bringing on the best team members across the globe with diverse and specialized perspectives. We believe that they all hold a building block of what the future of Irwin and investor relations looks like. One of our most vital commitments at Irwin is the promise of constant innovation. Legacy tools and companies in capital markets often grow stagnant, and the capacity to innovate wanes over time. This has left the majority of IR teams with 2-5 inefficient tools to manage their program and workflows - over time, we hope to reduce that to one.

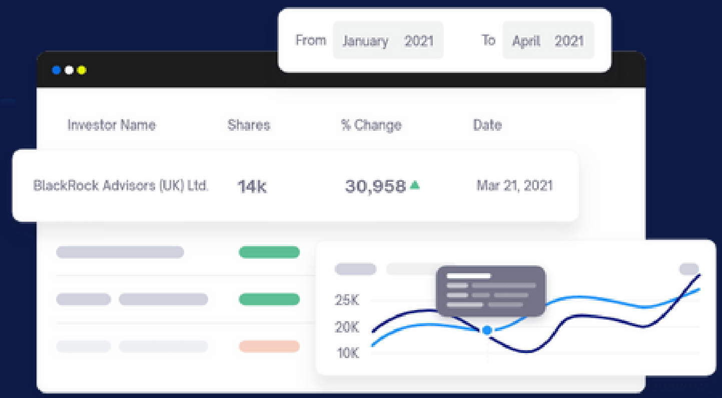
Another core priority at Irwin is our dedication to consistently providing value to our customers and the capital markets as a whole. Investment from us is not limited to the sole expectation of financial return, but an investment that provides meaning, context, and empathy to understand the challenges IR teams, management teams, capital markets participants, and companies and their customers face daily. This investment is evident in the content we create, our involvement in the community, our commitment to customer service excellence, and the increase in efficiency we provide to our customers.

We recognize fully that we are only in the beginning stages of this journey - and since 2017, we have seen substantial growth and validation of our product, approach, and the care we have taken to ensure our purpose remains strong. We're excited about what the future of Irwin and the future of investor relations will bring, and we hope you will join us in our mission to build better investor relations and, as a result, better companies.

Legacy tools and companies in capital markets often grow stagnant, and the capacity to innovate wanes over time. This has left the majority of IR teams with two to five inefficient tools to manage their program and workflows—over time, we hope to reduce that to one. Our full-service tool suite includes powerful investor targeting, comprehensive shareholder monitoring, an intuitive CRM (with built-in email and engagement tools), timely research, estimates, and transcripts, and IR website and content intelligence.

Interested in learning more about Irwin?

Build, innovate, and grow your business with Irwin, the only investor relations platform designed with automation and reduced time-to-insight at its core. Irwin's investor relations software and services unlock and enhance investor and shareholder relationships for your business—for various use cases, market caps, and industries—whether you have an established investor relations strategy or are just getting started.



Request a demo

Key functions of investor relations

1. Building confidence in the company in the investment community.

2. Communicate the company story and differentiators consistently, comprehensively, and accurately with existing and prospective investors.

3. Manage and align expectations via clear, consistent dialogue with the markets around earnings, net debt levels, shareholder remuneration, corporate strategy, and market conditions.

4. Maintain relationships and communications with analysts.

5. Establish, build, and maintain relationships with shareholders to reinforce management and company credibility.

6. Find new, good-fit investors for the company to diversify the shareholder base.

7. Build internal awareness of the investor relations function and its benefits

8. Understand and keep management aware of market perception and possible issues.

9. Develop and maintain the investor relations strategy and program.

10. Ensure compliance with regulatory requirements.

11. Develop and maintain corporate disclosure policy.

Signs you have a strong investor relations strategy

1. Distinctive presence in the investment community.

2. Understanding of the company value story and how that differentiates the company from competitors and competing investment opportunities by the market.

3. Demonstrate the strengths of your company management.

4. Building sell-side analyst coverage.

5. Expansion of shareholder base.

6. Consistent and fair valuations.

7. Easier and cheaper access to capital.

8. Strong and consistent IR materials.

Read the article:

How to Start an In-House IR Function

Read now

Best practices for successful IR teams

There are a few best practices that will ensure that you have a best-in-class IR practice within your company.

Understand your shareholders & anticipate changes

- The Investor Relations team should act as the “voice of the investors”, you should have a deep understanding of your investors and their expectations. Having regular meetings with investors to understand who they are and their view on the company is an essential part of gaining this deep understanding and building strong relationships.

- You must understand what is happening in the market as it relates to your company. Keep track of peers, your industry (sector and sub-sector), and region. This allows you to contextualize your company’s performance.

- Know who your investors are. Using a combination of public filings and non-reported data allows you to efficiently communicate, and adapt accordingly.

- Understand how you are perceived in the market -- review research and estimates from analysts. Maintain an understanding of this perception, and keep a record of your meetings with analysts.

Read the article:
How to Determine Your Peers & Conduct In-depth Industry Analysis

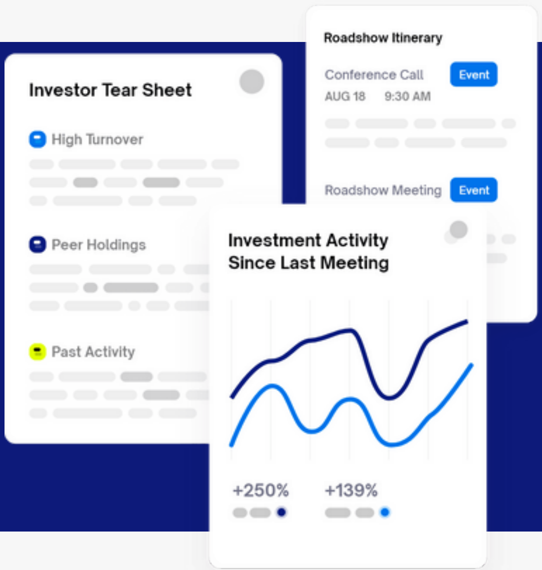
Read now

Be an active communicator

- Have easy-to-access IR information available on your IR website.
- Use communication tools (regulatory filings, quarterly earnings, roadshows, conferences, annual reports) to effectively tell your company story and build the credibility of your management team.

What you don't measure, you can't manage

- Create a scorecard of performance indicators that are a blend of financial and non-financial metrics.
- Track meeting history and investment activity to understand the impact of your IR strategy.
- Monitor market data.



Want to better understand how your IR program is doing?

Irwin can tell you with automation and easy-to-surface insights that correlate IR activity to ownership data.

[Request a demo]

Building your investor relations strategy

Management buy-in

It's imperative in IR that your management team is committed to investor relations and understands its contribution and the support required.

Set IR goals, objectives, measurement, and strategy

Key to any strong strategy is the alignment of your objectives, goals, measurement, and strategy. Below is an outline of the definitions of each of those:

- Objectives - These are broad statements of direction that create a bridge from your vision to the annual plan or goals. Objectives will change infrequently.
- Goals - these should reflect what you hope to achieve in the next 6-12 months and adapt based on environmental, budget, or resource conditions. These should change more frequently.
- Strategy - how are you going to achieve those goals?
- Measurement - How will you know if you've achieved success, or are on the right track?

Read the article:
How to measure the ROI of your investor relations software

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Measuring the value of investor relations

Investor relations can require significant investments in terms of financial resources and management commitment. Your company's board and management will want to see a measurable return on investment, however, measuring investor relations effectiveness are often cited as a major concern for investor relations professionals.

