

## The Value of Research in IR

Presented at AeA Panel: “Turn Up The Volume:  
The Art of Corporate Communications and IR”



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### Contact

Lev Janashvili

212 844 9290

## The Potential of IR Research

- Identify and quantify investor sentiments about the company's value drivers and risk factors
- Anticipate market reactions to corporate news
- Measure, explain and help minimize disparities between the views of insiders and investors
- Identify investor expectations for the company's financial and operating performance
- Provide guidance for refinements in the company's investment thesis

## Limitations of Current Methods of IR Measurement and Research

- Peer-based analysis of relative valuation, stock performance and equity ownership
  - Can help identify but not fully explain valuation disparities
  - Cannot isolate the impact of investor relations
  - Cannot directly measure message traction or provide specific recommendations for refinements in investment thesis and IR strategy
- Sell-side research
  - The job of a sell-side analyst is to advise investors, not to echo their views
  - The sell-side is a different audience, not a proxy for the buy-side
- Informal dialog with investors and analysts
  - Useful input, but unstructured and unrepresentative
  - High risk of unrepresentative findings
- Perception studies and investor feedback following one-on-one meetings
  - Little or no quantification or audience segmentation
  - No attempt to place investor perceptions in the context of broader market perceptions.

## Next Chapter in IR Research

1. Integrate qualitative and quantitative methods
2. Broaden the scope of the survey beyond the financial community
3. Step beyond the study of perceptions: Study contrasts and changes
4. Segment the audience; Integrate perception research with the analysis of trends in equity ownership
5. Learn from behavioral finance

## Integrated Methods – Illustrative Findings

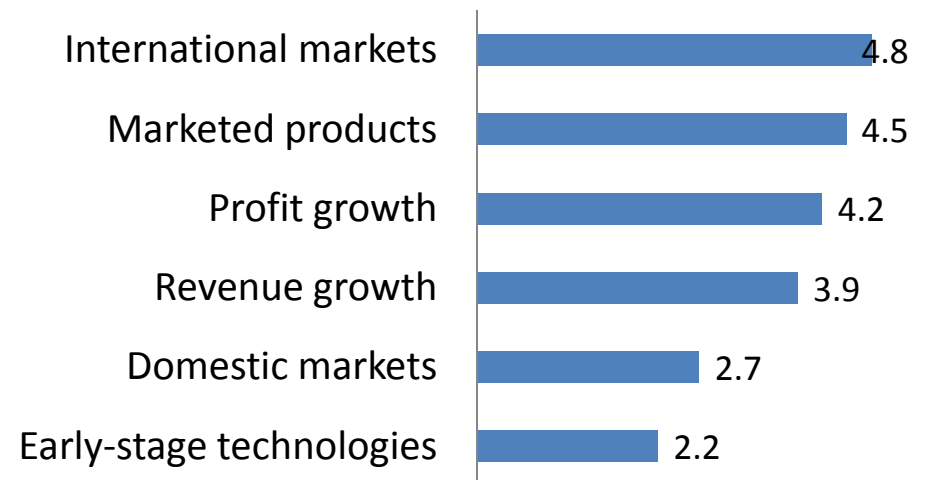
By combining qualitative and quantitative methods, we can deliver richer – more actionable insights – which neither of these methods can achieve in isolation.

### Qualitative:

- “We are in this stock because of the strength of the marketed products. We don’t assign much value to the pie-in-the-sky technologies, even though we do understand the explosive potential.”
- “My sense is that nobody would shed tears if the company reduced its emphasis on the earlier-stage ventures. I think this would fall into the category of stepping in the right direction.”

### Quantitative:

In your assessment of the company as an investment prospect, how important are these aspects of the company's story?

