



# Engaging with North American Investors

July 2024





## ESTABLISHED

**1991**

Pioneered Investor  
Perception Research

## EXPERTISE

**IR & ESG**

Strategic  
Communications

## CLIENT LIST



**68%**

S&P 100

## CONSULTED

**1,625**

Management  
and Boards

## GLOBAL

**700+**

Clients on  
Six Continents



**20%**

FTSE 100

# Our Primary Focus

## TRENDLIGN

Investor perception research conducted within the investment community

## STORYLIGN

Strategic investor communications, presentations; investor day messaging, design

**DATA-DRIVEN RESEARCH**

## GOVERNANCE & SUSTAINABILITY

ESG consulting, corporate governance advisory and board evaluations

## GUIDELIGN

Investor Relations best practices and advisory

# Agenda

## Engaging with North American Investors

- 1 Opportunity and Value Drivers
- 2 The Call for Engagement
- 3 Tactics to Consider
- 4 Q&A



# Speakers



**Gene Rubin**  
President  
Rivel, Inc.



**Roel Jacobs**  
Vice President  
Rivel, Inc.

# KEY TAKEAWAYS

1

European equities appeal to N.A. investors

2

On average North Americans follow 122 companies

3

'The Who' and 'The How' matter more than 'The What'

4

They are similar to European investors, but not always

5

IR can impact valuation by  $\pm 30\%$



# Opportunity

Non-U.S. regions with the most investment appeal



# North American Investors Cast a Wide Net

# 122

Average number of stocks  
North American buy-sider  
follows at any given time



# Screening Criteria for Investment Decisions <sup>(1)</sup>

Fit with investment style	Market position	Sector/ industry	Valuation relative to peers	EPS growth rate	Size of market cap
88%	77%	74%	74%	74%	71%
Business mix	Country where company is based	Historic stock performance	Board structure	Sustainability/ ESG practices	Breadth of sell-side coverage
71%	58%	40%	40%	34%	15%

(1) Among North American Buy-side, Summer 2022

# Value Drivers:

## Know before you go

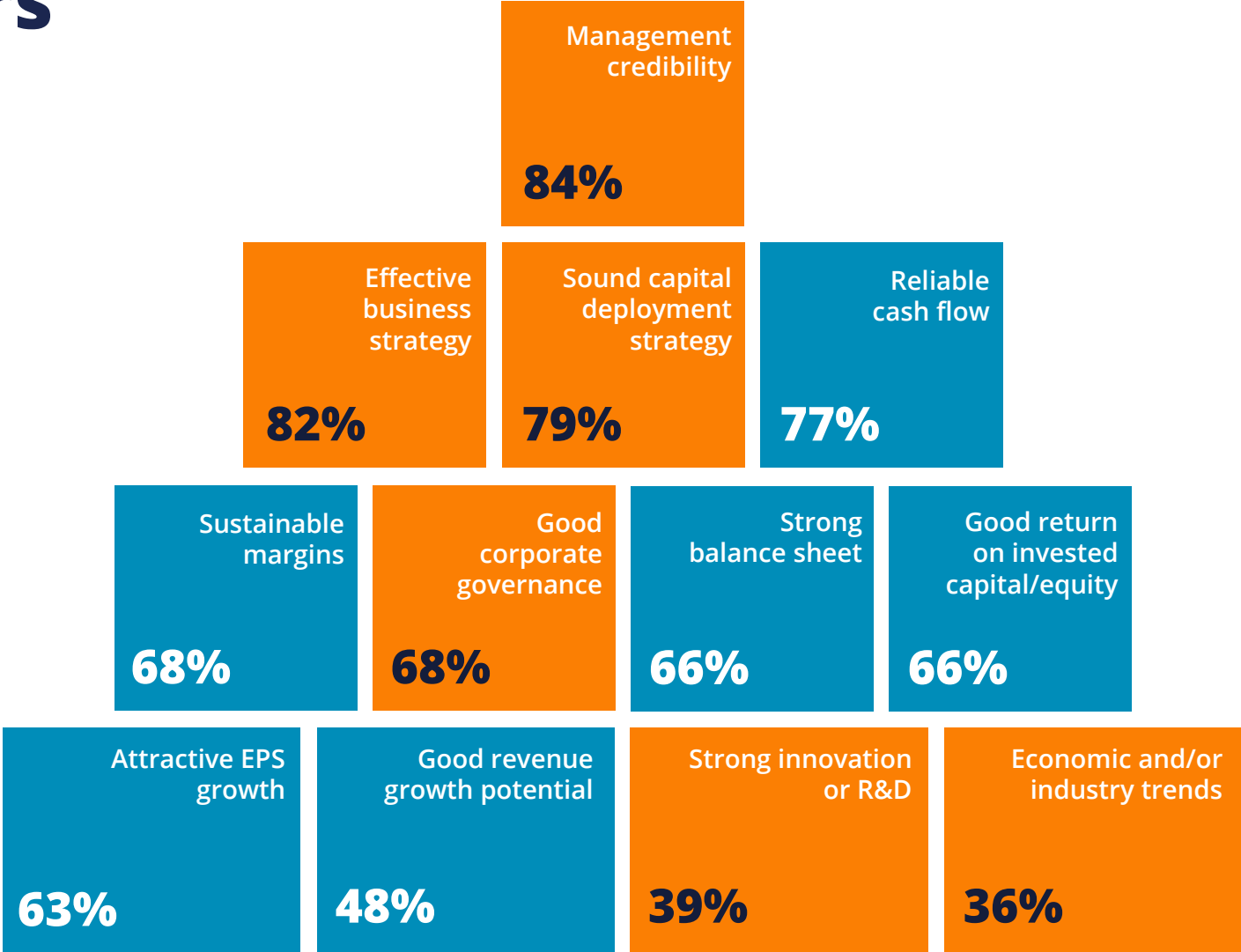
# Cross-Ocean Alignment on Investment Drivers

