

Inside the Investor Relations Field

As part of an exclusive three-part report, i-advize takes a closer look at the IR profession in terms of:

- **Part 1:** Team Composition – *Current Issue*
- **Part 2:** Professional Backgrounds, Responsibilities/Aspirations (*upcoming October 2017 issue*)
- **Part 3:** Compensation and Budgets (*January 2018 issue*)

In the investor relations field, we oftentimes spend so much time analyzing the investor market that we lose sight of what's happening *within* the IR team itself. However, knowing how other IR departments work and how they are comprised is helpful in remaining competitive in a market that is constantly changing and increasingly competitive.

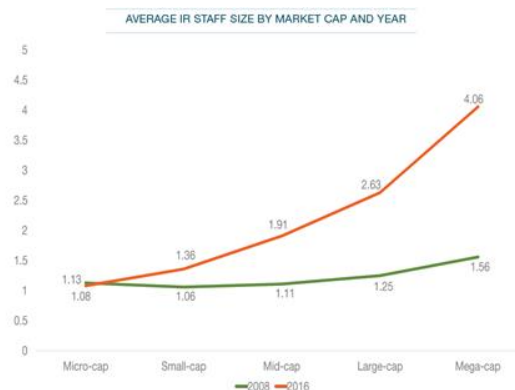
This report is the first of a three-part series, and will review the composition of investor relations teams in certain developed markets. The goal is to bring IR knowledge to Latin American issuers in order to continue to drive growth and development in the investor relations field throughout the region.

Part 1: IR Team Composition

TEAM SIZE

IR teams conduct hundreds of meetings and activities every year; but how many people does it require in order to run an effective program? The answer may depend on the scope of the company's IR program, company size, industry, investor audience and/or level of proactivity. For example, some companies may have a recognized brand, which can draw a larger pool of investors, some of them retail, which can require more contacts within the company. Other companies may be more active than others, or may have various securities outstanding, such as debt and equity. Each investor profile may require slightly different specializations; therefore some companies may choose to have a specific contact for each.

In a NIRI study¹ published in 2016, the results showed that the *average IR team size was 2.1 persons (excluding administrative/support personnel) versus 1.5 in 2008*. These statistics vary in terms of the size of the company. For example micro-cap companies (under US\$250 million market capitalization) report an average staff size of 1.13 persons, while small cap companies report an average number of 1.36 persons comprising the IR team. Mid cap companies have 1.91 persons, large cap 2.63 persons and mega-cap institutions (over US\$25 billion market capitalization) report an average 4.1 persons in the



¹ NIRI IR Profession, Budget and Staffing Research Report



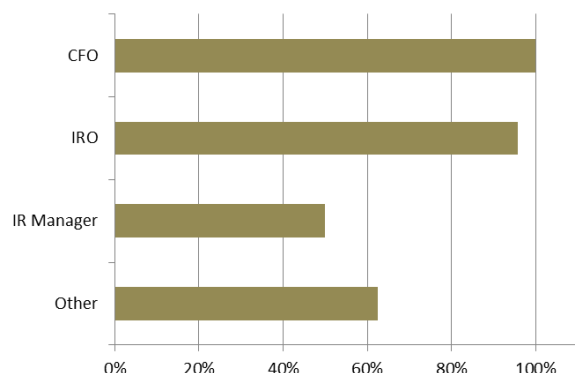
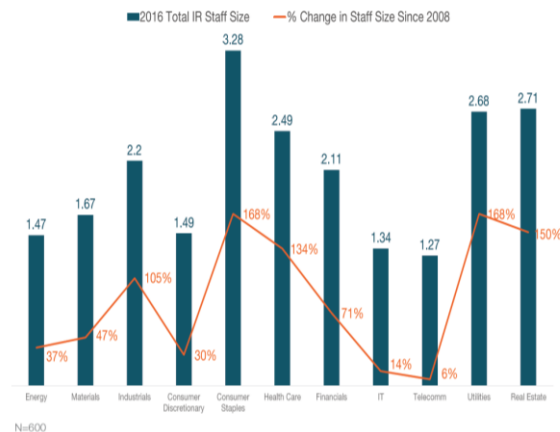
team.

It is important to highlight that most of our clients in the Latin American region fall in the small cap categorization, which is in the US\$ 250 million - 2 billion range.

The number of people within the team can also vary by industry. The same survey showed that the average number of IR staff in a consumer staples company was much higher, at 3.28 people, versus the 1.27, 1.34 and 1.47 people in Telecom, IT and energy companies, respectively. This is probably due to our prior point that the brand recognition (i.e. Coca Cola) can draw a wider investor audience than a lesser known and less marketed brand. It is important to note however, that the number of people comprising the IR team has grown significantly across all the industries versus 8 years prior.

In a sample of i-advize clients, which is only comprised of companies located in *the Latin American region, the average team size is 3.08 persons²*. This group is mainly comprised of 4 key profiles CFO, IRO, IR Manager and Other (Analyst, Financial Support).

96% of our clients have a dedicated Investor Relations Officer or Director, 50% have a supporting IR Manager and 63% have the support of other financial staff or analysts.