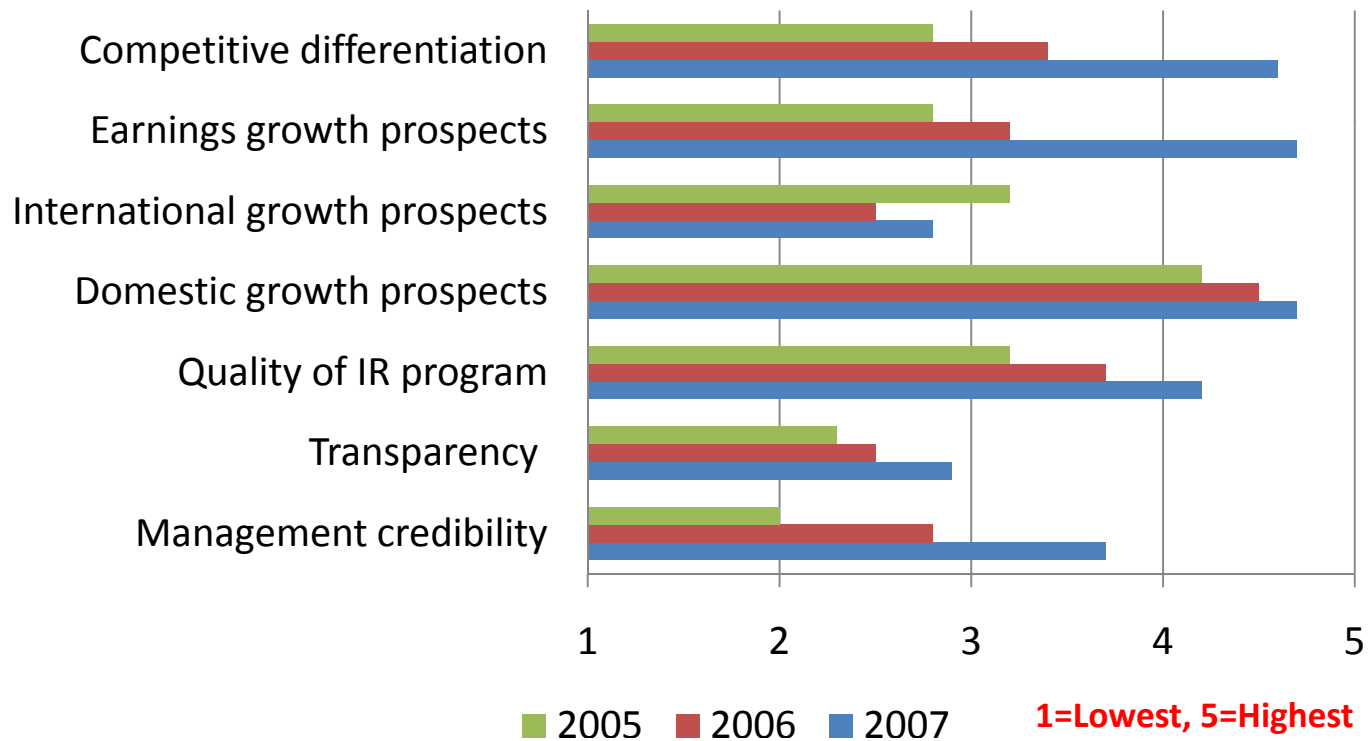


1=Not Important, 5=Very Important

## Integrated Methods – Illustrative Findings

Quantitative methods make it possible to track the evolution of perceptions overtime.

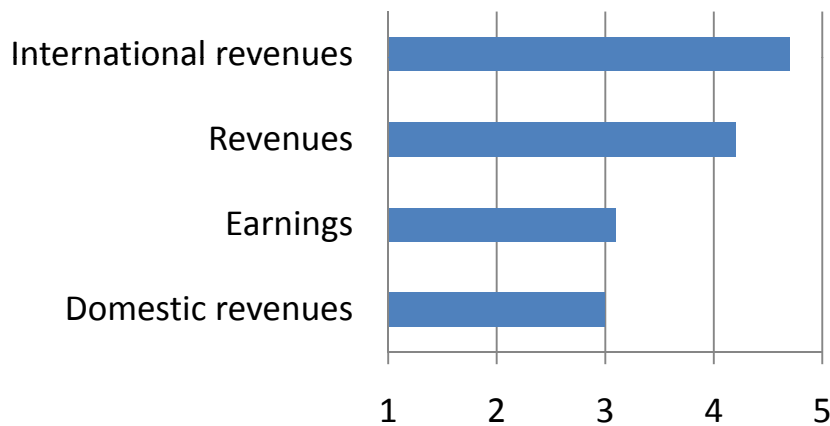
How would you rate the company on the following criteria?



## Integrated Methods – Illustrative Findings

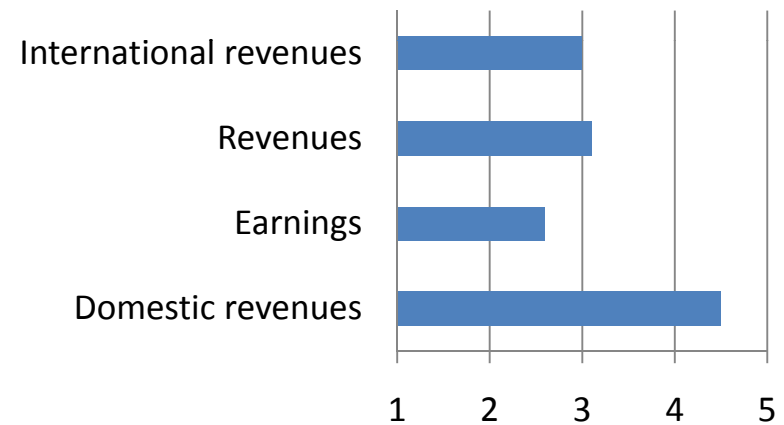
Quantitative methods can help you formulate effective positioning strategies for earnings announcements.