## Factors Driving Investment Decisions

2024

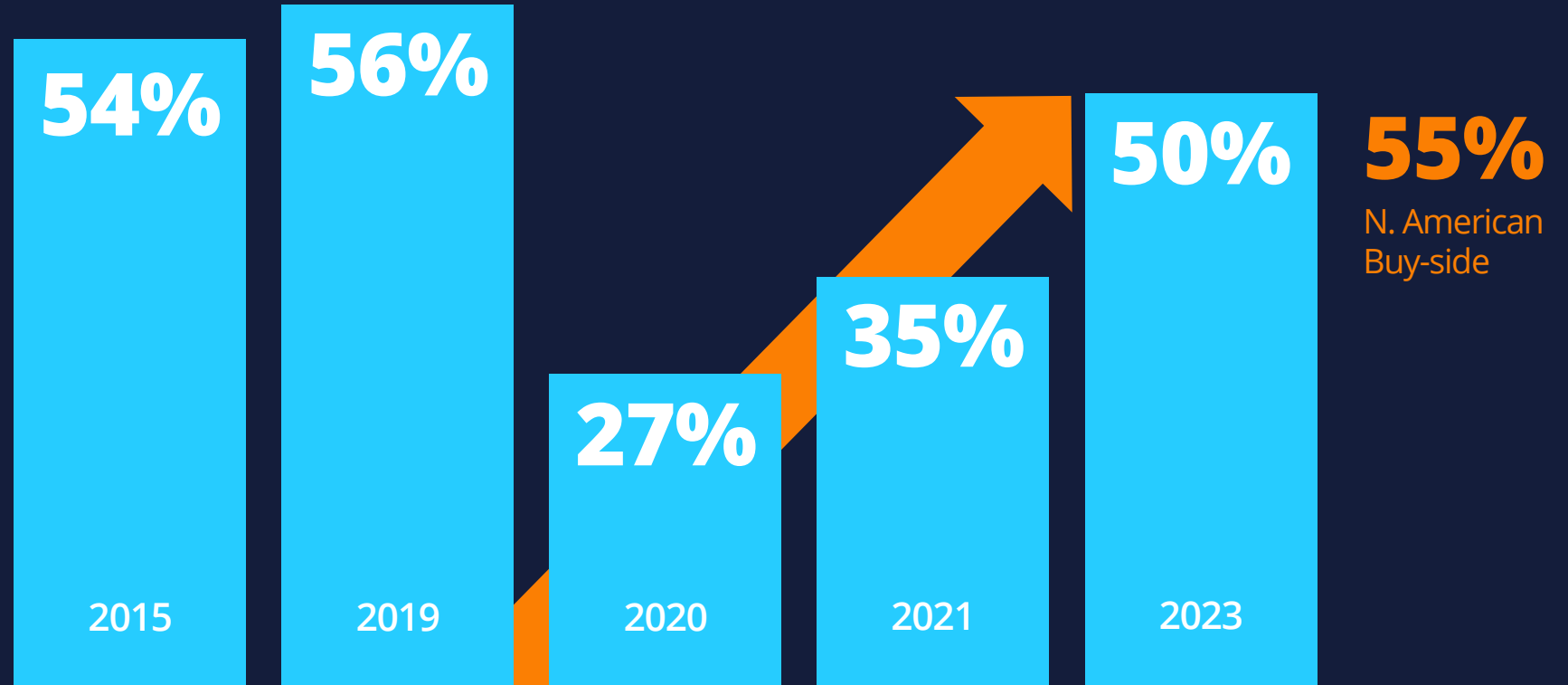
### INTANGIBLES matter!

