IR as a Value-Creation Strategy

CEO Workshop, at the Capital Market Academy
May 2014

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CONTENTS

1. Core principles of investor relations
2. Case studies for best practices IR
3. How to develop an effective investor relations
4. Current IR challenges
Financial Communication or Investor Relations is a vital factor to maximize shareholder’s value

**Overall Corporate Strategy**

**ISSUES**
- Poor Profitability
- Small Market Cap
- Credibility of Management
- Corporate Structure

**ACTIONS**
- Maximize ROA & ROE
- Define Growth Strategy
- Ensure Project Feasibility
- Improve Operations
- Develop the Organization

ISSUES
- Low Liquidity
- Lack of Capital
- High Gearing
- Shareholding Structure

ACTIONS
- Define Investment Strategy
- Identify Strategic Partners
- Raise Debt and Equity Funding
- Restructure Debt

ISSUES
- Lack of Value Story
- Ineffective Communication and untimely information
- Poor Corporate Disclosure
- No Access to Management

ACTIONS
- Develop Value Creation Story
- Produce Quality & Consistent IR Materials
- Target & Communicate to the Right Investors
- Monitor & Respond to Market Feedback
“Next to doing the right thing, the most important thing is to let people know you are doing the right thing.”

J.D. Rockefeller
Why is IR Important?

Roles and responsibilities of listed companies to disclose information to shareholders

Investors have choices
- Investors need to hear, understand and believe in your story
- IR introduce your identity
- IR gets you notice
- IR creates investors’ confidence in the company and management

Process of building good reputation never ends
- If investor feel badly treated, they will sell and its harder to bring the share price up than to maintain it in the first place
- ‘It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.’ Warren Buffett

Helps when raising capital
- Fund is limited

Investor Relation could help in Crisis
- ‘Life is like a box of chocolates, you never know what you’re gonna get’ Forrest Gump
What is Investor Relations (IR)?

Source: Adapted from National Investor Relations Institute
What is Investor Relations (IR)?

**Strategy Feedback**
- Access to capital

**Fair Valuation**
- Stock liquidity

**IR CONSTITUENCIES**
- **Institutional investors**
  - Financial institutions
  - Insurance
  - Pension funds
  - Hedge funds
- **Private investors**
  - Individual & high net worth
  - Employees
  - Growth vs value vs income investors
- **Analysts**
  - Sell-side
  - Buy-side
- **Media**
  - Print
  - Broadcast
  - Social & online media

**Investment Messages**
- Corporate strategy
- Financial strategy
- Execution plan

**IR Material**
- IR presentations
- IR newsletters
- Annual report
- IR webpage
- Email alerts

**IR Activities & Channels**
- Analysts’ meetings
- Roadshows
- Company visits
- Site visits
- Conference calls
- Email responses

Source: Adapted from National Investor Relations Institute
What is Investor Relations (IR)?

Investor Relations can be defined 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, its shareholders, the financial community, and other constituencies, which ultimately contributes to a company's securities *achieving fair valuation* and *lowering its cost of capital*.

*Source: National Investor Relations Institute*
Benefits from the IR Program

- **Strategy feed-back & competitors insight**
  Valuable feedback of investors’ sentiments for senior management to adjustment and fine-tune company’s strategy

- **Increase in number of analyst and have support for growth**
  With investor’s confidence and good reputation from transparency, good corporate governance and fair information disclosure from IR, the company could raise future capital with ease, if needed

- **Stabilize share price & minimize investor surprises**
  Giving information regularly and fairly will not surprise investors and will help investors not to sell and buy when panic

- **Reduce ‘Fair Value Gap’ & reduce cost of capital**
  Providing accurate and relevant information to analysts and investors help increase understanding and help them to assess and project the company’s financial performance more accurate

- **Enhance trade liquidity**
  Adopting good IR practices and being active in IR will help enlarge investor base and analyst coverage
Benefits from the IR Program

Benefit of having a good IR

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Analyst</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase public awareness</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Promote CG</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Minimize fair value gap</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Increase free float</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>CSR communication</td>
<td>2.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Reduce cost of capital</td>
<td>2.7</td>
<td>3.2</td>
</tr>
</tbody>
</table>