It's often (incorrectly) assumed that share price performance is the key performance indicator, but this is a false indicator given the share price can be tied to many other forces outside of the IR teams control, and it's better to have a scorecard approach to measurement that is a mixture of soft and hard targets, where your management team doesn't look at any one metric in isolation. Some scorecard-combination metrics can include:

- Financial metrics
  - Share price relative to your peer group and sector
  - Valuation ratios relative to your peer group and sector
  - The variance of earnings forecasts
  - Share price volatility

- Non-financial metrics
  - Analyst and investor perception survey results
  - Number of investor meetings
  - Effectiveness of those meetings (how many of those meetings turned into new investors?)
  - Investor turnover
  - Levels and quality of sell-side coverage

Using frameworks for each of your objectives is a good way to derive which goals and measurement metrics support your department's objective.

Example framework for a single objective

Objective: Lower the cost of capital by diversifying your shareholder base, maintaining a record of interactions across the company.		
Goals	**Strategy**	**Key Performance Indicators**
Increase institutional shareholder base by 10%	Build a unique pitch, and have a defined list of investors for outreach that are high-quality fit. Consistent outreach, and value.	# of investor meetings # of meetings turned into shareholders
Acquire 1 new investor that owns peers	Perform research into who owns our peers, outreach to investors that are a good fit.	Outreach to 25 potential investors that own peers. Meet with 5 investors that own peers.
Create and implement a process for tracking investor communications	Perform analysis on IR software vendors to determine the right fit. Implement IRM and rules of engagement	Project on track Project complete
Grow sell-side analyst coverage from 2 analysts to 5 analysts.	By growing shareholder base tends to attract sell-side analysts but users may also use targeting to target sell-side analysts.	Measure sell-side analyst coverage from 12 months of starting with Irwin.

Read the article:

Measuring Performance: How to Prove IR's Value to Management

Read now

IR Objectives

The first step in building an effective IR strategy is understanding your objectives. Some examples are below:

Educate and build confidence in company story and strategy

Build confidence in the company with investors and analysts to create value, educate constituents on management's long-term strategy and vision to create confidence in delivering shareholder value. Build confidence in the organization, grow the base of long-term investors, and reduce the cost of capital.

How to turn this objective into goals and KPIs

Example goal:

1. The number of meetings with investors booked. This allows you to educate and build confidence with them.
2. Increase the number of sell-side analysts covering your company,

Example key performance indicators:

- # of meetings that turned into shareholders
  - Conversion % of meetings to new shareholders
  - Number of new analysts.

Communication pathways to achieve the best possible valuation

Create communication pathways between the company, the investment community, and other constituents (such as analysts and media) that allow financial information, strategic plans, competitive positioning, and other communications to be effectively communicated in order to optimize for the best possible valuation.

Understand and monitor shareholder shifts

Monitoring your shareholder base can give you significant insight into who's buying and selling, which can give you the head-start in understanding why changes are happening, and who you need to arrange meetings with. It's also insightful to do this same monitoring for your sector and your peers.

Target new investors + analysts

Your IR team should be consistently reaching out to new investors and analysts whose strategies and profiles are a good fit with the company's strategy and growth to diversify your shareholder base, reduce volatility in your stock, and secure more long-term investors.

Build, maintain, upgrade, and distribute IR collateral

The key to building confidence is professional and useful preparation for investor meetings and collateral requests. Understand your business identity, key messages, supporting data, and distribute it through effective IR presentations, newsletters, your annual report, emails, and your investor relations website.

Get the checklist:
How to better prepare for investor meetings

Download

Monitor, market sentiment & analyst forecasts

This will help you to ensure that they are giving a realistic representation of your company's current performance. This is especially important to reduce discrepancies between your owned investor communications and sudden shifts in sentiment due to the publishing of research and estimates.

Implement an investor relationship management system

To build an efficient and effective IR program you will require information and insight on your shareholders (whether reported or unreported) for discussions with your management team, analysts, and prospective investors. It's also imperative to keep a record of your IR activity so that you can provide context to your management team before roadshows and investor meetings, and ultimately prove the impact of your program.

Read the article:
Why You Need a Dedicated Investor CRM

Read now

Develop your company pitch

The foundation of your IR strategy is the strength of your company pitch. Your company should have an investment proposition that tells investors why your company is a good choice for investors and should include:

- What differentiates your business
- Your company story

- Where you're positioned in relation to your competitors/peers
- Your management's quality, experience, and credibility
- Shareholder value metrics: projected returns, cash flows, projected growth, cost of capital
- Your growth story and strategy, your track record of growth and profitability
- Forward-looking industry growth • Any relevant analyst reports or press clippings
- Demonstrable catalysts

These elements in combination tell a strong, credible investment story and create strong positioning for your company that can help it stand out from your peers.

Helpful resources

How to prepare an investor pitch

Read now

How to tell your company story

Read now

Key IR Communication materials

There are a few ways to communicate with your constituents, and below are the most common communication materials:

- The annual report, part of due diligence for most analysts before deciding to follow a stock.
  - Most credible
  - Most durable
- Your investor relations website, the first place analysts go to get information on your company
  - Most cost-effective
  - Widest reach
  - First point of contact
  - Vehicle for other important communications
- Presentations, help to build management credible which can influence investment decisions
  - Interactive
  - Allow you to get instant feedback
  - The best source of information for your company story and other non-financial information.
  - IR newsletters • Press

Get the Guide:
Writing successful investor emails

Download

ESG

ESG stands for Environmental, Social, and Governance factors. ESG is a system by which companies can measure and report on factors that affect their business, and allows them to identify risk and opportunity so that all stakeholders can understand what the future of the business looks like. High ESG scores for your company are considered a proxy for overall good corporate management, and allow you to set goals and communicate with your constituents your findings and progress.

According to a recent analysis by Bloomberg Intelligence, ESG assets are set to cross the $50tn mark by 2025, which is over one-third of projected Global Assets Under Management. In the simplest of terms, your company is more likely to succeed and deliver strong returns if your value as a company is evident to all your stakeholders (customers, employees, suppliers) and a wider society including the environment, and not just the company owners or beneficiaries.

More and more investors are showing interest in long-term investment opportunities and ESG integration. They're increasingly using ESG information to make investment decisions and sometimes will engage dedicated ESG professionals to assess your company's sustainability performance.

If you're looking to attract long-term investors, but don't integrate ESG into your value story, there is a high probability you may be overlooked.

The core of a strong ESG strategy and story is a collaboration between your IR and Sustainability teams because it's mutually beneficial for IR and Sustainability teams to provide investors with a fair and transparent account of the company's opportunities and exposures. IR ultimately owns the relationships with investors and can view the strategy through a financial lens, while sustainability teams have a deep knowledge of how the company is addressing ESG issues in both the short and long term.

Your role as an IRO is imperative as the storyteller of your company's sustainable practices and is often trusted with the task of leading the ESG conversation with investors and analysts.

Shareholder monitoring can be an effective way to understand who your top investors are, and what their approach to ESG is. If these are long-term investors, they care about long-term value creation and sustainability, and will likely have clear expectations when it comes to ESG.

Why is ESG important for companies?