- Similar messaging resonates on both sides of the Atlantic



# Guidance Matters ...

No guidance warrants a lower multiple



“If you're not able to have an idea where your business is going and don't have the confidence to commit to something versus your shareholders, you warrant a discount.” **United States**

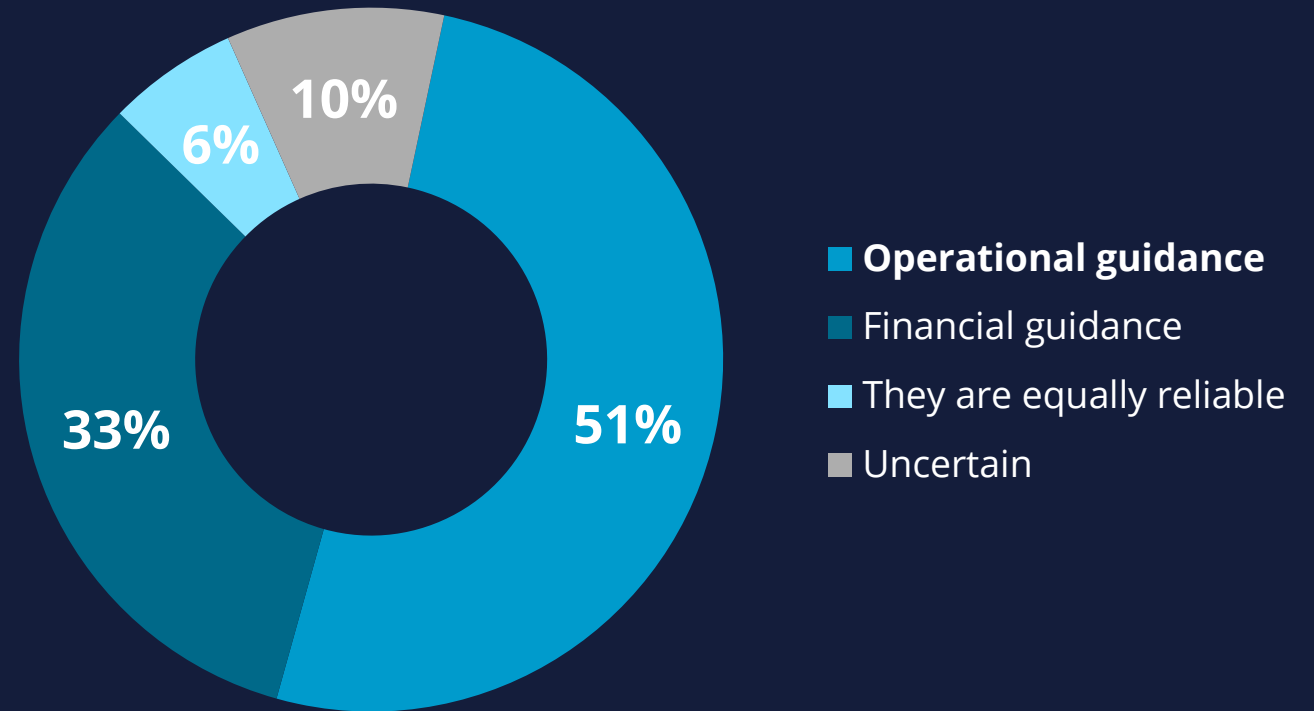
# Prudent Guidance

## Expand Beyond Financial Guidance

- Market uncertainty focuses more attention on operational guidance
- What the company can control given current circumstances

## GUIDANCE MOST LIKELY TO TRUST (1)

What's More Reliable in a Volatile Economy?



(1) Total North American Buy-side, December 2023

# Preferred Capital Deployment Initiatives in 2024 <sup>(1)</sup>

Organic reinvestment in the business

81%

48%

Small acquisition  
(core competency or adjacency)

43%

Paying down debt

33%

Stock buybacks

30%

Initiating, increasing dividend

5%

Large acquisition

- Both sides of the Atlantic prioritize growth - organic reinvestment and bolt-ons
- Debt reduction in focus due to interest rates
- In 2024 it's not all about returns



# Preferred\* Capital Deployment Initiatives Over Time (1)

- The long-term growth focus is rooted in caution
- A sound rationale for go-forward uses of cash needs to be clear

	2018	2020	2022	2024
1	Reinvest organically	Pay down debt	Reinvest organically	Reinvest organically
2	Stock Buybacks	Reinvest organically	"Bolt-on" acquisition	"Bolt-on" acquisition
3	Increase dividend	"Bolt-on" acquisition	Stock Buybacks	Pay down debt
4	"Bolt-on" acquisition	Increase dividend	Increase dividend	Stock Buybacks
5	Pay down debt	Stock Buybacks	Pay down debt	Increase dividend
6	Large acquisition	Large acquisition	Large acquisition	Large acquisition