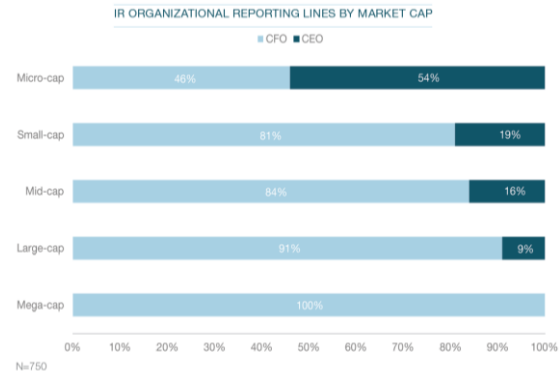
Source: i-advize Corporate Communications, client sample

² This does not include CEO and administrative staff.

REPORTING STRUCTURE

This brings us to the reporting structure within the IR department. Our report now focuses on how the internal teams are structured and who is at the head of the IR function.

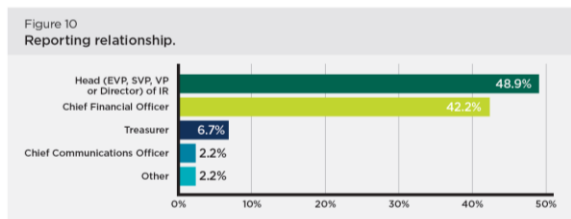
In the NIRI report mentioned earlier, 54% of IR teams at micro-caps report to the CEO vs 46% to the CFO. In small caps, a much higher number report to the CFO, at 81%. Apparently, the larger the company, the less likely it is that IR reports to CEO than the CFO.



Source: NIRI IR Profession, Budget and Staffing Research Report

By contrast, in the Korn Ferry report the analysis is not broken down by market cap. Instead, there is an overall 42% that reports to the CFO. The remaining 49% reports to a Senior IR executive (who most likely ultimately reports to the CEO).

This indicates that, for the most part, a large percentage of global IR teams see the Chief Financial Officer at the helm of the program.

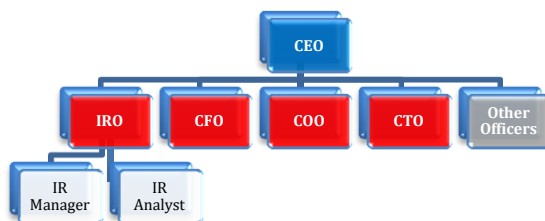


Source: Korn Ferry Institute

i-advize's sample of clients indicates a much more intense relationship between IR and the CFO; *in the LatAm region, 97% of IR teams report directly to the Chief Financial Officer. Only 3% of our clients report to the CEO or another senior executive within the company.*

Typically, there are two types of structures in the LatAm region:

Structure I (IR reports to CEO)



Structure II (IR reports directly to CFO)

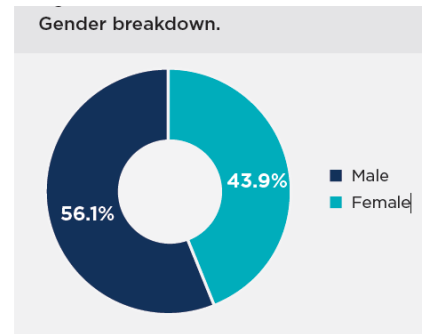


Reporting lines can affect the ability of IROs to do their job properly. Having a direct line to upper management can ensure investor relations practitioners are better informed and thus, more value added for investors. The more strategic insight into the company the IR department displays, the more market credibility it has. This allows the market to see them more as a company “insider” and less of a company “messenger”. As a result, some companies may have the IRO in a very senior role where he/she has a direct line to all the officers at the company, particularly the CEO.



GENDER

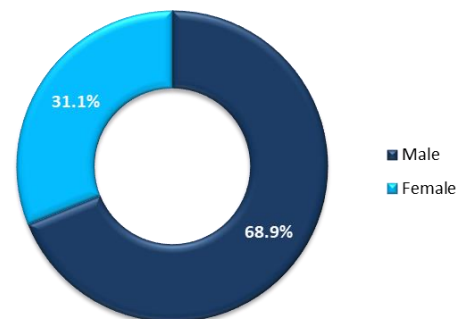
Lastly, as with other financial fields, investor relations continues to be a male-dominated industry. In a study of Fortune 500 Investor Relations Officers conducted by Korn Ferry Institute in 2015/2016, 44% of the respondents were female and 56% were male.



Source: Korn Ferry Institute Survey

Most studies did not report the gender differences in the IR teams. i-advize analyzed its client base to review the composition of male versus female professionals in IR and found that *31% of IR practitioners in LatAm are women and 69% are men.*

Gender breakdown - LatAm



Source: i-advize Corporate Communications, client sample

In conclusion, while there is no “right” size or structure for which to aim, nevertheless there is a “right” size and structure for each company. Therefore, it is important to review how other companies conduct their internal IR teams in order to make any changes deemed necessary to enhance IR results. Ultimately, the prime responsibility of the IR team is to keep the market informed of developments and news that may influence the value of the company. Thus, it will be important that your team has the human resources necessary to properly execute this function ---- and evolves as the company grows.

IR Team Composition Objectives:

- Reach optimum size that not only drives the company's valuation but also is within budgetary parameters
- Cover the information needs of the company's market and media audience
- Maintains credibility
- Supports management and other internal areas is trustworthy, efficient and effective complies with legal objectives of the information

Our next issue will discuss the professional backgrounds of investor relations officers, as well as their responsibilities in and out of IR within the company they work for. We will also discuss the goals and future aspirations of IR executives as covered in research and surveys (upcoming October 2017 issue).

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