There are many reasons why having an ESG strategy is beneficial to your organization. An increasing amount of money managers, including the largest in the world, have a strong ESG focus and will not invest in your company unless you meet certain ESG disclosure thresholds. Other benefits of proactive ESG disclosure include mitigating volatility, preventing corporate activism, and industry leadership opportunities.

Institutional demand for ESG

The top money managers in the world are demanding better ESG disclosure. Among the biggest advocates for ESG is BlackRock CEO and Chairman Larry Fink, who discusses it annually in his letter to clients. But it's not just BlackRock prioritizing ESG funds; all of the top institutional investors in the world offer arrays of ESG portfolios. As of 2020 ESG funds across the USA represented $17.1 Trillion AUM, or ⅓ of total American AUM.

Not only is ESG occupying a significant segment of the market, data from Morningstar Direct suggests the ESG market is growing year over year. It is clear that there is increasing demand from both institutional and retail investors for stock in companies that are aligned with ESG strategies. Naturally, inclusion in ESG portfolios is beneficial, as it grants you access to wider pools of capital.

Correlation between ESG and stock price

Beyond simply being popular on The Street, it turns out an ESG mandate can have a positive effect on stock performance. In 2020, ESG equity mutual funds and ETFs performed better than their closest conventional counterparts. This isn't a new trend either. A study published by the Harvard Law School Forum on Corporate Governance tracked over 1000 US securities from 2013-2019 and found that there was a positive correlation between high ESG scores and profitability. By focusing on sustainability and ethical business practices, ESG companies were able to mitigate volatility. Whether this is due to keeping ahead of evolving business regulations or to appease the growing segment of ethically minded investors, it's clear that ESG measures have the potential to positively impact your bottom line

Preventing corporate activism

If your company doesn't take the lead with your own ESG strategy, you run the risk that someone else will. Activist investors are known to target low performing companies, and lately activist hedge funds that specifically target ESG laggards are popping up. Even large and well known companies such as L Brands and Exxon have proven vulnerable to activist investors. The best way to deter ESG activist investors is to proactively craft an ESG plan and begin to follow ESG best practices.

Leading your Industry

If ESG is not a prevalent practice in your industry, you have the opportunity to become a leader in your industry by pioneering ESG best practices. While there's already intrinsic moral value in socially responsible business practices, becoming an industry leader in ESG could also positively impact your bottom line and company value.

Getting started with ESG

So what does it take to start an ESG strategy? We've broken down the initial legwork of an ESG strategy into 6 simple steps.

1. Get Management Buy-In
2. Determine Most Material Topics
3. Understand ESG Scores
4. Report on ESG Disclosure Frameworks
5. Analyze Competitors
6. Communicate With Investors

Get buy-in from management before starting any ESG work

Before you commit time and resources for developing an ESG strategy, ensure that you have buy-in from your management team. Not only do you need to understand what resources your company has for this undertaking, you need to ensure that there is a willingness to allocate resources to other parts of your company to meet your ESG goals.

Even if you're running a one person show you can still make progress towards improving your company's ESG disclosure. While you may not be able to enact grand changes across the organization, you can still work with internal departments to conduct a baseline assessment of existing ESG policies and begin ESG disclosure.

Understanding ESG materiality

It would be a mistake to classify ESG as a monolithic topic with objectively correct guidelines because what you need to disclose varies from industry to industry. There are an overwhelming amount of ESG issues, but not all of them will be relevant to your company. Material issues are the issues that are reasonably likely to impact the financial condition or operating performance of a company.

Different ESG reporting frameworks may suggest varying material issues for your industry, so it's beneficial to compare multiple frameworks to determine what is material.

We recommend taking a look at the [SASB materiality map](#) and the [MSCI materiality map](#) as a starting point for identifying material issues in your sector.

Check your ESG scores

Whether or not you've actively reported on ESG in the past, your business has most likely been rated by one of the ESG scoring agencies. While there are numerous rating agencies out there, the two most widely used are MSCI and Sustainalytics. These agencies conduct their own ESG research using publicly available information, and issue reports annually. These annual reports are extremely helpful to understand specific risks in your current ESG strategy, and to benchmark your company against peers. You can access your own company's report for free, however there may be an additional cost to access peer reports. As long as your company is publicly traded, you should take advantage of these scores to benchmark your current standing in the ESG landscape

Disclose information according to ESG reporting frameworks

Once you understand roughly what is material to your sector, you should align yourself with an ESG framework. Unlike ESG Scores which are determined for every publicly traded company, reporting against a framework is completely voluntary. Not only is using a reporting framework useful for shareholders and potential investors to understand your company's ESG efforts, it also signifies that your company is taking an active approach to ESG.

There are several frameworks you can choose from to tell your ESG story. According to ESG Infinite, the framework set by the Sustainability Accounting Standards Board (SASB) is generally the preferred framework for issuers who are just starting out with ESG. SASB is a popular framework that is well known among investors. Additionally, SASB tends to be more flexible than some of the other frameworks, making it more approachable for issuers.

Other popular ESG disclosure frameworks include Task Force on Climate Related Financial Disclosure (TCFD), CDP (formerly known as Carbon Disclosure Project), and The Global Reporting Initiative (GRI). You may find that some ESG inclined investors have a preference for one framework or another. The framework you chose should reflect your company's ESG story in the most accurate way possible and speak to both current and potential investors.

ESG Infinite offers a free primer on how to select the best ESG reporting framework for your company.

ESG competitive analysis

Once you have established your baseline ESG scoring and have begun to report against an ESG framework, you have the opportunity to start improving your ESG strategy. A good place to start is to compare your company to peers. You should investigate your peers' ESG scores and their disclosures to help understand what other key players in the industry are doing to move the dial on ESG. You can bring these findings to management to demonstrate viable opportunities to improve upon your company's ESG strategy.

Publish your ESG disclosures

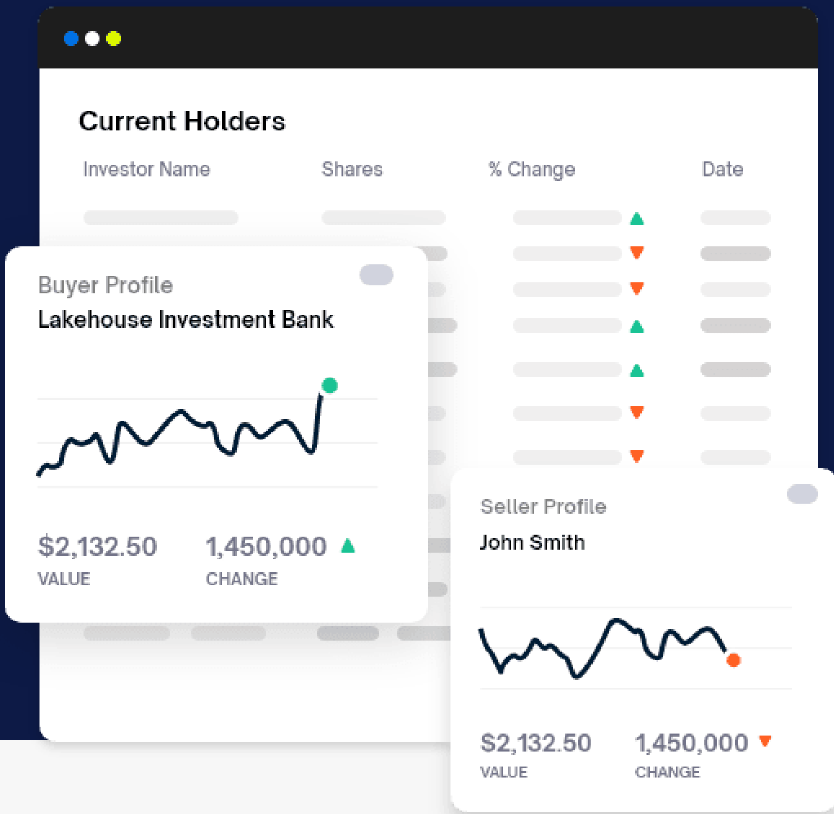
Once you've finished your first ESG disclosure, you should make it accessible to investors. Publishing your ESG disclosures on your website is a good starting point, and you may also wish to update your current shareholders to let them know. Once your disclosure is published, you can also leverage it in your investor outreach to aid your discussions with socially conscious investors. Remember, ESG is an ongoing commitment and companies are expected to share updates on an annual or more frequent basis. If ESG is a strong suit for your company, consider incorporating it as part of your company story.