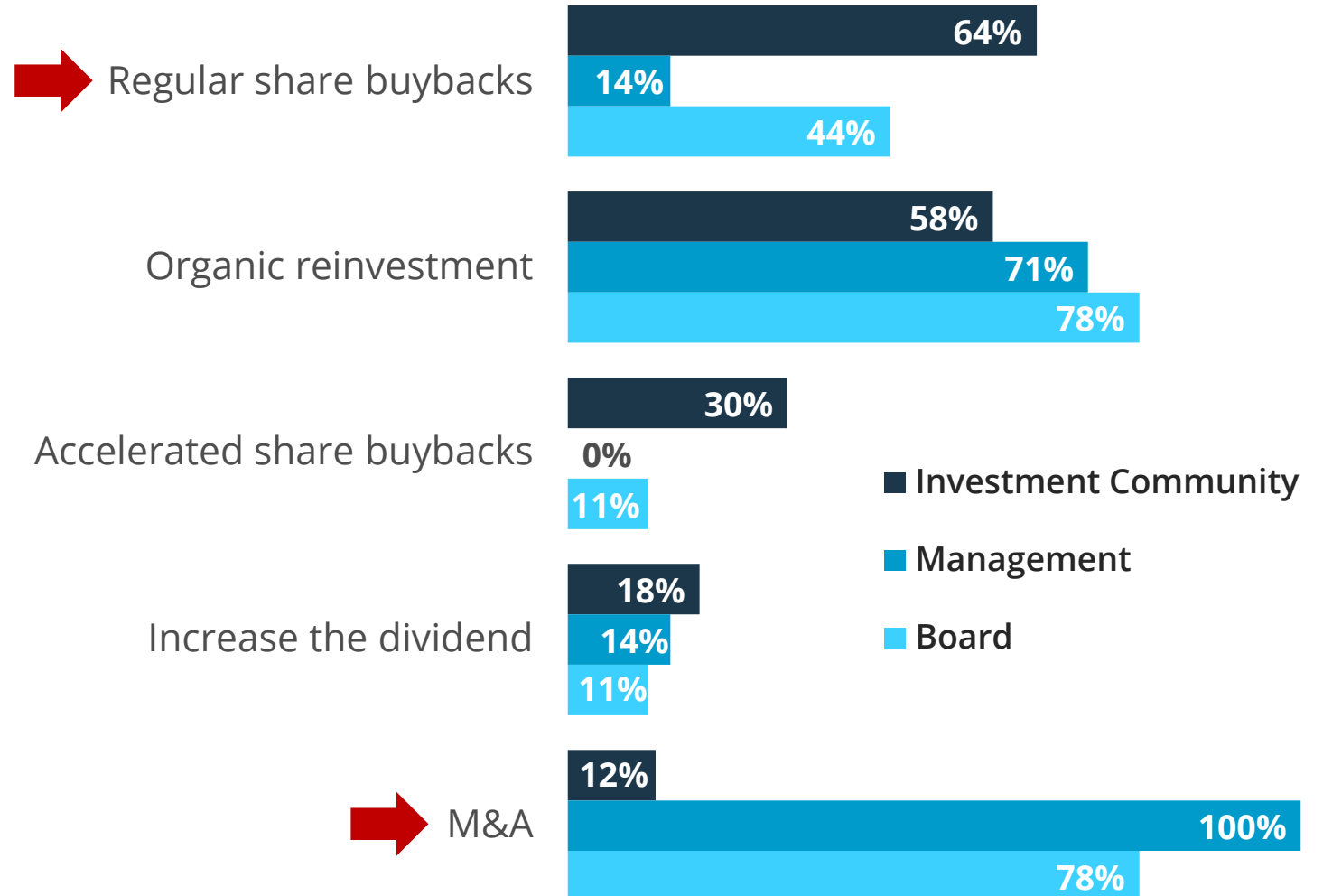
\*Initiatives for which investment professionals report "strong support".  
 (1) Total North American and European buy-side for each year

