Nasdaq

Data-Driven IR:4 Ways to Increase Investor Conversion

Modern IR teams are leveraging data to measure success

BY MICHAEL STILLER AND JAMES TICKNER - NASDAQ IR INTELLIGENCE

The landscape of investor relations (IR) is shifting as technology advances. Corporate IR groups are becoming more reliant on data and analytics to drive engagement but still value direct dialogue with current and prospective investors.

While in-person meetings, such as conferences, serve an essential role in IR, new data suggests there is a slight downturn in such events among larger companies. Nasdaq's Strategic Capital Intelligence found that mega-cap companies attended two to three fewer conferences on average in 2018, compared to the year prior. Overall in-person events were down 5% for mega-cap companies and 10% large-cap companies. Meanwhile, mid- and small-cap companies' participation in market events and conference were stable year-over-year.

"Companies we speak to claim to be revisiting their use of conferences as they believe they see the same people over and over again," Michael Stiller, global co-head of Nasdaq's Strategic Capital Intelligence, and James Tickner, head of Advisory Product Development and Analytics for Nasdaq Corporate Solutions, wrote in a report titled "Data-Driven Investor Relations: Using Analytics to Measure IR Success."

As IR teams start to explore more effective ways to engage with investors, Nasdaq Strategic Capital Intelligence outlines four ways in which organizations can leverage data to help drive success.

Mega-cap companies conducted

5%

fewer in-person events overall and attended

2-3

fewer conferences

Large-cap companies conducted

10%

fewer in-person events overall

1. Taking more control of the investor outreach process

IR teams are evaluating their approach to the investor outreach process, taking more control and becoming less dependent on third-parties.

Locating and securing capital from new shareholders was once primarily outsourced to third parties. But after certain regulations were enacted – beginning with the Regulation Fair Disclosure (Reg FD) in the early 2000s through the Markets in Financial Instruments Directive (MiFID II) in 2018 – the role of identifying potential new sources of capital has shifted more to an "in-house" activity for IR teams.

2. Pinpointing the specific investors to engage

When approaching new investors or buy-side institutions directly, it's essential to consider their unique investment processes, but IR groups should also acknowledge the new data that reveals the underlying trends to convert a potential investor or institution into a shareholder.

On average, it can take two quarters and two meetings, of which at least one is with management, to bring in a new investor into the fold. More selective stock pickers may require five meetings. But that time with investors pays off, with the average initial investment at about $140 million, according to data from Nasdaq's Strategic Capital Intelligence.

3. Sharing the narrative with investors

All corporate IR teams spend time with new potential investors, but the amount varies on the size of the company. When comparing time spent with existing shareholders and prospective shareholders, small-cap companies spend 77% of their time with prospective shareholders, while large-cap companies spend 55% of their time with new potential stakeholders.

The data illustrates that many IR teams still spend the majority of their time with potential buyers, becoming more involved with developing and sharing a company's investment story directly, even as the attitude toward investor engagement at conferences is changing.

4. Measuring success

With an intense focus on attracting new sources of capital, tracking the conversion rate can be a powerful tool for IR teams.

Data points like conversion rate have not been historically tracked, but Nasdaq's Strategic Capital Intelligence found that over the past year an increasing number of IR teams are implementing such metrics.

The average U.S. company begins 60 new investor relationships in a year, and approximately one in eight go on to become shareholders. But the most efficient and effective top quartile companies are achieving conversion rates of about one in five, according to the report by Stiller and Tickner.

Download the whitepaper to learn more

1292-Q19