Shareholder monitoring

One of your key objectives as an IR team is to understand your shareholder base, along with a wider investor audience. Consistently monitoring your shareholder base will enable you to track changes to ownership, deliver insight, and reveal trends. Consistent shareholder monitoring can also identify potential activist investors, changes in your retail holders, and give you insight into investors such as their location, size of their holdings, and their investment style.

Successful IR teams should have shareholder monitoring plans -- understand what it is you need to monitor, what you will do with that information, and how it will work its way into your communication plan for outreach, board reports, earnings calls, etc.

Your shareholder monitoring plan should also allow you to better track your return on investment as it relates to investor targeting, roadshows, and conferences.



Different types of shareholder data

Reported shareholders

In the US, for example, institutional investment managers with at least $100 million in assets under management are required by the Securities and Exchange Commission to file a 13F. This quarterly filing discloses their equity holdings.

The challenge with relying only on publicly reported information is that information is not timely and up-to-date. The 13F, for example, requires fund managers to file 45 days after the end of each quarter. For IROs, this can mean that by the time you see the data, it's already out of date.

Unreported shareholders

Public companies in North America are able to request a list of their registered and Non-Objecting Beneficial Owners (NOBO) shareholders, providing a view into those shareholders who do not publicly report positions.

According to Irwin's Co-founder and CEO, David Whyte (originally published in IR Magazine) "The NOBO list is an increasingly important dataset that allows companies to access frequent insight into their non-reported shareholder base, which includes retail investors, family offices and some hedge funds. This can represent a significant portion ranging from 20 percent to 80 percent of a total shareholder base, depending on the size of the company."

He continues “In other regions, such as the UK and Australia, issuers and their advisers have the right to request information from investors as to whether or not they own their shares. In the UK, this law is called Section 793. The analysis and aggregation of this data are known as shareholder registry analysis and can be 80 percent to 95 percent accurate in determining a company’s shareholder base.”

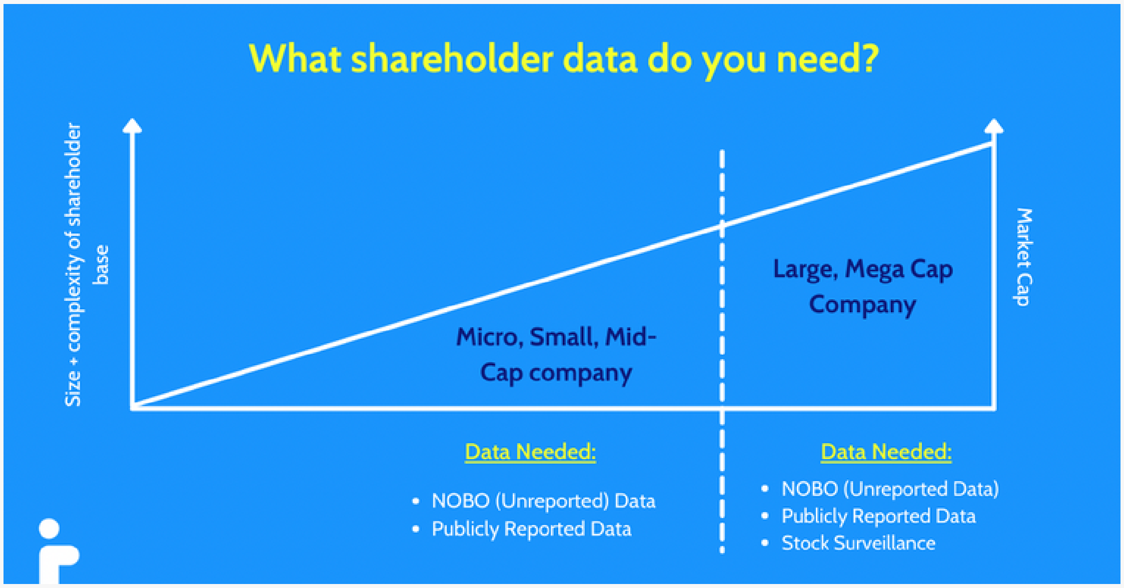
Including unreported shareholders alongside your publicly reported data gives you a more comprehensive view of your shareholders.

Stock surveillance

Stock surveillance is an ongoing consultative service that focuses on understanding institutional shareholder movements, and the factors that contribute to these movements. Stock Surveillance providers deliver insight to issuers via a combination of publicly available data, broker reports, settlement data, market contacts, and their own research, which is the most real-time view you can have of your current shareholders.

Do all issuers need all data sources?

Short answer, no. The below image illustrates (in a general sense) when issuers need which data, based on shareholder complexity and company size:



Benefits of effective shareholder monitoring

Shareholder monitoring is a fundamental role of the modern IR team, but it has distinct benefits:

- Gauging risks and opportunities - the ability to assess ownership risks and opportunities. According to our data, it's 9x more likely that current shareholders will acquire more shares than it is for net new investors to become shareholders.

- Cheaper and more efficient financings - when you have a strong grasp on your shareholder base, you can execute financings more efficiently by engaging private placements without an investment bank, and the ability to negotiate with investment banks in their fee structure based on your knowledge of your shareholder base.

- A stabilized share price. • General relationship management with your shareholder base (which makes it harder for your investors to sell out).

Investor targeting

Acquiring new investors is one of the most critical strategic endeavours for investor relations departments. Your management, with the support from the IR team, should spend time understanding what kind of investors your company wants to have - defining a target investor profile that can guide you in your targeting efforts. You could compare your shareholder base with that of your peers to understand gaps or underrepresented areas, as well as identifying individual institutions (and the right contacts within those institutions) that hold the shares of your peers to help to build out that profile.

One mistake companies often make is taking a “spray and pray” approach to investor relations, casting an extremely wide net and meeting with investors of every shape and size. While having lots of meetings can feel productive, it can also be a massive waste of time. Defining an “Ideal Investor Profile” can help to focus your targeting and marketing efforts to ensure the highest chances of converting investor meetings into a shareholder.