% of premium for company with good IR

<table>
<thead>
<tr>
<th>Premium %</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>7%</td>
</tr>
<tr>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>10%</td>
<td>24%</td>
</tr>
<tr>
<td>15%</td>
<td>27%</td>
</tr>
<tr>
<td>&gt;15%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: PYI Market signal analysis
Benefits from the IR Program

The benefits of full disclosure
% of respondents citing critical factor as a benefit of disclosure

- Increased management credibility: 75%
- Improved access to new capital: 63%
- More long-term investors: 60%
- Higher share price: 57%
- More analyst coverage: 54%

Source: PWC Research
Benefits from the IR Program

Independent research by the world’s leading universities confirm that investors will pay a premium for companies with outstanding IR practices.

**Wharton Business School**

“Direct contacts with investors increase management credibility and thus have a greater impact on the success of the IR strategy.”

Brian J. Bushee, professor of accounting, Wharton Business School, USA

**Harvard Business School**

“IR activities play a significant role in helping small and mid-cap companies overcome their low visibility to attract a wider following by investors and improve their market valuation.”

Gregory S. Miller, professor of accounting, Harvard Business School, USA

**Singapore Management University**

“What premium are you willing to pay for a company’s share if it has exemplary IR?”

Survey of 38 fund managers

**University of Zurich**

Range of cost of equity advantage for companies with good IR over those with poor IR

Research from University of Zurich

**University of Edinburgh**

“Firms perceived to have the most effective IR strategies earn superior abnormal returns”

Richard Taffler, professor of finance and investment, University of Edinburgh, UK
What are the difference between PR and IR?

<table>
<thead>
<tr>
<th>PR</th>
<th>IR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wider audience</td>
<td>Focuses on financial audience <strong>Investors, analysts and fund managers</strong></td>
</tr>
<tr>
<td>Broad knowledge of corporate matters and current issues</td>
<td>In-depth knowledge of corporate strategy, operation, financial performance, current issues and communication</td>
</tr>
<tr>
<td>Deep relationship with media</td>
<td>Deep relationship with investors and analysts</td>
</tr>
<tr>
<td>Promote corporate image &amp; brand</td>
<td>Promote IR brand</td>
</tr>
<tr>
<td>Monitor news on the, industry and competitors and the company</td>
<td>Manage investors’ expectation</td>
</tr>
<tr>
<td></td>
<td>Analyze market sentiment</td>
</tr>
<tr>
<td></td>
<td>Obtain feedback from investors/financial community</td>
</tr>
</tbody>
</table>
Management should provide accurate information to the investment community to enable it to value correctly.
Main Roles of Investor Relation Officer

- Building internal awareness of Investor Relations
- Ensure compliance with regulations
- Act as the company’s key spokesperson in the investment community
- Make public precise understanding of your firm
- Keep investors interested and informed
- Establish, maintain, rebuild investors’ confidence
- Keeping management aware of market’s perception and issues
- Developing and maintaining a corporate disclosure policy
- Manage information disclosure to investment community
- Building and strengthening positive relationships with the investment community
What is **NOT** Investor Relations (IR)?

- **Public Relation**
- **One-way communication without an avenue for investor feedback**
- **Ad-hoc”, or “on-and-off” communication**
- **Managing situations or putting positive gloss on negative news**
- **Managing the company’s share price**

**Source:** 144 IROs who currently work for Fortune 500 companies
Korn/Ferry International’s Corporate Affairs Center of Expertise and the National Investor Relations Institute (NIRI)
1. Core principles of investor relations

2. Case studies for best practices IR

3. How to develop an effective investor relations

4. Current IR challenges
# TOTAL case study: The importance of communication

## Key takeaways:

- **Consistently communicate** with the market
- Deliver **consistent message**—single message with different emphasis for the different groups of investors and stakeholder base
- **Be honest and be prepared** to communicate about unexpected incidents in a **timely manner**
- **Show accountability** when adverse event occurs

### Company's Event | IR action | Impact
--- | --- | ---
1. 1999: Acquire Belgian group PetroFina | No explanation to the market on the acquisition, nor is it consistent with the firm's objectives | Share price fell 22%
2. 1999: Oil Tanker sank causing extensive environmental damage | Slow to respond and communicate to market | Tarnish Total's image in its home market until today
3. 2001: Plant explosion in France | Issue addressed immediately with presence of Chairman to show support and take responsibility | Total's image not negatively impacted

Source: Harvard Business School
BP case study: Value of the “outside” voice

“Outside-in information is important therefore, we should raise internal awareness of the usefulness of outside views since it will allow you to see things from another angle in a bigger context.”

