

intellidex[®]

Top Investor Relations

South Africa 2022

Inaugural Report

Ranking South
Africa's Top
Investor Relations
Professionals



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About Intellidex

Intellidex is a 12-year-old research and consulting firm specialising in capital markets and financial services in Africa. We operate through three main divisions:

- **Specialist market research.** We have a primary research division which conducts on-the-ground research to support financial services clients. We serve financial services companies, governments, NGOs and DFIs, by helping them answer complex strategic questions about markets, customers, products, and services. Intellidex analysts have extensive academic and practical experience in research design, operations and publishing. Methodologies range from digital surveys through to face-to-face interviews.
- **Capital markets.** In this division we undertake analysis of equity and bond markets in South Africa and the rest of sub-Saharan Africa for global institutional investors and South African retail and institutional investors. We also take on consulting assignments, work with capital markets providers to develop their services, and produce expert reports for litigators and valuation reports for acquirers of assets.
- **Financial services strategy research.** In this division we consult to financial services companies, governments, NGOs and DFIs regarding the development of strategy in sub-Saharan Africa's financial services markets. We study local and global best practices, assess local and global regulatory developments, advise on policy developments, assess political risks, track technological developments and consult for C-Suite executives to enhance their understanding of their evolving marketplaces.

Introduction

Many listed companies put extensive effort into their investor relations. Some take pride in delivering world class presentations and documents. They put countless hours of management time into engaging with shareholders. But many others do not. What difference does it ultimately make to their performance?

This is a question we are finally able to answer. We surveyed the analyst community on the buy and sell sides to find out what they think. There are some strong views – some companies were praised as outstanding while others were berated for treating shareholders with disdain.

Before we undertook this work, one of the risks we anticipated was that IR would simply be rated highest for those companies that are the best performers. A good investment is, after all, one that delivers returns at reasonable risk, rather than one that puts on good grub at results presentations. But our findings were different – indeed, some of those ranked worst for IR happen to be among the most highly rated from a valuation perspective. It is tempting therefore to conclude that good IR doesn't matter. But that would be wrong – good IR makes decisions easier for investors, effectively lowering their transaction costs and reducing information risks. Companies with good IR benefit from a premium that arises just from the effort to provide information to the market in an appropriate way.

This is the first edition of what we hope will become a major event on the investor calendar in South Africa. The country rightly is praised internationally for the sophistication of its financial markets. These attract global investment flows. An important part of that is the transparency and information that investors find about our listed companies. Our process engages directly with those investors to identify what works for them. We hope this provides useful insights for investor relations teams, as well as other investors.

This is of course a work in progress – we have learnt much from this first year and we are eager to hear feedback from the investment community and issuers. Our methodology will evolve as we work towards a detailed and reliable insight into what the key investment decision-makers, including portfolio managers, asset allocators and sell-side analysts experience in interacting with companies in our market.

We look forward to your feedback: TopIR@intellidex.co.za.

Methodology

The Intellidex Top Investor Relations project is based on an online survey of investment professionals on the buy-side and sell-side.

The survey was conducted in Q4 2021. Responses were solicited through direct contact with asset managers, investment banks and sell-side analysts. In addition, the CFA Society South Africa promoted the survey to its members. The Investor Relations Society of SA also publicised the survey. Intellidex made a donation to charity of R50 for each response, with the respondent choosing between:

- Financial Services Consumer Education Foundation
- Médecins Sans Frontières
- StopRhinoPoaching.com

All respondents were assessed and only bona-fide analysts were included in the cleaned dataset. This dataset consisted of 69 respondent forms. Ultimately, R3,450 was donated to the charities on behalf of respondents.

The survey had three main components:

Component 1:

- A ranking of the top 5 listed companies in South Africa based on IR performance
- A ranking of the bottom 5 listed companies in South Africa based on IR performance

Respondents had to submit at least one company under each. Respondents were given freeform space to provide comments justifying the rankings they had provided.

Component 2:

Respondents were then asked to rate each of the companies submitted on 11 different factors:

1. Usability of results booklets and presentations
2. Accessibility of senior management
3. Timeliness of trading updates and earnings releases
4. Quality and appropriateness of information in the integrated annual report
5. Clarity of guidance on future performance
6. Sufficiency of information to interpret the annual financial statements
7. Insight into operations and key earnings drivers presented in annual financial statements
8. Detail of notes to the annual financial statements, particularly in comparison to peers
9. Overall clarity of investment commentary
10. Overall quality of investor relations
11. Ability to communicate effectively through the Covid-19 crisis

Each of these had a Likert scale range of responses from 1 (very poor) to 5 (very good).