Read the article:
How to determine your ideal investor type

Read Now

Consider the following when developing your targeting strategy:

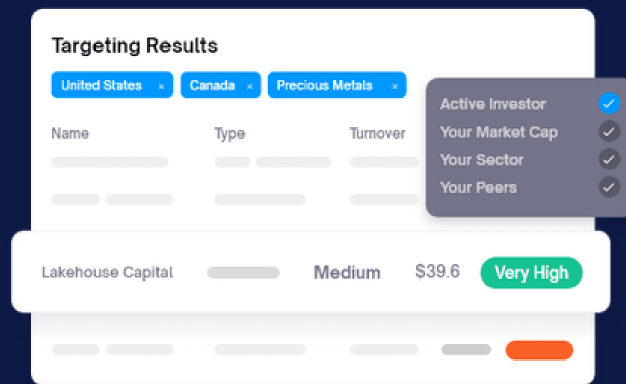
- Who are our existing shareholders?
- How do we build a balanced shareholder base in terms of concentration, geographies, investment style, retail/institutional split, etc?
- What are our criteria for targeting?
- Should we prioritize our existing shareholders in terms of communications and outreach? And/or target key underweights/non-shareholders?
- Do we want to include debt investors in our outreach?

- Have we already engaged with any of the investors? What was the result of those meetings?
- How will we track our activity and progress?
- Do we want to focus on a new member of the management team or IR team to introduce to the market?

Want to find better investors?

With Irwin, you can access an extensive database of institutional, hedge fund, and family office investors.

Learn more



Roadshows & investor events

Roadshows are a critical part of your communications arsenal when it comes to attracting investors. Many investors won't invest in a company without having the opportunity to meet with senior management, and roadshows provide that face-to-face opportunity. Companies should have regular roadshows to meet with current and prospective investors to increase investor support and secure the company's ability to access the equity and debt markets.

Deal & non-deal roadshows

There are usually two classifications of roadshows, a 'deal roadshow' and a 'non-deal roadshow'. A deal roadshow will usually be an IPO roadshow or a roadshow for capital increases. Non-deal roadshows are conducted without the intention of selling or offering anything. Oftentimes, companies will undertake roadshows for their current investors, but also while looking to attract new investors in the process.

Benefits of non-deal roadshows:

- Develop and build long-term relationships between management, investors, and sponsoring research analysts
- Hear from investors on areas of interest and receive feedback on company perception
- Manage expectations and correct misconceptions
- Access investors that do not attend conferences
- Recruit new shareholders

When to plan for roadshows?

It's normal to arrange for non-deal roadshows after earnings results, blocking out full days for your executive team. Deal roadshows are often for capital raises or when a company is about to IPO.

Tips to a successful roadshow

- Undertake an investor targeting exercise ahead of any roadshow. With your brokers, look for investors who are already invested in your peers, sector, and who fit your ideal target investor profile. Remember that not every meeting a third party schedules for you is going to be a good fit, so doing some research ahead of time can ensure you do not waste time meeting investors who are not a fit.
- Plan the roadshow schedule with detailed itineraries of your management team's meetings. Ensure they are well prepared and have enough context on who they're meeting with, their backgrounds, investment style, current holdings, previous conversations/meetings, and their outcomes. This is true even if meetings are being arranged by a third party.

Read the article:
How to Plan a Hybrid Virtual/In-person Roadshow

Read Now

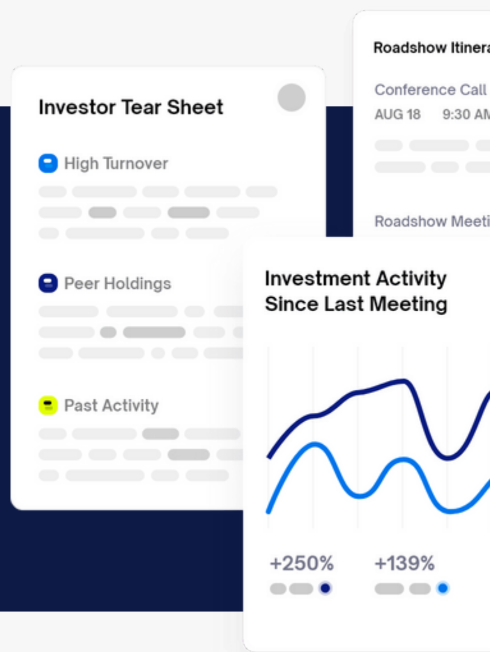
- Your executive team should be supported with several IR materials:
  - Customized presentations for investors
  - Quick access to financial data
  - IR support to anticipate difficult questions and get back to investors with appropriate answers.

- Make sure the materials above are tailored to the investors you are meeting with. This does not mean creating dozens of different presentations, but perhaps having a few versions depending on who you are meeting with. Some investors may want very detailed presentations while others may want high level details on financials - know your audience.
- Ensure you have all the data. In the US, 13Fs are useful snapshots of activity, but by the time you bring this data to a meeting, it's already outdated. Many European pension funds, as another example, don't file at all. Understanding your non-reporting shareholders via NOBO lists or Share Register Analysis is a way to show up more prepared.
- Keep track of your activity. Meeting notes, outcomes, follow-up tasks, and data snapshots of before/ after roadshows can help you understand and optimize your future roadshows.

Want to better manage investor events?

Research investors, build itineraries for your teams, create investor tearsheets, and more with Irwin's CRM + engagement tools.

Learn more



Analyst/Capital Markets Days

Many companies will choose to organize Analyst or Capital Markets Days, often in the off-season, to provide financial stakeholders (sell-side analysts, buy-side analysts, and fund managers are typical attendees) the opportunity to meet the management of the company, get more information on the company, and this gives the company a chance to show a broader perspective. They're a good opportunity to present the company's operations, strategy, and long-term outlook.

Site visits

Capital markets days can be held at your head office or another venue of your choosing, but as the aim of the day is to create a better understanding of the business, it's a good practice to bring investors and analysts on-site.

Tips to successful analyst/capital markets days

- It's a good option to have a virtual option for attendees to join to reach analysts and investors that can't attend in person.
- Your executive team should present on financial and operational strategy or go in-depth into one part of the business (focus on long-term).
- It's common practice to post the slides to the website after the fact.
- Your executive team must understand the limits of what they can say when it comes to price-sensitive information.

Read the article:
7 Tips for a Successful Investor Day

Read Now

Earnings & financial results announcements

Earnings and financial results announcements are a great opportunity to set the tone for how your company is understood by the market. Because these announcements are regular, it makes them a great occasion for consistent reinforcement of your key messages. They can be used to create an ongoing narrative for your company.

Prepping for results announcements

Earnings + financial results announcements should be key moments in your IR calendar. You want the way you announce to be managed professionally to build credibility in the company. Generally, you know when results will be announced, so it's good to inform the market about the date of the results in advance.

4 weeks' notice is generally a good amount of time to allow for enough preparation for the results day. This should be complemented by a collection of analyst estimates, which can help you to monitor market expectations, but also get accurate market consensus.

Your IR team should review the results announcements of your peers to ensure the key performance indicators it reports allow the market to compare easily with other companies. It will also be helpful to monitor the themes covered by your peers so that the company can position itself with your differentiators leading the discussion.

You will want to ensure that you prepare your management team, including time for rehearsals.

Step-by-step outline for earnings announcements preparation

4 weeks out

- Agree on the schedule and outline for the announcement
- Send out invitations/save-the-dates to analysts and investors
- Gather analyst and market sentiment through feedback surveys and/or meetings.