- BP's IR Team

**Benefits to BP**

- Improve financial and other communications tools
- Can position oneself against them
- Raise red flags internally when market has different views on company’s performance and strategies
- Doubts from outsiders may encourage internal people to reconsider business model/strategy/assumptions

**External information**

- Understand shareholders’ expectation
- Follow competitors
- Observe analyst valuations/forecasts
- Listen to business feedbacks

**BP’s IR function**

- Keeps a record of investor feedback and questions
- Closely examines competitors’ financial performance and communications
- Compiles top 10 analysts’ views on BP’s performance and targets on a quarterly basis
- Keep up to date with industry news

**Financial markets/stakeholders**

- Provides information
- Brings back information

Source: Harvard Business School
CONTENTS

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Role of the CEO on Investor Relations

CEOs are an extension on the B2I Brand

- **Author & creator of the future story of the company**
  - Ultimately responsible for the success or failure of strategy, the gain or loss of market position, and the strengthening or weakening of the company

- **Strongest advocates for the IR brand and message**

- **Investors prefer to take the word of the CEO**
  - CEO credibility underpins IR Brand credibility

Source: Churchill Pryce IR.
## DOs and DON’Ts for the CEO in Investor Relations

<table>
<thead>
<tr>
<th>DOs</th>
<th>DON’Ts</th>
</tr>
</thead>
</table>
| ✓ **Be an information sharer**  
  - Be the link between the Inside i.e. the organization and the Outside i.e. public, customers, media  
  - Be credible, accessible and savvy about the business  
| ✗ Don’t delegate the actual thinking that goes into the preparation of crucial IR Brand related materials  
  - CEO’s letter to shareholders  
  - Insights into where the company is headed  |
| ✓ **Be very future aware**  
  - Prepare for all contingencies  
  - Resilient and resistant to adversity  
| ✗ Don’t over promise  |
| ✓ **Be competitor aware**  |
| ✓ **Be shareholder aware**  |

*Source: Churchill Pryce IR.*
What characteristics make for good relationship between fund managers and management?

Characteristics that make for a good relationship between fund managers and management
% of respondents citing critical factor

- Openness & honesty: 98%
- Full disclosure of strategy: 87%
- Communication: 75%

Source: IRS
IR constituencies for company (Your IR clients!!)

- Sell-side Analysts
- Media
- Buy-side Analysts
- Retail Investors
- Institutional Investors
- Sales
Meeting the needs of IR constituencies

Source: Churchill Pryce IR.
The more listings, the higher competition

Number of listed companies

<table>
<thead>
<tr>
<th>Year</th>
<th>SET</th>
<th>MAI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>504</td>
<td>36</td>
</tr>
<tr>
<td>2006</td>
<td>518</td>
<td>42</td>
</tr>
<tr>
<td>2007</td>
<td>523</td>
<td>48</td>
</tr>
<tr>
<td>2008</td>
<td>532</td>
<td>51</td>
</tr>
<tr>
<td>2009</td>
<td>549</td>
<td>61</td>
</tr>
<tr>
<td>2010</td>
<td>556</td>
<td>66</td>
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<tr>
<td>2011</td>
<td>545</td>
<td>73</td>
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<tr>
<td>2012</td>
<td>528</td>
<td>81</td>
</tr>
<tr>
<td>2013</td>
<td>634</td>
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</table>

CAGR + 3%

Number of securities analysts

<table>
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<th>SET</th>
<th>MAI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>355</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>455</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>417</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>441</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>362</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>352</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>363</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>346</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>360</td>
<td></td>
</tr>
</tbody>
</table>

CAGR + 0.2%

Source: The Stock Exchange of Thailand, The Securities and Exchange Commission
“If I don’t know it in five to 10 minutes, then I’m not going to know it in 10 weeks.”