**What are your expectations for the upcoming YE announcement?**



**1=Significantly miss estimates**  
**5=Significantly beat estimates**

**How did your view change after the YE announcement?**

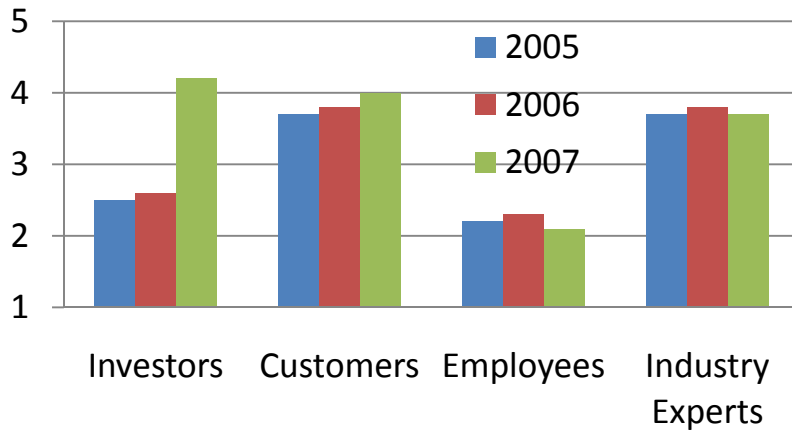


**1=Significant change for the worse**  
**5=Significant change for the better**

## Multi-Audience Scope

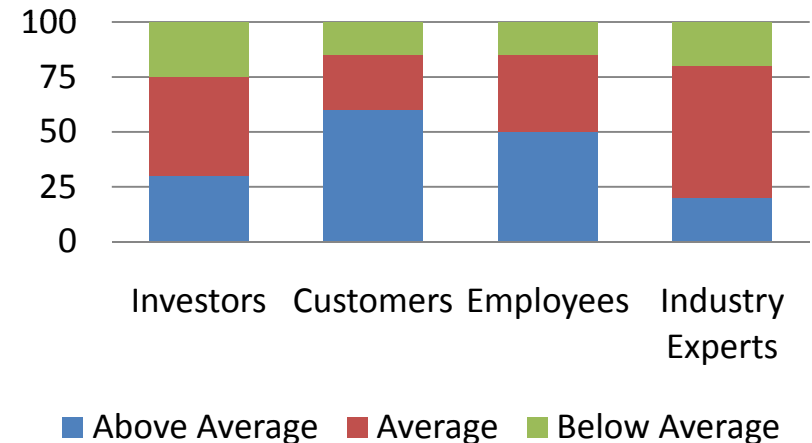
Cross-audience research enables integrated communications and helps define strategic priorities