3 weeks out

- Develop your key messages
- Draft announcement releases and presentation
- Confirm venue and/or ensure you have a process and details for virtual presentations
- Start planning your investor roadshow itineraries

2 weeks out

- Reach out to media to arrange interviews or phone calls on announcement day.
- Start to review analyst forecasts
- Presentation rehearsal.

1 week out

- Contact remaining media to set up interviews
- Contact investors to set up roadshow meetings
- Prepare you executive team with background on investors they'll be meeting with
- Determine analyst consensus and distribute to your covering analysts
- Q&A session with advisors
- Final press release and presentation
- Upload results of the announcement

Distribution

Distributing your results across online channels can help you to ensure you get a wide reach. Some distribution channels to consider:

- Newswires
- Internal distribution lists
- Social media channels
- Your IR website

What your press release should include

You want to ensure you produce an effective press release to share your results announcement in the most impactful way possible. Your press release should accomplish:

- Regulatory and disclosure requirements are met, giving full and accurate information
- A narrative that presents the company's success in realizing its strategy.

The components of your press release should be made up of:

- A headline that sets the context for understanding the results. It may highlight a specific aspect of the results, like a newsworthy metric or a 'first' for the company.
- Summary of the results - give the numbers the investors want as early in the release as possible.
- Financial and operation highlights
- Management comment
- Divisional review
- Summary and outlook
- Contact details and reference to the presentation

Earnings presentations

The earnings presentation is used on announcement day, and should include the following information:

- Introduction - use this opportunity to reinforce key strategies of your company. Include financial highlights and key operational developments.
- Market and competitive review
- Strategy - use this opportunity to show the company strategic goals, focused on long-term, as well as immediate/short-term goals.
- Detailed financials
- Outlook and prospects

The annual report

A major function of any IR team is the annual report, which can be a resource-intensive exercise if the content is prepared in-house. Although many investors use your IR website to get most of their information, your annual report is the primary, most comprehensive source of information as a publicly-traded company. Not only does it fulfill regulatory requirements, but it also needs to complement other sources of information your team distributes.

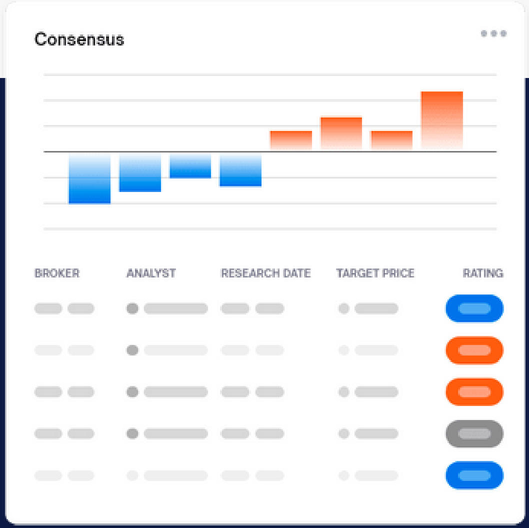
The key objectives of the annual report are to:

- Educate and inform current shareholders and prospective investors
- Explain your corporate strategy and report on how it is being implemented
- Report on financial performance during the reporting period
- Give context to the results by linking them to market factors and developments Elaborate on risks that could influence the performance of the business
- Provide clarity and direction on corporate governance
- Fulfill regulatory requirements

Understanding research and consensus

A key element to understanding the market's expectations, analyst estimates can provide a basis for the correction of mistakes and help to identify poorly understood areas of your business and stress points, which can help your communication strategy.

Monitoring of research can also help provide updates for your company on the emerging consensus, while allowing you to monitor your internal expectations against the market, and take quick action if the experience is different. By reducing the gap between expectations and results, the equity risk premium will be lowered, which can contribute to a 'fairer' valuation.



Get better strategic support

Irwin's Capital Markets Strategy Services leverage the Irwin platform, data, and collective expertise to provide differentiated and value-enhancing services that add investor targeting, board reporting, and analyst targeting bench strength to your IR team.

Learn more

Board reporting

With every quarterly financial report, there's a board meeting to go with it. While the primary role of investor relations is to communicate to shareholders, prospective investors, and analysts, communicating information from those groups to your board and senior management is becoming more and more important.

According to EY, 77% of companies of all sizes have an IR representative attending board meetings. 83% of those IR representatives indicated they provided written reports for boards to review. The top subject at these meetings? Market sentiment and investor activity.

So what should IR teams include in their board reports?

- Notable buyers and sellers, it's important to include as much context as possible here beyond just who they are -- have you met with these investors recently? Do they hold shares in your peers?
- Your trading summary for the period (volume, share price), your trading performance vs your peers?
- Your ownership profile - what % of your holders are institutional, insiders, retail? Who are your top 10 holders? Do those top 10 holders also hold your peers?
- How many exits and entrants do you have? Are there trends quarter over quarter? Shareholder concentration - how diversified is your shareholder base? Is this changing? Should you target new investors to diversify your shareholder base? Shareholder depth - compare how many shares are held by a given range of shareholders vs the average amount of shares held by any shareholder.
- IR activity -- quantify your IR strategy by showing the amount of activity in your investor outreach. Where are you focusing your efforts, and what are you hoping to achieve? Are you making progress based on the investment of time and resources?

Crisis management

IR teams must communicate openly and regularly to shareholders during a major crisis, and having a solid crisis management plan can mitigate damage to your reputation and the downside in your shares.

Tips for building a crisis management plan

- Identify the possible risks within your company
- Establish regular communication with your shareholders to build a reputation for responsible communication before any crisis happens.
- Establish your company as an authoritative source of information.
- Meet with other stakeholders in your company to create the plan, it should not be the sole responsibility of the IR team.

Your investor relations website

The foundation of your web presence, your IR website, is a lynchpin for a successful digital marketing program.

Your IR website may seem "easy" or "simple" to build (mainly when you use a third-party provider to build it). Still, a lot of complexity is involved in designing a compelling User Experience (UX).

For IR teams and public companies, your IR website is responsible for sharing critical company financial information, showcasing your company vision and strategy, providing background information on your company and industry, historical data, sharing news, hosting your presentations, providing shareholders with important information, sharing your company's ESG policies and plans, and adhering to regulatory requirements.

That's a lot of responsibility for a single property, yet by default, the "magic" in the UX of IR websites has disappeared thanks to standardization.

Balancing regulation and usability

Your IR website is responsible, by regulation, for providing certain information in specific formats. There are also specific requirements related to content entanglement, so there should be a layer of caution when posting outside links.

This content responsibility can be daunting, so understandably, the IR community has "played it safe" regarding modern website UX. However - certain questions that investors or shareholders might have should be answered in an easy-to-understand manner. There's also the added benefit of leveraging existing content (investor presentations being a key one) to highlight the key messages you want to portray in an easy-to-discover way.

The five principles of web usability

- Availability - How easy it is to access your website. This can be affected by the web hosting platform you use and its compatibility with the devices users are accessing it with.

- Clarity - What some consider the core of website usability. Investors and shareholders (and other stakeholders) come to your IR website with specific goals in mind. If the design of your website distracts or confuses visitors, they'll either need more time to find what they came for or get frustrated and leave.

- Recognition. This encompasses the learning process users undertake when they visit a website. Every website (no matter how simple) requires a few seconds of assessment before a user can interact with it. We have collectively learned behaviors with how websites should work (like when you click a logo to go back to the homepage), and so if your website breaks those habits and patterns, a user will have to learn how to get where they want to go. When you design your website for usability, keep the learning curve as short as possible.