Component 3:

We collected general feedback from respondents including:

- Rate the quality of investor relations of companies in the sectors you predominantly focus on
- Rate the ethics of investor relations professional employed at listed companies
- How important is a company's investor relations quality for you to be able to assess potential investments into that company?

The awards were determined from the data collected through the survey.

The top five nominations from each respondent were scored – 100% for first, 80% for second, 60% for third, 40% for fourth, 20% for fifth. These scores were summed across the response set. This implied that companies with a large following may score well for no other reason, though we tested for this result and were confident we there was a diverse range of selections (including that this is true of the bottom ranked five too). The scores for negative votes (bottom five) were then subtracted from the scores for positive votes (top five) resulting in a net score. This formed the basis of the rankings for these categories:

1. Overall top 10
2. Top five: Financial
3. Top five: Consumer
4. Top five: Industrial
5. Top five: Resources
6. Top five: Large caps
7. Top five: Mid caps
8. Top five: Small caps.

The company size categories were determined as follows:

- Large caps: FTSE/JSE Top 40 index companies
- Mid caps: outside the Top 40 with a market cap above R5bn
- Small caps: market cap below R5bn.

These were assessed as of 1 March 2022.

The factor scores were the basis of three “special rankings”. These were limited to companies that had been rated by at least five respondents. The 11 different factors were fed into these three awards, with the mean score out of 5 used for rankings:

- Most accessible management (average of ratings on “accessibility of senior management”)
- Best integrated annual report (average of ratings on “Quality and appropriateness of information in the integrated annual report”, “Sufficiency of information to interpret the AFS”, “Detail of notes to the annual financial statements”, “Insight into operations and key earnings drivers presented in annual financial statements”.)
- Best market communications (average of ratings on “Timeliness of trading updates and earnings releases”, “Clarity of guidance on future performance”, “Overall clarity of investment commentary”.)

We will continue to develop this methodology for future years.

Feedback is welcome at TopIR@intellidex.co.za.

Bespoke reports. Order yours. See how you rank.

Our team is ready to help your business succeed. Based on the data we've collected for this survey and our extensive industry expertise; we are able to develop reports for companies¹ in this report to gain a deeper understanding of market feedback. Reports will contain the following:

1. Detailed analysis of feedback
 - a. Ratings on 11 aspects of investor relations
 - b. Free form comments
 - c. Analysis of responding voters – buy-side vs sell-side
2. Peer comparisons including detail on score differentials per major metric
3. Pricing is based on response volume and company size

Guest column

Investor relations – an underestimated and misunderstood contributor to value creation

By Debbie Millar

Chairperson: Investor Relations Society of South Africa

What an exciting time for investor relations in South Africa!

Not only is the market demanding more than financial metrics as sustainability becomes front and centre, but there has been a change in the way capital is moving within our market. This is evidenced by the high level of private equity, the increased number of retail investors and boutique asset managers as well as the increased number and types of exchanges available for companies to list their capital market instruments.

Within this dynamic environment, the role of investor relations is more relevant than ever. There is a need for companies to consider brokers, a diverse set of investors, new and old regulation, and their management, all the while aligning with marketing and communications functions. Management time is valuable and, depending on the style of management, it is important to find a balance between running the business and explaining it to the market.

This is the complexity and reality of investor relations and is also where the opportunity to create value lies. Investor relations should be a facilitator, an aggregator and a voice of reason providing counsel to management on market issues relevant to how the company is presented as well as providing insight and understanding to the market about the company in language and terms it understands.

However, in many instances IR is not yet at the exco or C-suite level but considered a support function. This makes its potential contribution to value creation more difficult to unlock and its role misunderstood.

Regardless, IR remains one of the most interesting and cutting-edge segments in any business, with a direct line to the C-suite and a full 360-degree view of the business from the inside out as well as the outside in.

We are excited to learn from the survey what analysts think about the quality of investor relations. We are also eager to take the lessons to the next level and ensure the full potential of the IR function is realised.

¹ For companies that have received sufficient votes, both positive and negative.