# Beware of Misalignment

## Case Study

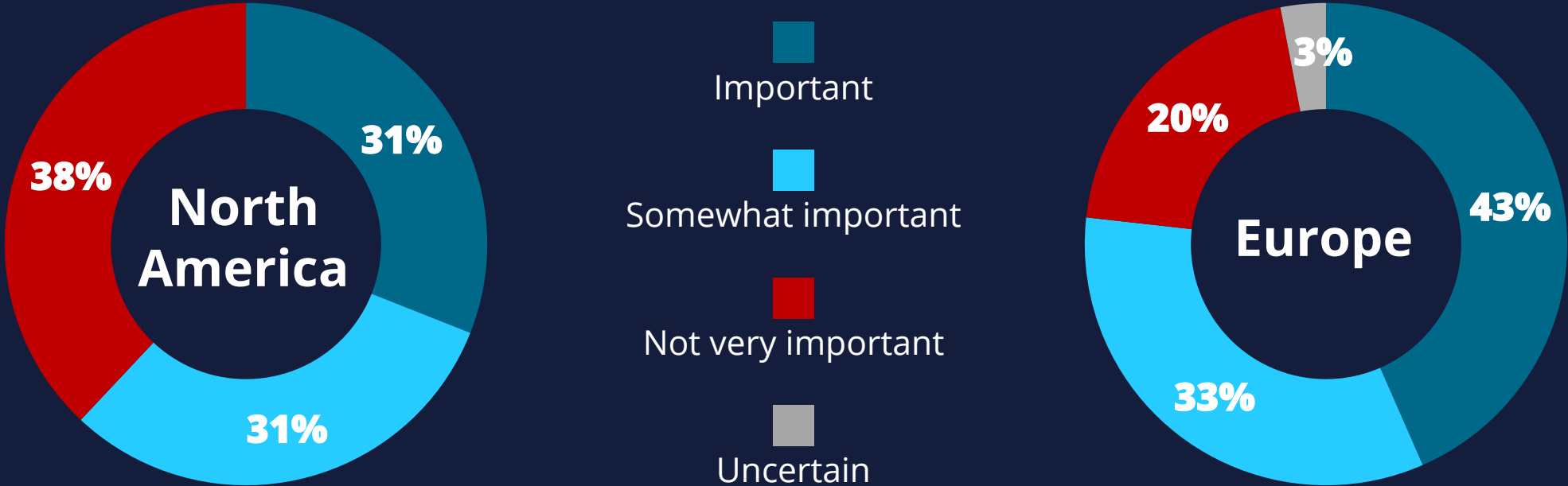
- Investors call for regular share buybacks
- In contrast, management/board have a large appetite for M&A

### PREFERRED CAPITAL DEPLOYMENT FOR ABC COMPANY (AIDED)



# Key Difference: ESG

## Importance of Reducing Carbon Footprint to Investment Decisions



# The Call for Engagement

# Common Thirst for Insight

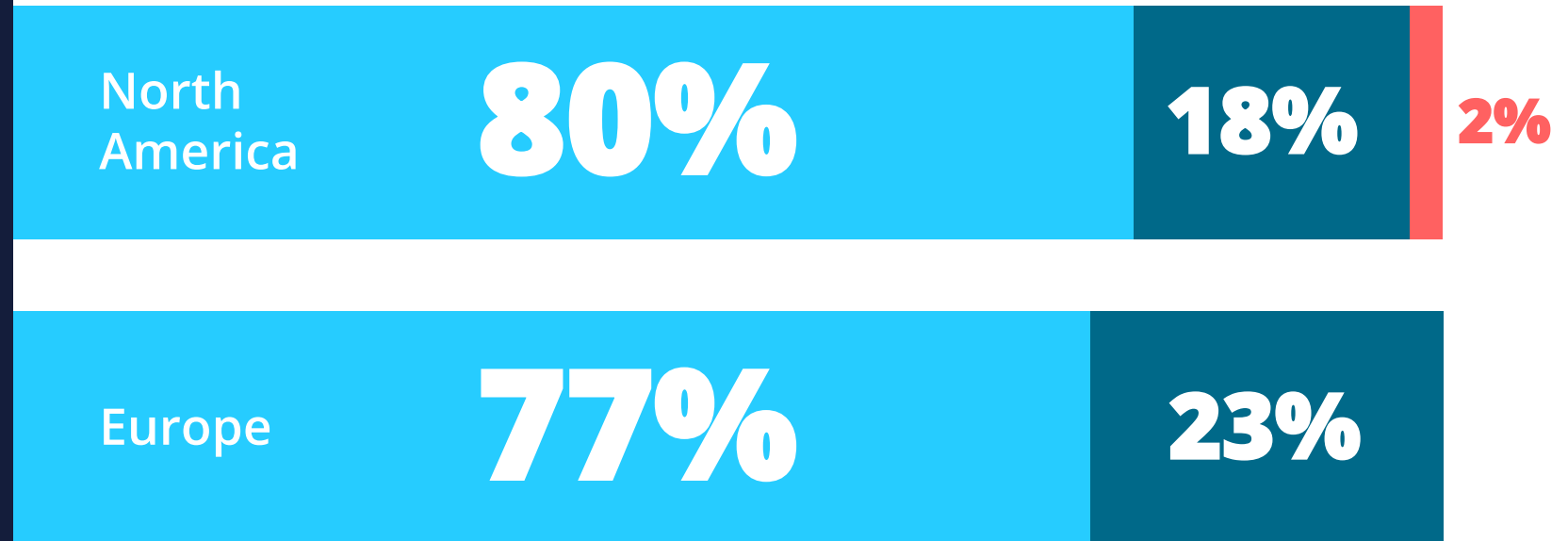
● A call for outreach ... Now!