- Credibility. Even if a user can find what they're looking for, if it doesn't seem trustworthy, they won't engage.

- Relevance. The most complex issue in website usability because it mostly has to do with content. Creating engaging content is a true craft, and understanding your audience is the central focus.

Leveraging website intelligence to know if your IR website supports your goals

There are many ways to measure and evaluate the performance of your IR website, ranging from completely free to paid solutions with various levels of complexity.

With all of the tools available and so much data at our fingertips, it's really easy to get caught in analysis paralysis when it comes to understanding your website performance. Anonymous data can mean you misinterpret the relevance of your site to its viewership, for example. Is it a prospective investor? Or your mom showing her friends all the work you've done at your company?

Website analytics is the collection, reporting, and analysis of data generated by visitors and their interactions on your site. The primary use of website analytics is to measure, interpret, and understand user behavior, optimize, and gain insight to help you understand if your site is helping you to achieve your IR program goals.

This data can also be used to understand the impact of your website on search engines at critical moments when someone searches for you or information supporting your company's offerings.

Also important to note that data means nothing when it isn't paired with an actionable insight that you can use, as it's only a view into the past.

IROs should be looking at their website analytics to answer strategic questions such as:

- What content are prospective investors looking at on my website?
- Which key messages or content in my investor outreach is driving interest?
- Are my shareholders engaging with the content we share? Could a lack of engagement be an indicator they aren't receiving value?
- What was the outcome of that news? Did it drive the *right* audience to our site?
- How much time are we spending on the wrong-fit investors? Which pieces of content or strategies are causing them to engage with us?
- What can we scale or replicate that drove the right-fit investor interest?
- Is there an activist investor interested in our company?
- Does the investor community understand our story?

There are many web analytics tools and much data available, but context is king. Looking at data through the context of the IR function and optimizing accordingly can make or break a company's success.

Read the article:
How to use your IR website to uncover activist investors

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Creating and optimizing relationships on the sell-side

A strong relationship between IR and sell-side analysts is key to ensuring that your company's story is both heard and properly understood by the market. As your business grows and evolves over time, it is important to make sure you are taking the appropriate steps to both develop and optimize your relationships with sell-side analysts. When done right, the symbiotic nature of these relationships becomes mutually beneficial and can help to further differentiate your company in the eyes of investors.

Understanding the role of the sell-side

The "sell-side" (which, for the purposes of this ebook, will refer primarily to sell-side equity research analysts) plays an integral role in helping companies raise capital, helping investors better understand specific securities and industries, and aids in both maintaining and feeding overall market efficiency.

Generally, these analysts cover a specific industry or sector and are expected to be "experts" on the space. The combination of access to capital (via the investment banking arm), sector expertise, and financial/capital markets acumen can make the sell-side an influential partner who can help steer investors to your company while adding credibility to your story and market narrative.

Finding the right analysts to cover you

The "sell-side" (which, for the purposes of this ebook, will refer primarily to sell-side equity research analysts) plays an integral role in helping companies raise capital, helping investors better understand specific securities and industries, and aids in both maintaining and feeding overall market efficiency. Generally, these analysts cover a specific industry or sector and are expected to be "experts" on the space.

The combination of access to capital (via the investment banking arm), sector expertise, and financial/capital markets acumen can make the sell-side an influential partner who can help steer investors to your company while adding credibility to your story and market narrative.

For example, let's say you are a small cap company looking to attract your first or second analyst. In addition to the type of broker (boutique vs. large bank), another factor you may want to consider is the tenure/ experience of the analyst and the breadth of their coverage universe. Sometimes an up-and-coming analyst (with a smaller coverage universe) may be better suited to cover your company at an earlier stage because there is typically a higher likelihood that they will have more time to better understand your business and convey your story vs. a senior analyst who may be stretched more thinly or who's larger-cap companies take up the majority of their time. Younger analysts are often looking to make a name for themselves by being a specialist or go-to resource on a couple reputable, smaller companies. Knowing who these analysts are can be a differentiator for a company that fits their criteria.

Advantages & disadvantages of attaining sell-side coverage

While the advantages of adding analysts to your roster of sell-side coverage are typically quite clear, there are also some possible drawbacks worth being mindful of as well. See below for a list of potential advantages and disadvantages of increasing your sell-side coverage:

Potential advantages:

- Increased visibility with the buy-side
- Better understanding of the company narrative/story by the investment community
- Easier access to capital
- Increased credibility with investors
- Improved liquidity

Potential disadvantages:

- Heightened scrutiny on performance
- Increased accountability for achieving guidance/targets
- Increased time commitment for both IR and the C-suite

Maximizing the value of your sell-side relationships

As you progress in building out your sell-side analyst coverage, the focus gradually shifts to maximizing the value and impact of those relationships. Effectively utilizing your relationships on the sell-side can allow for more seamless delivery of your story and key messaging to the broader investment community.

Being proactive in scheduling calls with analysts following earnings or major corporate events and organizing analyst days or inviting analysts to tour your headquarters/facilities on a semi-regular basis are examples of best practices that IR teams can implement to increase sell-side engagement and improve the quality of published research. Additionally, regularly communicating with analysts (particularly those that are outliers) regarding their estimates improves both the accuracy and reliability of consensus forecasts - which are often critically important for benchmarking performance amongst investors and market participants.

It's also important to remember that analysts typically have direct lines of communication with investors on a regular basis, so anything IR teams can do to aid in their understanding of the company (assuming it's permitted from a regulatory perspective) will have direct implications in influencing investor perception.

Cost of capital: What it is, and what you can do to lower it

For an IRO, understanding your cost of capital and proactively finding ways to lower it are critical to increasing shareholder value, improving the quality of your investor base, and enhancing capital allocation flexibility. This guide will help you to better understand your cost of capital, how beta influences cost of capital, and how you can leverage Irwin to strengthen relationships with investors and ultimately lower your cost of capital.

Understanding your cost of capital

From a prospective investor's point of view, a company's cost of capital can be thought of as the return expected by those who provide capital for the business. On this basis, a lower cost of capital tends to coincide with companies that have lower risk profiles. These businesses typically screen as more attractive to a broader group of investors as the hurdle for shareholder value creation is lower and the "cost" to further grow the business is inexpensive.

In addition to the role it plays in shaping investor expectations and valuations, a company's cost of capital is also a critical driver behind internal capital allocation decisions. As a management team, having a strong understanding of the factors that influence your cost of capital can allow you to make more informed decisions that enhance shareholder value.

Calculating your cost of capital

Put simply, a company's cost of capital is the weighted average cost of all of its debt and equity. Each of these components (equity, debt, and preferred stock) are weighted proportionate to each other and their costs are expressed as a percentage – called the weighted average cost of capital (WACC).