However, we must start at the beginning and it is appropriate that the first independent review of the effectiveness of investor relations' functions undertaken by Intellidex starts with those companies listed on the JSE. The JSE is the oldest exchange and still the largest by market capitalisation. The survey included all 318 JSE listed companies with a market capitalisation totalling \$1.36-trillion.

The survey, which was sent to all buy- and sell-side analysts, was uncomplicated. Analysts were asked to rate companies around a number of basic parameters used to engage investors including access to management, annual reports and overall communications. Individuals or outsourced companies providing the support were not called out at this stage, however, management effectively was.

I expect the results to be both insightful and helpful to the various market participants. Having not had sight of the results or data and therefore writing this opinion piece blind, let me share some of my hopes and expectations.

Size to dominate

The survey split the companies into three categories: large (JSE top 40); medium (not in top 40 but market cap larger than R5bn); and small (below R5bn market capitalisation).

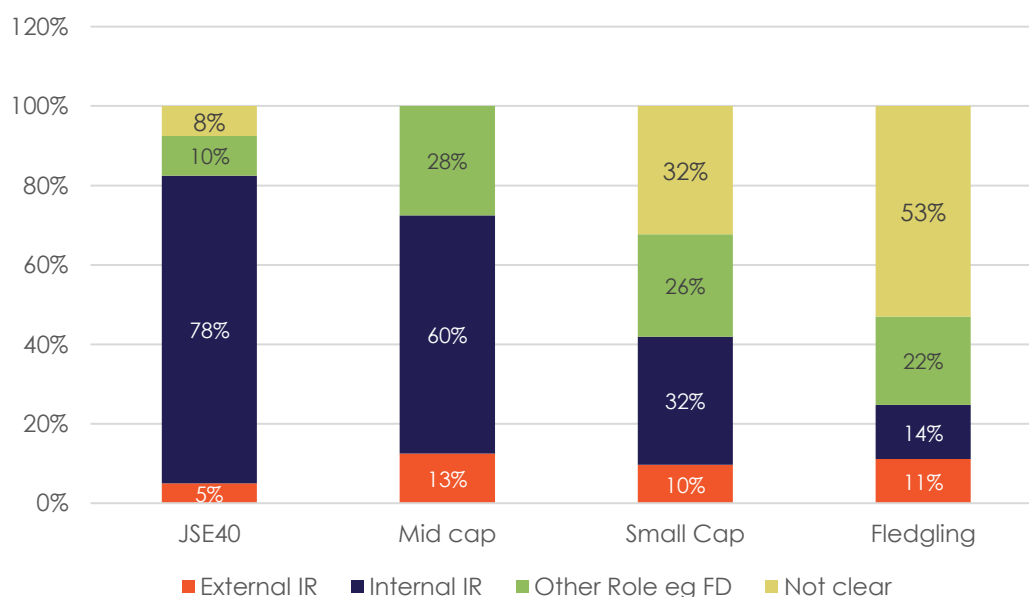
We have long understood that the larger the market capitalisation, the more attention a stock gets from all the market players. The companies themselves invest in investor relations officers while analysts take the time to cover the stock. It is expected then that investor relations from these companies will not only have more profile but also be more engaged with the market. So I expect the larger names to dominate the awards.

It is incredibly hard as an investor relations officer to watch your small cap or fledging listing bob on the sea of volatility with limited analyst coverage and a lot of speculation as the market can virtually "play" with your share price as the JSE is notoriously closed around who is really buying and selling. This also means feedback to management is incredibly difficult and constantly changing. Doing IR for a small company is therefore very different from that of large companies.

Internal teams to outperform outsourced IR

It will also be interesting to see the role of the external IR companies and how successfully they can integrate into a company to be able to tell the story and give feedback without compromising their relationship. Is independence helpful or not? I have long had strong views on this issue, and there are obvious challenges with not sitting inside the company, but also some benefits. It will be interesting to see whether analysts see it and which IR companies manage to break this mould and why.

Investor Relations roles within the JSE



Survey: Orient Capital, 2021

As reflected in the graphic above, the larger companies usually invest in internal IR while the smaller companies either outsource it or it is run not by an investor relations officer but by another person (usually the CFO). Sometimes it is even unclear whose role IR is. It's almost unimaginable that a company's stock trades on the JSE and it is not clear who to contact at the company about investor relations matters. The data in the graphic from Orient was collated mainly by reference to websites, which brings me to the next point.