● In challenging macro times investors need more:

- Disclosure
- Management interaction
- IRO time!

## Engagement In Uncertain Times

■ Increase    ■ Maintain    ■ Decrease



# Management Must Engage

- No management engagement = lost opportunity
- Repeat engagement is expected

48%

Will NOT buy or recommend a stock without first meeting senior management

76%

Have typically interacted with management at least twice before investing in or recommending a stock

2-3

Number of meetings with senior management that shareholders with material holdings expect every year

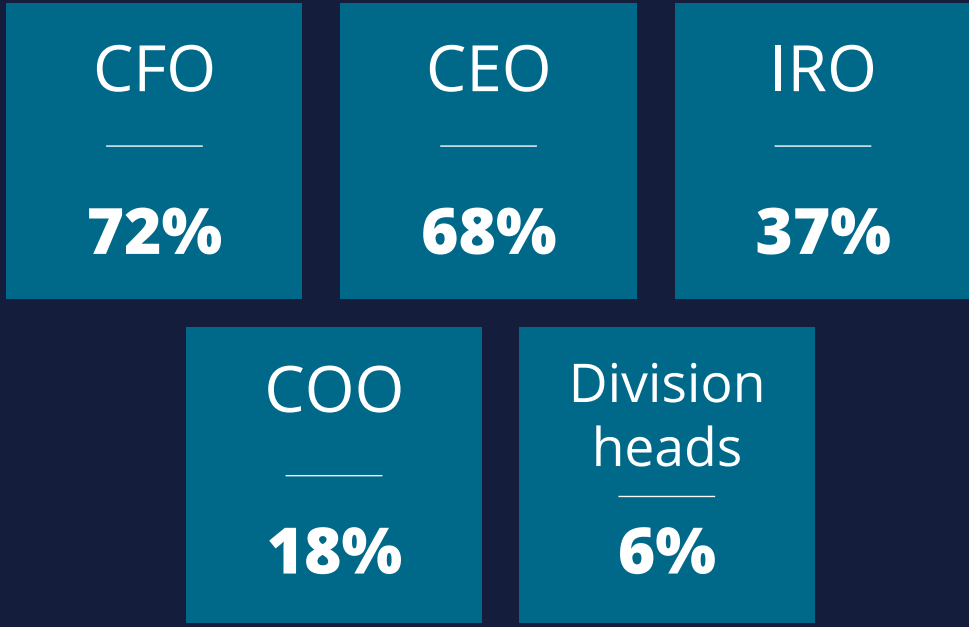


# Who to Bring

## NON-DEAL ROADSHOW



## SELL-SIDE CONFERENCE



# Advocate Patience

## Investment Decisions Take Time

~4

Average # buy-siders involved in the decision

(PMs, analysts, CIO, DOR, etc.)