In calculating a company's WACC, one must know the proportionate market weights and "costs" of the debt and equity in the capital structure. Generally speaking, the market weights of debt and equity and the cost of debt are relatively easy to determine – it is the cost of equity that is the most elusive variable and often times the most important in determining WACC. The formula for WACC is as follows:

$$\text{WACC} = \left(\text{PERCENT EQUITY} \times \text{COST OF EQUITY}\right) + \left(\text{PERCENT DEBT} + \text{COST OF DEBT}\right)$$

There are several methods to calculate the cost of equity, however the Capital Asset Pricing Model (CAPM) is the one most commonly used. This method uses estimates for the risk-free rate (usually the US 10-year treasury bill yield), the expected return on the market, and beta – which measures volatility relative to the market. The formula for cost of equity is as follows:

$$\text{COST OF EQUITY} = \text{RISK-FREE INTEREST RATE} + \text{BETA}\left(\text{EXPECTED MARKET RETURN} - \text{RISK FREE RATE}\right)$$

The only variable that the company can influence in this formula is the beta and so for the purposes of this article, we will focus our attention most closely on beta and the role that Irwin can play in helping to reduce it.

How beta impacts your cost of capital

Beta is a measure of a stock's volatility in relation to the market and can be calculated on a sector or security-level basis. It is calculated by taking the covariance of the return on a stock and the return on the market and dividing it by the variance of market returns over a specified time period.

$$\text{BETA COEFFICIENT } (\beta) = \frac{\text{COVARIANCE } (R_e, R_m)}{\text{COVARIANCE } (R_m)}$$

Where: R_e = the return on an individual stock

R_m = the return on the overall market

COVARIANCE = how changes in a stock's returns are related to changes in the market's returns

VARIANCE = how far the market's data points spread out from their average value

Importantly, and as can be seen in the previous section, within the context of CAPM, beta plays a key role in determining a company's cost of equity and, similarly, its risk profile. Thus, understanding how to reduce your beta is key to lowering your cost of capital.

Leveraging a tool like Irwin to reduce beta and minimize volatility

A volatile share price can be a difficult thing for any company to deal with, as it can make raising capital and finding the right investors – two key objectives of any publicly traded company – more challenging. While share prices can never be completely in your control, using a software platform such as Irwin can aid in mitigating volatility and lowering your cost of capital.

Mitigating volatility with shareholder surveillance

One of the best things issuers can do to combat volatility, especially in thinly traded markets, is to make good use of shareholder surveillance. With traditional filings you could go months or quarters without knowing who is buying or selling your stock, so surveillance is the de facto method to know about major shareholder movements. This is extremely valuable for companies where beta can be significantly impacted by large position changes from institutional investors.

Having a strong shareholder surveillance system in place allows you to better understand the motivations behind these decisions and prepare you for when this might occur in the future. Knowing who and when someone is trading your stock can help you better understand why it was traded. As it relates to overall shareholder monitoring, Irwin has the most accurate and comprehensive shareholder monitoring information available on the market. For example, say you are a small cap oil & gas company and there has recently been a sizeable sale by an investor. By understanding that investor's mandate and analyzing similar trades within their portfolio (both of which can be done using Irwin), you should be able to better understand the context behind that decision (ie. if it was idiosyncratic/company-specific or if it was part of a broader sector/industry exposure reduction – in which case there would likely be other similar sized trades at many of your peers).

Mitigating volatility with your IR CRM

With a strong shareholder monitoring program in place, the next step in your strategy for mitigating volatility relies upon the relationships you have with your investors. If you've been proactive in communicating with your shareholders, you may already have an idea of who is interested in increasing/decreasing their position. Additionally, if you have already employed a proactive investor engagement strategy, those shareholders should be visible in your IR CRM. Irwin's data and relationship management-specific workflows allow our clients to grow, understand and monitor relationships, which ultimately leads to stronger relationships with investors and a more entrenched shareholder base (thus a lower beta and cost of capital).

Mitigating volatility with investor targeting

Irwin helps you identify current and potential investors such that you can arrange a potential buyer/seller should you suspect that one of your shareholder's is planning to make a material position change. Through investor targeting, issuers are able to target investors that understand their industry and are more likely to be partnership-oriented, long-term, and aligned with company management.

Using Irwin's robust suite of targeting capabilities to find and cultivate relationships with the right investors is key to ensuring stability in your share price, diversifying your shareholder base, and improving liquidity. When shares are held by a diverse group of long-term shareholders who understand your business and believe in management, it becomes increasingly harder to move the share price leading to a less volatile stock, a lower beta, and ultimately a lower cost of capital.

The best way to structurally reduce volatility is to find long-term, partnership-oriented shareholders with a low turnover.

Understanding the relationship between liquidity and beta

The relationship between liquidity and beta is oftentimes complex and plays a key role in determining cost of capital. With this in mind, it is important for issuers to understand how liquidity can impact beta and their cost of capital, and how Irwin can help. All else equal, a more liquid stock trades more frequently, is usually more closely followed/understood, and tends to be more efficiently valued by the market. Thus, the beta of said stock will be a more accurate representation of the true volatility levels of the shares relative to the market.

This is important to understand because beta's can fluctuate quite significantly, particularly as you move further down the spectrum of market cap sizes. In turn, low liquidity can make calculating an appropriate cost of capital more challenging as the accuracy of the reported beta number may not be appropriately indicative of the volatility/risk profile of the underlying security. This is where leveraging Irwin's capabilities can be extremely beneficial.

With Irwin's suite of CRM, shareholder monitoring, and investor targeting capabilities, clients have a range of technology and data-enabled solutions that they can leverage to enhance liquidity by building relationships with investors, connecting buyers & sellers, and making sure your company story is effectively articulated and understood.

It's possible to do everything right and still have a high beta (and therefore a high cost of capital). If there are particular attributes or business decisions that contribute to volatility, you should address these in your investor materials and be prepared to discuss them with concerned investors. For example, if you are a newer business in a comparatively mature market, your beta may be higher than the rest of your sector. In this case it's appropriate to call out these differences and address what you are doing to strengthen your position in the market.

While there are a number of factors outside your control that affect your beta, it's still possible to reduce volatility in your stock price with a thoughtful and proactive approach to investor relations. Employing stock surveillance helps you get ahead of major changes before filings data becomes available, and a proactive investor targeting strategy can help you better arrange trades within your IR CRM.

For IR and finance teams looking to reduce the cost of capital, reducing your beta should be a key focus – one that Irwin has been designed specifically to help with.

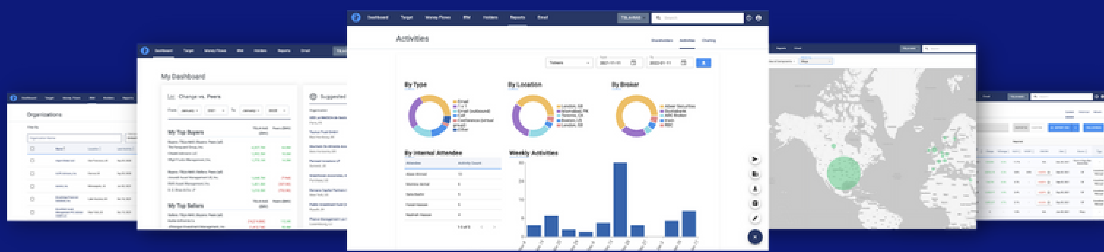
Read the article:
How to Plan a Hybrid Virtual/In-person Roadshow

Read Now

Irwin

A better way to manage investor relations.

About Irwin



Irwin is built on the belief that investor relations is a critical strategic component of a company's success. Companies deserve a platform that unlocks critical strategic insight, automates manual and time-consuming tasks, and consistently innovates alongside the ever-evolving role of the IR team.

Learn more