Strong communications are often aligned with strong IR but authenticity is key

Those with good communications should come out tops overall. The role of integrated reports, websites and communication channels for use by the company to communicate to the market and for the market to communicate back to the company are key to ensuring that the company is well understood.

However, the old adage, "disclosure" is all you need, or simply being nice to investors, is not the answer – although hiding from difficult issues is the worst thing you can do.

Finding the right balance can also be difficult when it comes to sensitive matters. These include management and director emoluments and other interests, the culture of the organisation and what is considered confidential and competitively sensitive. Explaining and unpacking simply through tools such as five-year history downloads (for valuation models) and lists of analysts as well as simple navigation tools and multiple channels are helpful in achieving this goal. However, finding and speaking to the right person in a company on a given matter is invaluable.

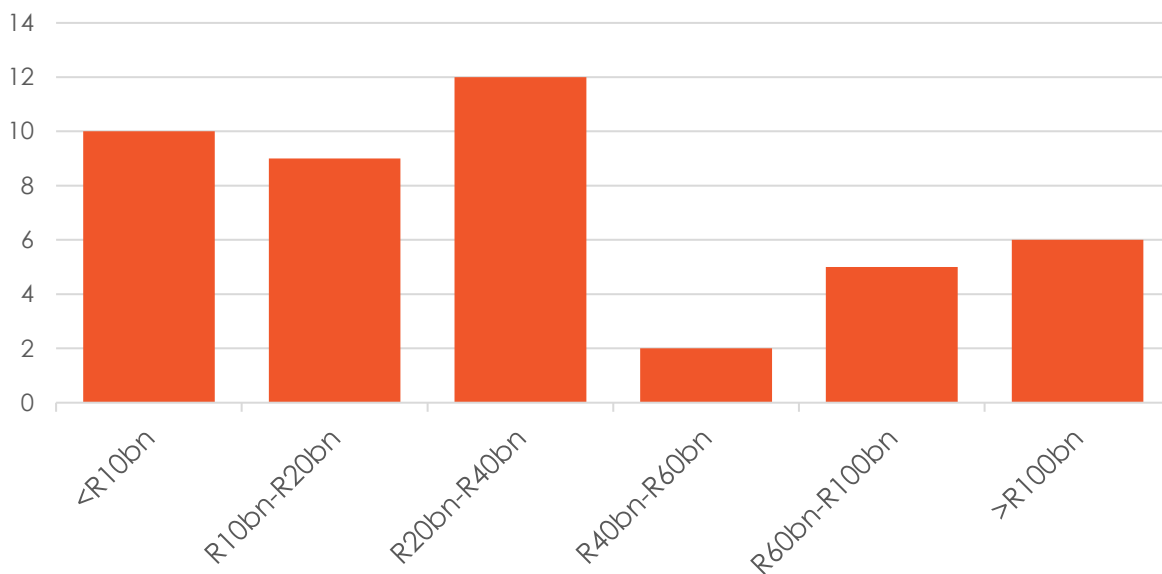
I am looking forward to seeing the awards go from strength to strength as the profession finally finds its place and adds increasing value to the markets and indeed our country. I believe surveys and awards such as these will change the dialogue and increase the profile of the profession and ultimately the market.

Survey findings

Who did we survey?

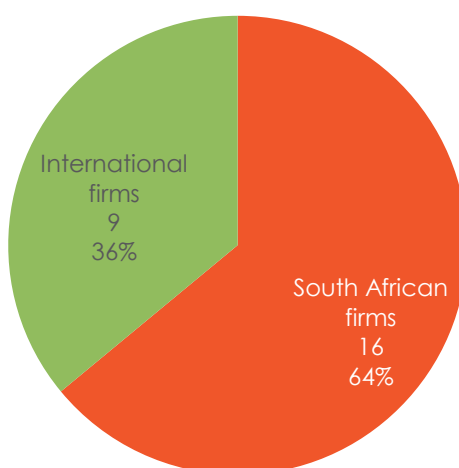
In total, 69 analysts participated in the study: 44 buy-side and 25 sell-side.

Buy-side respondents



Number of buy-side respondents per category of Rbn AUM “that you have decision making input on”.