29%

of investment decisions take > 3 months

41%

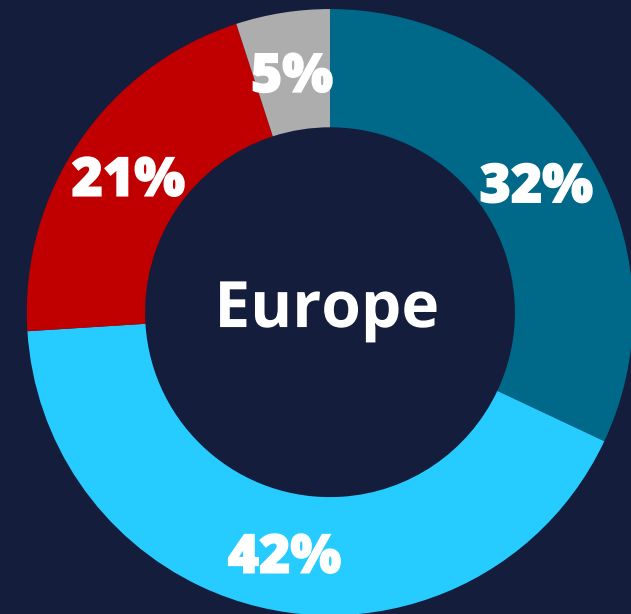
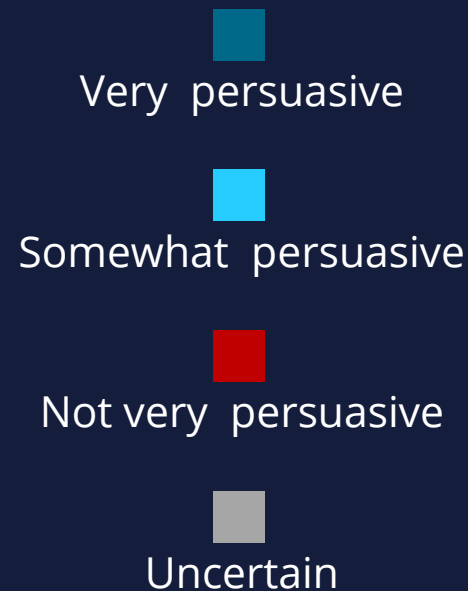
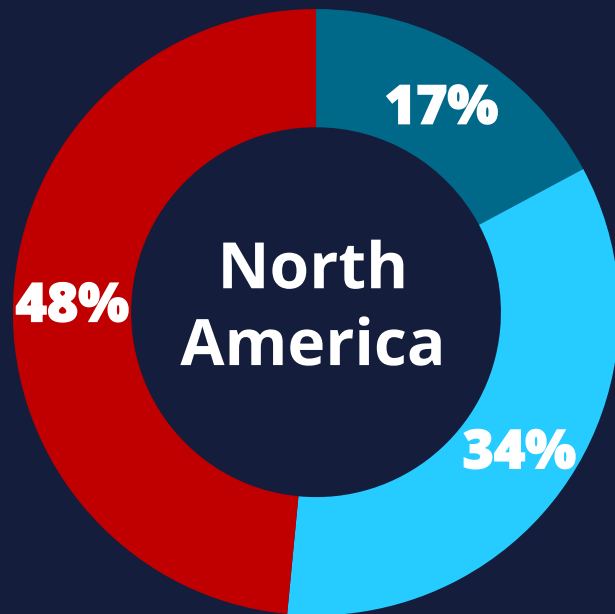
of investment decisions take 1 to 3 months

