Building long-term investor perception

Winners of Best Investor Relations avoid pitfalls of short-termism, says LYNETTE KHOO

While good investor relations may translate to better stock valuations, it does not seem to bother companies that lead the pack in good investor relations (IR) practices.

Instead of focusing on one singular indicator subject to the vagaries of market conditions, these companies have avoided the pitfalls of short-termism and, instead, focused on building positive long-term investors' perception.

This involves the hard work of consistent, timely, and fair disclosures, being accessible and engaging all stakeholders through various channels.

"Key performance indicators (KPIs) for any IR team should be based on the timelines and consistency of reporting of key issues raised by investors and analysts, how the team helps investors make better decisions and also how they present the company to potential investors," says Singapore Airlines (SIA) divisional vice-president for finance, Chia Siek Hua.

Stock price performance may not be an accurate indicator, as the overall performance of the business and industry outlook often have greater impact on stock prices, she adds.

Broader KPIs

SIA, which won Gold for Best Investor Relations in the mid-cap category, exemplifies the need to communicate even adverse information when it released in 2010 an announcement estimating the financial impact of the flight disruptions due to the Iceland volcano eruption.

In a move to enhance transparency, it has started to include SilkAir’s operating statistics in its monthly operating traffic release to the public since July.

In the past, only SIA Cargo and SIA operating statistics were available to the public.

Micro-Mechanics executive director Chow Kam Wing also notes that "it may not be meaningful to show share price performance as a single indicator, as it may hide many factors that contribute to a company’s performance.

"In fact, there are many pitfalls that could occur when share price performance is considered the most important KPI for IR, as it may not be indicative of the overall performance of the company, in terms of industry, financial and market performance, says Mr Chow.

"Micro-Mechanics, which clinched Silver for Best Investor Relations under the mid-cap category, believes that investors’ perception of the company is a useful gauge of the effectiveness of its communication.

"The company also considers independent endorsement from third parties, such as the Governance and Transparency Index (GTI) score compiled by the Centre for Governance, Institutions and Organisations at the National University of Singapore Micro-Mechanics' GTI score has improved by 68 this year from 58 previously.

Del Monte, Gold winner for Best Investor Relations in the mid-cap category, considers a broad range of KPIs, including investor interest as reflected in the number of meetings requested, invitations to brokers’ conferences and forums and analyst coverage.

"At the end of the day, a company’s performance needs to focus on its business and generate profits and shareholder value," says Del Monte chief financial officer Ignacio Sicilia.

Like Del Monte, two other foreign issuers – STX (OV) and Micro-Mechanics (Singapore) – managed to clinch Best Investor Relations Award this year, demonstrating that having overseas operations and management does not hinder them from being accessible to shareholders.

Reaching out

STX Ov, Merit winner for the category of first-year listed companies, says it tries to bridge the distance with frequent non-deal roadshows and "Corporate Access" days to reach out to institutional investors.

"Following Q1 2011 results announcement, we have visited Kuala Lumpur, Singapore, Hong Kong, London, Paris and New York in this respect," says senior vice-president for investor relations, Holger Billing.

"We are also planning a retail investor talk in Singapore at the end of July," he adds.

For CapitaLand, Silver winner for Best Investor Relations among large-cap companies, it has also been holding retail investor days to proactively engage retail investors and debt investor forum to directly engage fixed-income investors, says senior vice-president for IR, Harold Woo.

Technology has certainly enhanced companies’ accessibility to investors.

It also allows companies to widen their reach and ensure fairness in disclosures.

"Timely and regular website updates, automatic email alerts to registered investors, video conference and conference calls with investors from different geographies are some of the tools which are frequently used for IR functions," says Girish Agarwal, vice-president for strategy at Mercator Lines (Singapore), which clinched Silver in the mid-cap category.

Some companies like SIA, Micro-Mechanics, Qian Hu and Singapore Press Holdings (SPH) have also started to post minutes of their annual general meetings (AGMs) on company websites so that shareholders who missed the AGMs can refer to them.

Mr Chow of Micro-Mechanics notes that being comprehensive in offering information to investors helps the group avoid selective disclosure during meetings with analysts and fund managers.

Qian Hu, a repeat winner for Best Investor Relations Award, won Gold this year under the small-cap category while SPH landed a Bronze under the large-cap category.

"IR sees IR as a two-way tool, and seeks feedback from investors," says SPH chief financial officer Tony Malek. "Insights garnered from them are taken seriously and where appropriate and applicable, action follows."

The IR team at SPH monitors its corporate governance practices by benchmarking against peers and best practices set out by the GTI, and tracks analyst views and shareholding trends to assess its IR efforts.

"Good IR practices foster better stakeholder relations, strengthen corporate governance and go beyond mandatory rules and regulations to engage and provide the investment community with the access to corporate information in a non-selective manner," Mr Malek says.