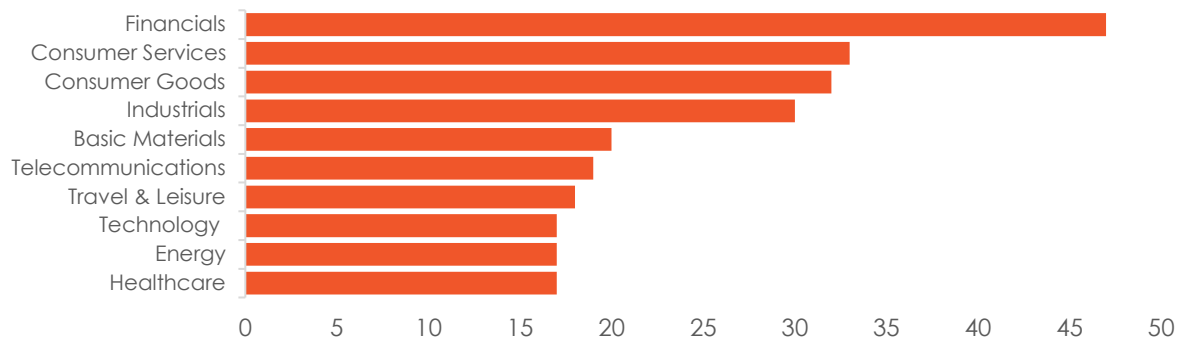
Sell-side respondents



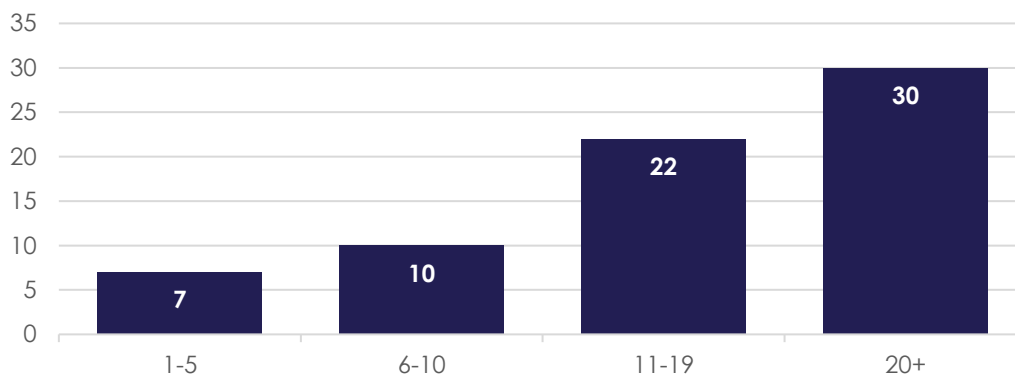
Number of sell-side respondents split between local and international firms.

Categories of companies covered by respondents

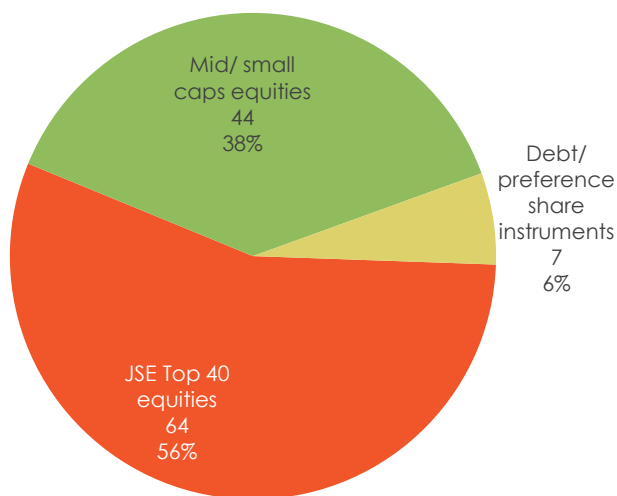
Which sectors do you cover? (Choose more than one)



How many companies do you regularly cover? (Eg, usually attend results presentations and follow announcements)



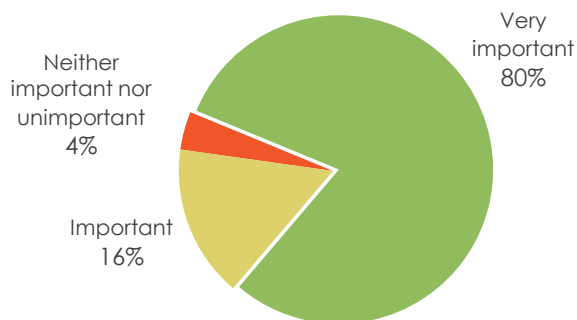
What size category do you focus on? (Could chose more than one)