Warren Buffet
When I hear this name, I immediately think of ............
When I hear this stock name, I immediately think of ............
Welcome to Investor Relations

Corporate Information
Financial Information
Stock Information
Annual Report/
Form 25-1/Form 25-1
Newsroom
Shareholder Information
Analyst Contact
Debenture Holders Information
PTT Debenture Club
Webcast & Presentations

Latest News
03.01.2014 | Change in the scope of duties and responsibilities of the Audit Committee
27.12.2013 | Closing of the Registration for Interest Payment of Debentures (January 2014)
26.12.2013 | Resignation of Chairman of the Audit Committee
24.12.2013 | Closing of the Registration for Interest Payment of Debentures (January 2014)

Stock Price
Last Done 286.00 Baht
Change +2.00
%Change 0.72%
Volume High Low
3,617,930 129,000 - 287,80

PTT (Thai Oil)
PTT (Thai Oil) Public Co., Ltd.
Bursa Malaysia
PTT (Thai Oil)
ETD
"PTT (Thai Oil) Public Co., Ltd," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd."
"PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.,"
"PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.,"
"PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.,"
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"PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.,"
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"PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.,"
"PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.,"
"PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.," "PTT (Thai Oil) Public Co., Ltd.,"
Where do you get your investment thesis/story?

<table>
<thead>
<tr>
<th>Determine your company advantage</th>
<th>Formulate the investment thesis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ascertain what management thinks</strong></td>
<td><strong>Strategy</strong></td>
</tr>
<tr>
<td>- Attend board &amp; management meetings</td>
<td>- How your company plans to succeed?</td>
</tr>
<tr>
<td>- Discuss with top management</td>
<td>- How you do things differently from the competition?</td>
</tr>
<tr>
<td>- Discuss with department heads</td>
<td><strong>Strengths</strong></td>
</tr>
<tr>
<td>- Read management quotes</td>
<td>- Your means to implement the strategy</td>
</tr>
<tr>
<td><strong>Determine what the analysts and investors think</strong></td>
<td>- Must be supported by data and evidence</td>
</tr>
<tr>
<td>- Market signals analysis</td>
<td><strong>Market Position</strong></td>
</tr>
<tr>
<td>- Analyst reports</td>
<td>- Where are you positioned in relation to your competitors?</td>
</tr>
<tr>
<td>- Press clippings</td>
<td></td>
</tr>
</tbody>
</table>
# Key IR communication materials

<table>
<thead>
<tr>
<th>ANNUAL REPORT</th>
<th>WEBSITE</th>
<th>PRESENTATIONS</th>
</tr>
</thead>
</table>
| • Most credible  
• Most durable | • Most cost effective  
• Widest reach  
• First point of contact  
• Vehicle for other communications | • Interactive  
• Instant feedback  
• Best source of non-financial information  
• Chance to showcase management’s experience and credibility |

The annual report is part of due diligence for most analysts before deciding to follow a stock

The IR website is the first place analysts go to get information on your company

Management credibility ranks highest in factors considered important when making investment decisions

Source: Rivel Research 2008
Presentations are crucial

Which sources of non-financial company information do you consider important?
(Survey of U.S. analysts and fund managers)

- Management presentations: 79%
- Public filings or reports: 76%
- Sell-side analysis: 69%
- Competitors: 68%
- Business press: 65%
- Investor relations department: 65%
- Customers: 65%
- Buy-side analysis: 65%
- Trade press: 64%
- Informal network: 61%

Analysts and fund managers rate investor presentations as their most used IR website resource

- Presentations: 100%
- Webcasts: 80%
- Email news alerts: 72%
- Calendar synchronization: 38%
- RSS fees: 33%
- Mobile access: 24%
- Charting tools: 20%
- Excel spreadsheets: 20%

Source: Ernst & Young LLP 2008
Source: Rivel Research 2010
### Most useful IR materials