**"XYZ Corp. is an effective communicator"**



**1=Strongly Disagree, 5=Strongly Agree**

**How do you think the company's XYZ product compares to competing products?**

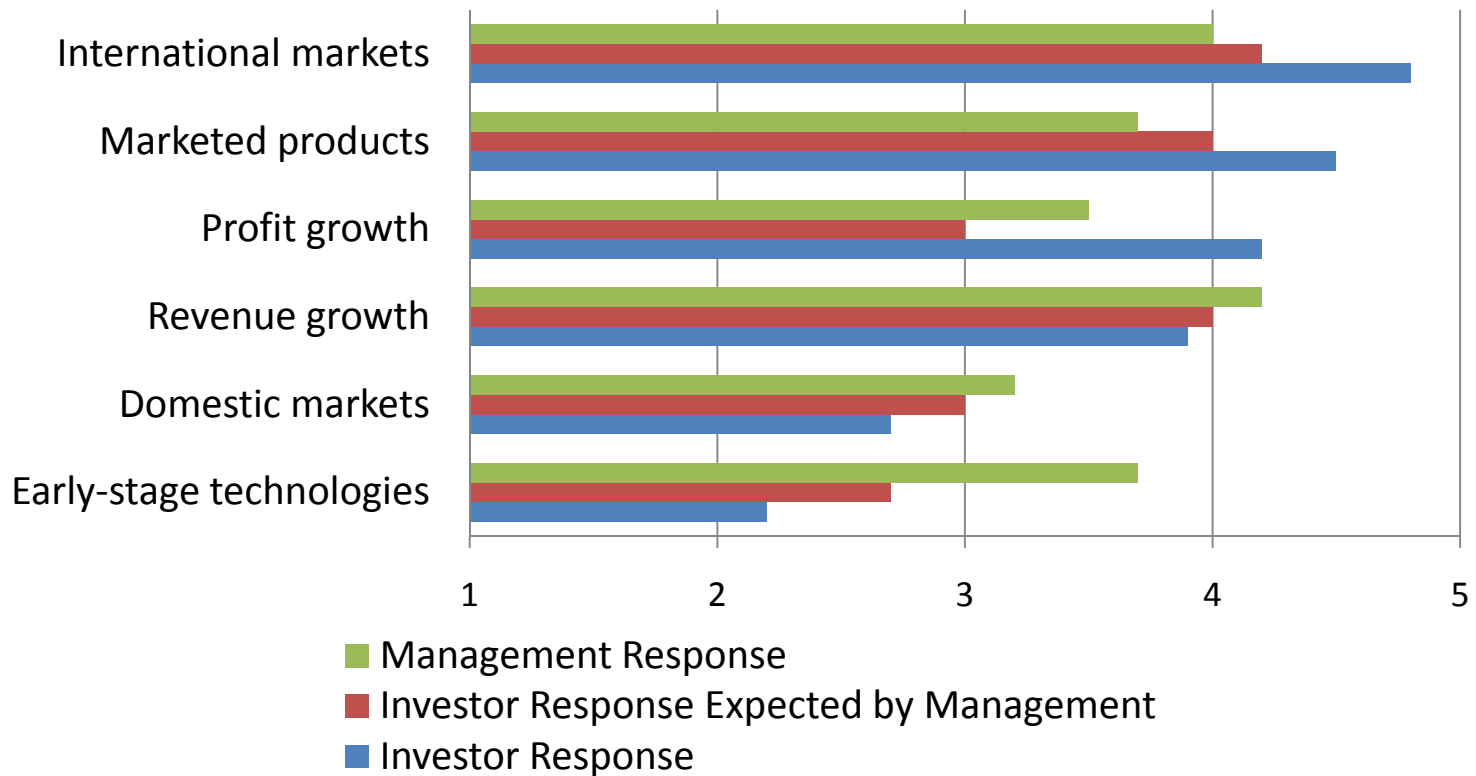


# Study of Contrasts and Changes

Measuring gaps between the views of insiders and investors can define priorities for IR programs.

## Comparative Importance Ratings

1=Not Important, 5=Very Important

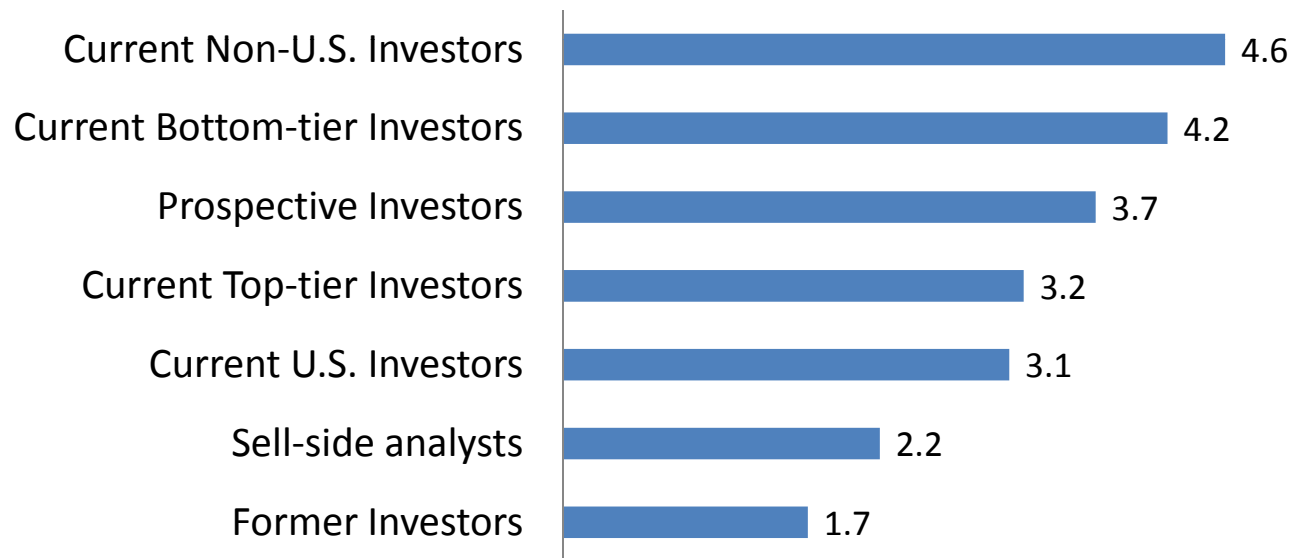


## Audience Segmentation

Audience segmentation helps identify the most receptive audience segments and tailor the message appropriately.

**What is your view of the company's international expansion program?**

**1=Very unfavorable, 5=Very favorable**



## Application of Behavioral Finance

- Fuller understanding of investors requires looking beyond traditional data points:

### Traditional

- Investment style (value, growth)
- AUM
- Peer ownership

### Non-traditional

- Age
- Gender
- Education
- Media consumption
- Risk aversion