Overall views

The importance of quality investors relations

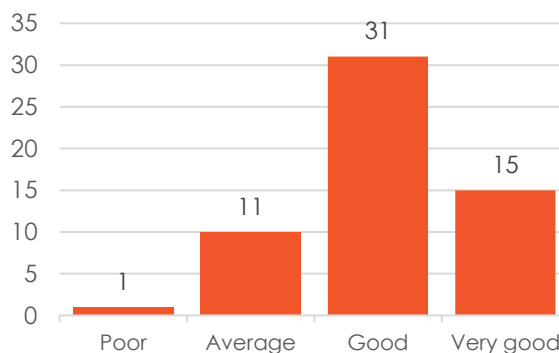
In general, how important is a company's investor relations quality for you to be able to assess potential investments into that company?



80% say investor relations quality is **very important**

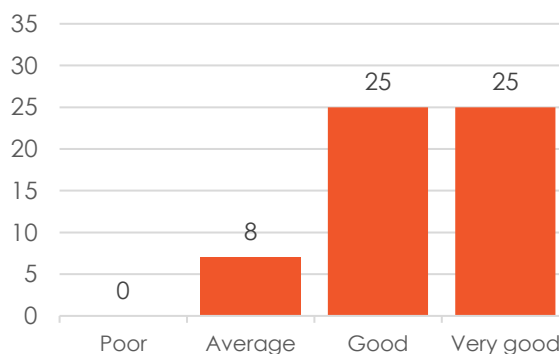
Overall quality of investor relations

Please rate the quality of investor relations of the listed companies in the sectors you predominantly focus on in South Africa.



Ethics of investor relations

In general, how would you rate the ethics of investor relations professionals employed at listed companies?



Results

Overall top 10 rated firms

Firm	Score
Absa	22,4
Nedbank	16
MTN	5,4
Afrimat	5,4
Firstrand	5,2
Clicks	5,2
Transaction Capital	4,8
Woolworths	4,6
Mr Price	4,4
Shoprite	4

Absa wins the inaugural Top Investor Relations award. The banking group is a clear winner, securing by far the biggest number of positive rankings, with second-placed Nedbank also enjoying a large gap over MTN and Afrimat in third.

One respondent says: "Absa IR in the context of the financial sector is very strong. Clarity and consistency of messaging, clearly defined company targets and they articulate on how they are progressing to achieving them." Another described both Absa's and Nedbank's IR heads as being very knowledgeable "and always respond timeously to queries".

Overall worst top10 rated firms

Firm	Score
Libstar Holdings	-2,4
PSG Group	-2,6
Coronation Fund Managers	-3
Remgro	-3,2
Capitec Bank	-3,6
Dis-Chem Pharmacies	-4
Standard Bank Group	-4,2
Naspers	-5,2
Pick n Pay	-5,8
Truworths	-7,4

The unwanted gong goes to Truworths. Many of these companies in this inaugural list of the worst performers are large-cap stocks and it'll be interesting to see in our future surveys whether they continue to get negative ratings.

Top five: Financial

Firm	Score
Absa	22,4
Nedbank	16
Firstrand	5,2
Transaction Capital	4,8
Quilter Plc	2,2

With the top places dominated by big banks, two niche players have done well to make the top five. Transaction Capital specialises in financing the taxi industry and it is also active in the risk services space. Quilter Plc is the former Old Mutual Wealth Management with headquarters in the UK.

Top five: Consumer

Firm	Score
Clicks	5,2
Woolworths	4,6
Mr Price	4,4
Shoprite	4
Spar	2,4

Three competitors in the supermarket space – Woolworths, Shoprite and Spar – make the top five but it is pharmaceutical retailer Clicks that take the top ranking with apparel and home goods retailer Mr Price in third place.

Top five: Industrial

Firm	Score
MTN	5,4
Vodacom	3,4
Distell Group	3
Growthpoint Prop	3
Redefine Properties	2

Telecoms companies take the top spots in this category that pits a diversified range of companies as competitors for this award. MTN beats Vodacom to the top spot but one respondent says both “communicates excellently and are accessible”. The Distell IR team was commended for its accessibility, particularly “during the uncertainty of the Heineken acquisition”.