<table>
<thead>
<tr>
<th>Material</th>
<th>Analyst</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning release</td>
<td>97%</td>
<td>86%</td>
</tr>
<tr>
<td>Oppday/Analyst presentation</td>
<td>95%</td>
<td>92%</td>
</tr>
<tr>
<td>MD&amp;A</td>
<td>95%</td>
<td>89%</td>
</tr>
<tr>
<td>Press release/SET announcement</td>
<td>90%</td>
<td>78%</td>
</tr>
<tr>
<td>Newsletter/Investor notes</td>
<td>81%</td>
<td>69%</td>
</tr>
</tbody>
</table>

**Total 36 respondents**

### Most useful information

<table>
<thead>
<tr>
<th>Information</th>
<th>Analyst</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future investment</td>
<td>95%</td>
<td>94%</td>
</tr>
<tr>
<td>Growth story and strategy</td>
<td>94%</td>
<td>97%</td>
</tr>
<tr>
<td>Gross margin by BU</td>
<td>93%</td>
<td>97%</td>
</tr>
<tr>
<td>Cost breakdown by BU</td>
<td>91%</td>
<td>94%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>90%</td>
<td>94%</td>
</tr>
</tbody>
</table>

**Total 35 respondents**

Source: PYI Market signal analysis
### Pitfalls of analyst presentation?

<table>
<thead>
<tr>
<th>Category</th>
<th>Pitfalls</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Story &amp; structure</strong></td>
<td>1. Lack of convincing storyline</td>
</tr>
<tr>
<td></td>
<td>2. Not structure and illogical</td>
</tr>
<tr>
<td></td>
<td>3. Lack of fact and/or rationale</td>
</tr>
<tr>
<td></td>
<td>4. Sections of document are not clearly linked together</td>
</tr>
<tr>
<td><strong>Management Communication</strong></td>
<td>1. No clear messages</td>
</tr>
<tr>
<td></td>
<td>2. Inadequate support data</td>
</tr>
<tr>
<td></td>
<td>3. Just present fact, no “so-what??”</td>
</tr>
<tr>
<td><strong>Professional Organization</strong></td>
<td>1. Not attractive &amp; professional visual appeal</td>
</tr>
<tr>
<td></td>
<td>2. Inconsistency in terms &amp; reference</td>
</tr>
<tr>
<td></td>
<td>3. Unclear graphs, misaligned text</td>
</tr>
</tbody>
</table>

Source: Adapted from www.thebusinessofmining.com
## Access and delivery

### Most Useful Communication Channels

<table>
<thead>
<tr>
<th>Channel</th>
<th>Analyst</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-on-one meeting with management</td>
<td>94%</td>
<td>97%</td>
</tr>
<tr>
<td>Analyst presentation</td>
<td>90%</td>
<td>85%</td>
</tr>
<tr>
<td>Earning preview session</td>
<td>72%</td>
<td>85%</td>
</tr>
<tr>
<td>Site visit or factory visit</td>
<td>74%</td>
<td>79%</td>
</tr>
<tr>
<td>Opportunity day presentation</td>
<td>69%</td>
<td>79%</td>
</tr>
<tr>
<td>E-mail alert</td>
<td>69%</td>
<td>73%</td>
</tr>
<tr>
<td>Monthly Con Call</td>
<td>51%</td>
<td>70%</td>
</tr>
</tbody>
</table>

**Comments**

- **“A company should conduct analyst presentation and/or opportunity day presentation on regular basis to promote continuous communication to analysts and investors”**
  - Analyst 15, 30
- **“I found it difficult to understand some businesses given limited communication channel. Therefore, if opportunity day participation becomes SET requirement, it will be much helpful”**
  - Analyst 2
- **“It would be great if a company releases its periodic earning result before 7 PM of a release date because I will have more time to provide more precise analysis to investors”**
  - Analyst 12
- **“The usefulness of MD&A can be enhanced by providing therein more information about revenue and cost breakdown by business units”**
  - Analyst 7, 18
- **“E-mail alert should be provided so that I can more timely catch up with company’s issues as they arise”**
  - Analyst 10, 18
- **“A company can arrange knowledge sharing session to allow analysts to more clearly understand its business operation”**
  - Analyst 15