17%

of investment decisions take < 1 month

# Key Difference: The Role of the Broker

## "Persuasiveness" of Brokerage House Research <sup>(1)</sup>



Sell-side relationships are different in North America

Less respected

Underwhelming broker-led feedback

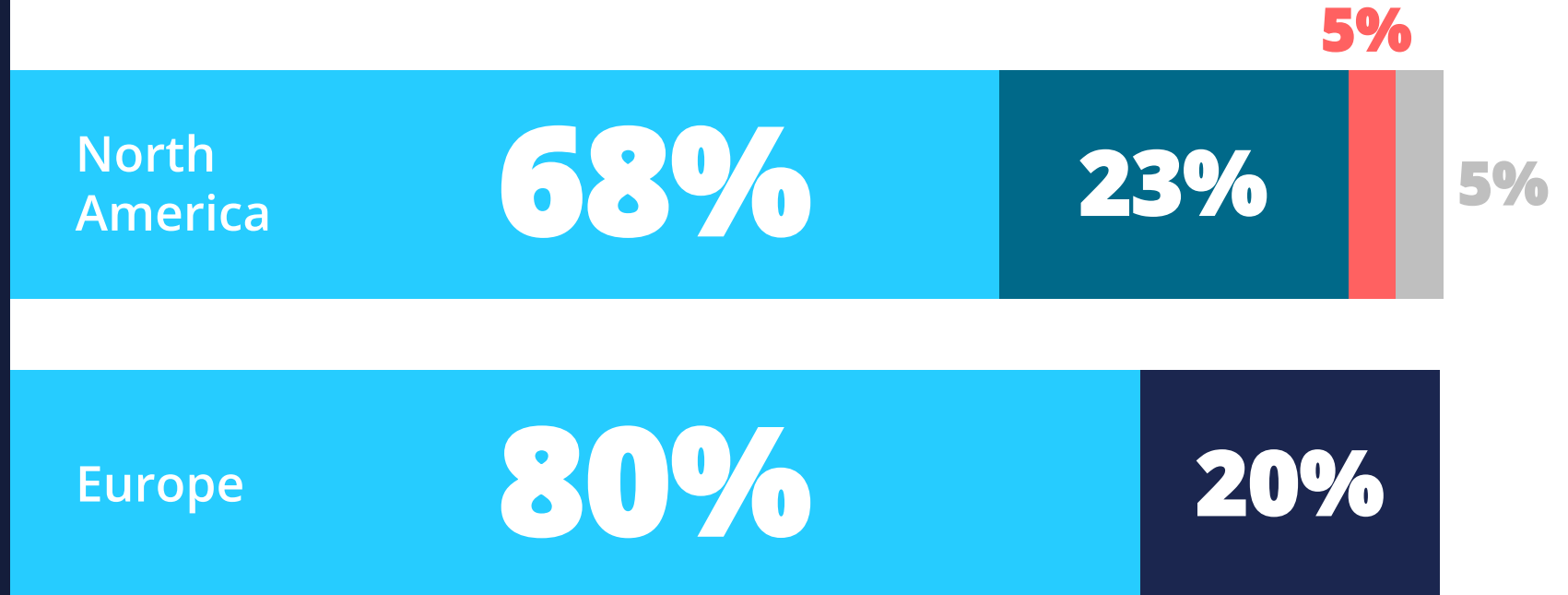
# The Power of IR

# IRO

## Gravitas

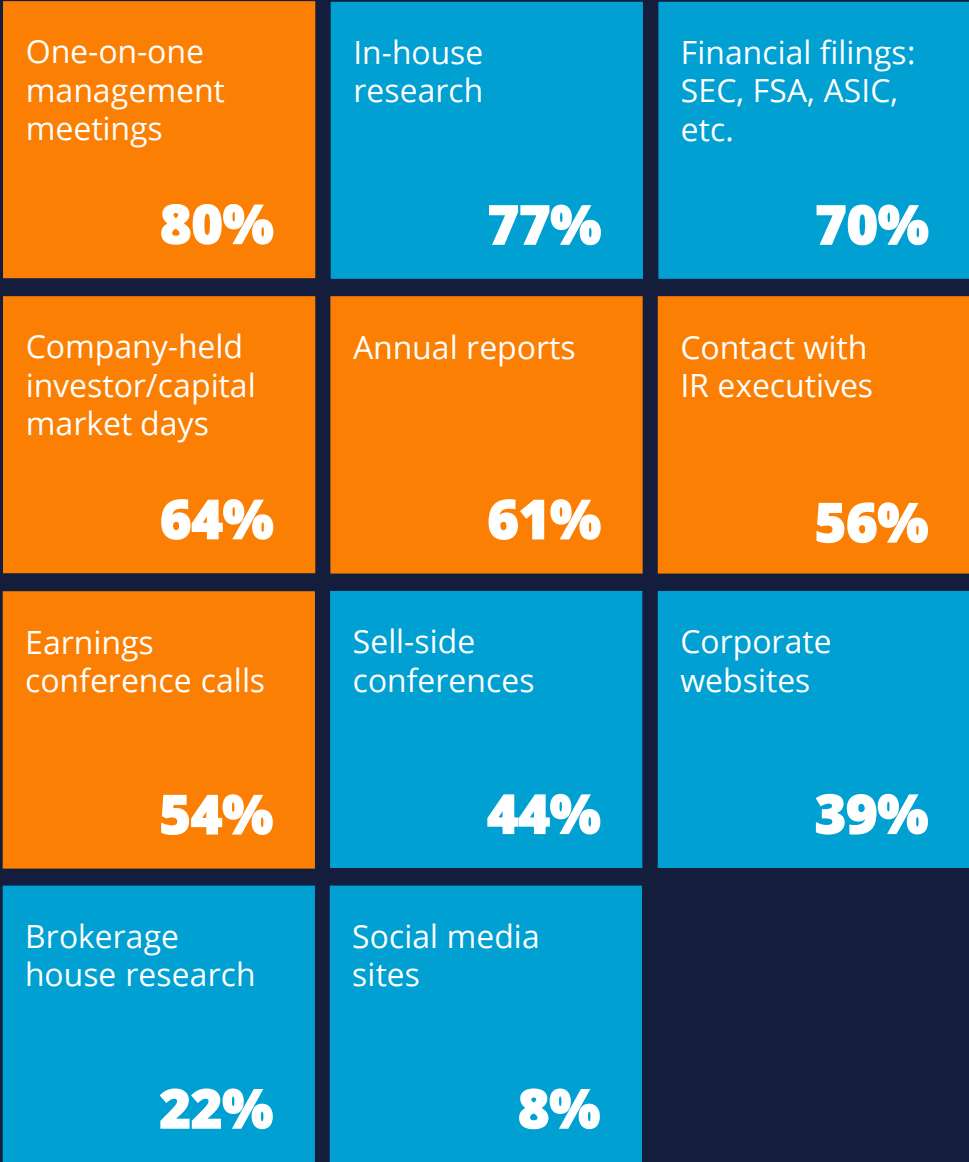
- Investors believe IROs should have a seat at the table.
- To have perspective to ensure alignment
- To oversee a two-way information loop

### Importance of IR Involvement in Strategic Decisions



# Persuasive Sources of Investment Insight

- **What IR manages is what matters most**
- For the first time ever, management engagement preferred over in-house research



Ratings of 8, 9 or 10 on a 10-point scale where 10=extremely persuasive and 1=not at all; Listed in order of persuasiveness when making investment decisions Among Total North American and European Buy-side, 2023



# IR's Enduring Impact



**+10%**

Superb IR premium

**THE IR DELTA**

Persistent year over year

**-20%**

Poor IR discount

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DIRK

**Thank you!**

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