Top five: Resources

Firm	Score
Afrimat	5,4
Anglo American plc	2,6
Anglo American Platinum	1,8
Northam Platinum	1,8
BHP Group	1,2

Open pit mining specialist Afrimat beats out some heavyweight mining companies for this award by a substantial margin. Fifth-placed BHP got acknowledged for its clarity on ESG-related issues.

Top five: Large caps

Firm	Score
Absa	22,4
Nedbank	16
MTN	5,4
Firststrand	5,2
Clicks	5,2

The scores here are broadly similar to the overall rankings but without Afrimat, and Firststrand and Clicks move up one place.

Top five: Mid caps

Firm	Score
Afrimat	5,4
Super Group	1,8
Brait	1,8
Momentum Metropolitan	1,6
Attacq	1,6

Afrimat is well ahead of the other firms but the other rankings are extremely competitive.

Top five: Small caps

Firm	Score
EPE Capital Partners	1,2
Long 4 Life	1
Renergen	0,8
Master Drilling	0,8
Metrofile	0,6

Investment holding company EPE Capital Partners slightly outperforms its small-cap peers.

Most accessible senior management

Firm	Score
Transaction Capital	4,86
BHP Group	4,20
Foschini	4,14
Momentum Metropolitan	4,00
Dis-Chem Pharmacies	3,83
MultiChoice	3,83
Barloworld	3,71
Sanlam	3,71
Nedbank	3,67
Mr Price	3,63

This category is extremely important for both the sell-side and buy-side, with smaller firms in particular often expressing frustration at management inaccessibility. The companies on this list are getting it right.

Best integrated annual report

Firm	Score
Transaction Capital	4,57
BHP Group	4,40
Mr Price	4,28
Bidvest	4,11
Nedbank	3,94
Barloworld	3,82
MultiChoice	3,79
Woolworths	3,78
Absa	3,69
Dis-Chem	3,67

This was determined from a combination of ratings on: quality and appropriateness of information; sufficiency of information to interpret financial statements; insight into operations and key earnings drivers; and detail of notes to the financial statements.

Best market communication

Firm	Score
Transaction Capital	4,75
BHP Group	4,45
Mr Price	4,25
Bidvest	4,18
Nedbank	3,83
Barloworld	3,71
Absa	3,70
Sanlam	3,68
MultiChoice	3,67
Momentum Metropolitan	3,65

This was determined from a combination of ratings on: Timeliness of trading updates and earnings releases; clarity of guidance on future performance; overall clarity of investment commentary.

Verbatim

Respondents' general view of the quality of investor relations in SA

"Companies largely do what is required but not much more."

"Compared to other sectors the financials disclose very detailed information and have knowledgeable IR teams."

"Generally, very responsive and make an effort to answer queries."

"Investor relations teams are not proactive and do not extend themselves to assist when asked."

"Mostly available to provide adequate responses."

"SA banks have excellent management overall and specialist investor relations that provide high quality interaction with analysts and investors"

"South African companies utilise IR function less than other countries – they tend to be less proactive and respond to the narrative rather than drive it."

Respondents' comments on ethics

"All IR teams I interact with always act ethically and professionally."

"Companies tend to tell it like it is."

"I have no reason to doubt anything companies have said or done."

"I have not experienced any breaches in eight years."

"Investor relations professionals rightly or wrongly favour the largest shareholders which could translate into an information advantage. Commentary on future performance can be inconsistent or incomplete depending on the questions asked at post-results meetings."

"No known ethical transgressions."

"No reason to question the information the community has been provided with."

"They generally strive to provide answers to questions and also assist with accurate information."

Thanks

This research and report wouldn't have been possible without the hard work and support of:

1. Jennifer Kann (Lingo Communications)
2. Debbie Millar (Investor Relations Society of SA)
3. CFA Society South Africa
4. Business Day
5. Intellidex team
6. Everyone who voted!



Find out more

Intellidex produces detailed reports on the performance of investor relations based on the client feedback we collect. If you would like to commission such a report, please contact Heidi Dietzsch, email heidi@intellidex.co.za or telephone **083 276 0435**.

Give us feedback

We would like to know what you think of the Investors relations survey. If you have any thoughts or feedback, please email TopIR@intellidex.co.za.



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