*Source: PYI Market signal analysis*
## 6. IR Intelligence

<table>
<thead>
<tr>
<th>Feed back to encourage two-way communication</th>
<th>Report for all Senior management</th>
<th>Corrective &amp; Actionable Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>IR communication should be two-way; Company should actively seek feedback from investors on how they see the company’s strategy and what their motivations and concerns are.</td>
<td>IR management reports should be made available to all senior managers so that they appreciate the way in which their decisions and actions are being understood and valued by the market</td>
<td>If problems or misunderstanding arise, further IR communication should seek to take remedial action by addressing any areas of misunderstanding or reconsider certain strategic moves if it is thought that the share price impact may be negative.</td>
</tr>
</tbody>
</table>
Feedback questionnaire

A SIMPLE LIST OF QUESTIONS

- How would you rank the severity of the problems which Company ABC faces today?
- What do you think of Company ABC’s new strategy of expanding in foreign markets like India and China?
- What do you think Company ABC’s main challenges will be going forward?
- How would you rate the overall standard of Company’s results presentation this quarter compared to the results presentations its main competitors?
- How could Company ABC improve its quarterly results presentations going forward?
Value of feedback: IR internal report

Reporting to CEO/CFO: the feedback presentation

Executive summary and list of analyst questions

- Strategy & Operations
  - The top concern related to the presentation.
  - Three key issues are evident: the measures in the presentation are not as strong as expected.
  - Management's agreement with the feedback notice.

- Investor Relations Program
  - All respondents stated the presentation favored comparable analyses of other similar companies.
  - A majority of the respondents received high scores, with some updates suggested as the most useful.

List of analyst questions during the results presentation

- What is the impact of the new regulatory changes?
- What are your main customers looking for?
- How has your strategy changed over the years?
- Which new projects are on your existing projects?
- What are your expectations for each project?
- Which competitors do you see as the main threat to your business?
- Will you grow organically or through acquisition?

Attendee profiles

- Vice President (25%)
- Sales Manager (42%)
- Analyst (15%)
- 15 total attendees

Firms represented

- Valuation Fund Management
- Capital Markets Securities
- Capital Plus Securities
- Credit Risk
- Real Estate Securities
- Brokerage Securities
- Equity Securities
- Non-Big Securities

Understanding the company

- International standards of corporate governance
- Balance sheet support
- Marketing synergies and expertise

Presentation rating by section

- Market review: 3.5/5.0
- Financial review: 3.5/5.0
- Strategy: 4.0/5.0
- Project updates: 4.0/5.0

- Very positive
- Good to strong
- Neutral
- Weak
- Very weak
“To be a good investor relations officer, you need to have a different type of skill set, like how to communicate effectively with investors, how to identify your investor... and how to effectively plan for your roadshows to make sure you see the right investors.”

IRO of C.C. Land Holdings Ltd.
## 7) IRO abilities

<table>
<thead>
<tr>
<th>Hard Skills</th>
<th>Soft Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial communications</td>
<td>Credibility and integrity</td>
</tr>
<tr>
<td>Accounting</td>
<td>Articulate speaker</td>
</tr>
<tr>
<td>Corporate finance</td>
<td>Think strategically</td>
</tr>
<tr>
<td>Financial analysis and modeling</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Strategy</td>
<td>Persuasive appearance</td>
</tr>
<tr>
<td>Legal</td>
<td>Analytical skills</td>
</tr>
<tr>
<td>Writing</td>
<td>Strong Networking capabilities</td>
</tr>
<tr>
<td>Public relations</td>
<td>Loyalty</td>
</tr>
<tr>
<td>Media relations</td>
<td>Team work</td>
</tr>
<tr>
<td>Administration</td>
<td>Organizational knowledge</td>
</tr>
<tr>
<td>Banking (general knowledge)</td>
<td>Objectivity</td>
</tr>
<tr>
<td>Marketing</td>
<td>Diplomacy</td>
</tr>
<tr>
<td>Equity trading</td>
<td>Selling skills</td>
</tr>
<tr>
<td>Economics</td>
<td></td>
</tr>
</tbody>
</table>
## 8) Corporate Strategy & Execution

### Why firms undervalued?

<table>
<thead>
<tr>
<th>Category</th>
<th>Reason</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Ambiguous future plan</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Unclear growth strategy</td>
<td>11</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Limited communication of strategy</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Insufficient communication channels</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Insufficient information provided</td>
<td>7</td>
</tr>
<tr>
<td><strong>Fundamental</strong></td>
<td>Low liquidity</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Small market capitalization</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Limited disclosure to investors</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Lack of outstanding performance</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Limited management accessibility</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Adapted from [www.thebusinessofmining.com](http://www.thebusinessofmining.com)
What is a strategy?

- **A unique value** proposition compared to other organizations
- **Clear tradeoffs**, and choosing what **not** to do
- **Activities that fit** together and reinforce each other
- **Strategic continuity** with continual improvement in realizing the strategy

Source: What is Strategy?, Michael Porter
NEW STRATEGY & RECOMMENDATION

Four step approach to achieve ‘Best Practice IR’

1) KNOW COMPANY’S VALUE

- Management internal valuation
- Share price market valuation

2) KNOW MARKET PERCEPTION

- INVESTOR & ANALYST FEEDBACK SURVEY
  - INTERVIEWS
  - QUESTIONNAIRES
- IN-DEPTH REVIEW OF EQUITY RESEARCH VALUATIONS

3) KNOW YOUR STORY

- REVIEW IR MATERIALS
- REVIEW IR SYSTEMS
- REVIEW IR TARGETING

4) REVIEW IR SYSTEM

- Asset Strategy
- Financial Strategy
- Communication Strategy

IMPLEMENTATION
CONTENTS

1. Core principles of investor relations
2. Case studies for best practices IR
3. How to develop an effective investor relations

4. Current IR challenges
What are the priorities of IR?

<table>
<thead>
<tr>
<th></th>
<th>Priority</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quality of information</td>
<td>Transparency, relevance, completeness, consistency, and easy to understand</td>
</tr>
<tr>
<td>2</td>
<td>Accessibility of IR</td>
<td>Availability and responsiveness of IR and clear information of IR contact point</td>
</tr>
<tr>
<td>3</td>
<td>Ability of IR</td>
<td>Knowledge of IR Team, their understanding of investors’ requirements and ability in handling difficult questions</td>
</tr>
<tr>
<td>4</td>
<td>Accessibility of management</td>
<td>Availability of management to schedule meeting, contact, and answer questions</td>
</tr>
<tr>
<td>5</td>
<td>Ability of management</td>
<td>Ability in executing strategy as said and managing investors’ expectation</td>
</tr>
<tr>
<td>6</td>
<td>IR materials</td>
<td>Quality of IR presentation, earning releases, MD&amp;A, IR webpage, annual report, etc</td>
</tr>
<tr>
<td>7</td>
<td>IR activities</td>
<td>Quality and quantity of analysts’ meeting, roadshows, company visits, site visits, conference calls, etc</td>
</tr>
<tr>
<td>8</td>
<td>Feedback system</td>
<td>Available feedback channel, improvement of IR regarding to feedback</td>
</tr>
</tbody>
</table>
The IR challenge facing ‘Big Caps’

“Misallocation of IR Effort”

1. Size often leads to decentralization
2. Management are unengaged and inaccessible
3. Insufficient benchmarking against global peers
The IR challenge facing ‘Mid Caps’

“IR an after-thought”

1. IR is under-resourced
2. Insufficient attention paid to detail
3. Message confusion
4. Unclear strategy and direction
5. Lack of support data
The IR challenge facing ‘Small Caps’

<p>| | |</p>
<table>
<thead>
<tr>
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</tr>
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<tbody>
<tr>
<td><strong>1</strong></td>
<td>Invisibility (small analyst coverage)</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Low liquidity</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>Conflicting agendas</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>Lack of even basic IR knowledge</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td>Unclear strategy and direction</td>
</tr>
<tr>
<td><strong>6</strong></td>
<td>Poor investor targeting</td>
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</table>

“Ignorant of IR Principles & Insufficient Resources”
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