



Capital Market Days – Pro & Con

An Academic Perspective

IR 2018

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Agenda

- 1 Introduction to Capital Market Days**
- 2 Prevalence of Capital Market Days in Germany**
- 3 Should we host a Capital Market Day?**
- 4 Conclusion**

What is a Capital Market Day?

DEFINITION:

A *Capital Market Day* is a relatively **new and unique disclosure medium** that allows for **face-to-face interactions** between company representatives and influential market participants (i.e., institutional investors, analysts) and is **organized by the company's Investor Relations department**.



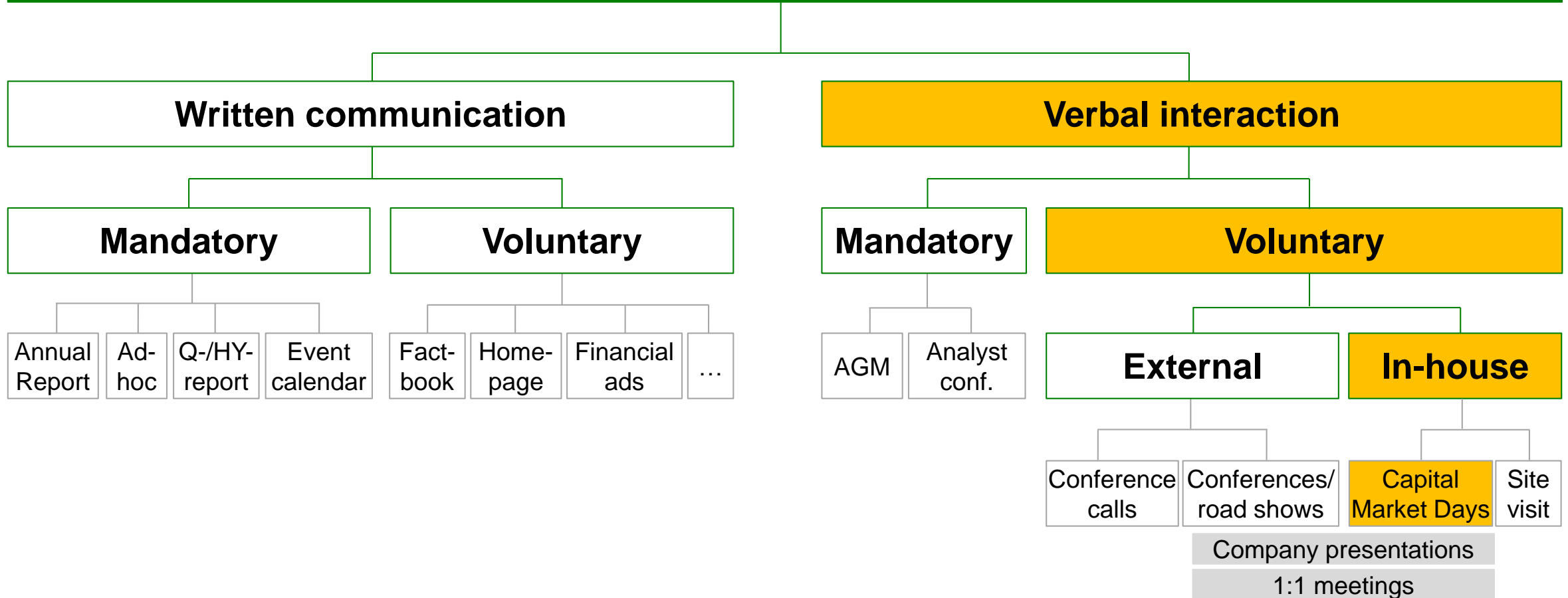
Investor Day at Dürr (2017)

POSSIBLE AGENDA ITEMS:

- Presentations by diverse company representatives (e.g. CEO, CFO, divisional experts)
- Q&As
- Private meetings
- Informal lunches, dinners, cocktail hours
- Site/plant/production tours
- Even: shopping tours, museum tours, etc.
- ...

How can we differentiate the various IR instruments?

Investor Relations instruments



Source: Own graph, based on Achleitner & Bassen 2001, DIRK 2004 and Marston 2004

How can a Capital Market Day look like?



Investor Day – Wednesday, March 25, 2015

| Time | Activity |
|-----------|--|
| - 03:00pm | Arrival and check-in at Novina Hotel / HerzogsPark Hotel |
| 03:15pm | Meeting point: HerzogsPark Hotel parking area and bus transfer to Novina Hotel |
| 03:25pm | Meeting point: Novina Hotel lobby |
| 03:30pm | Departure from Novina Hotel and bus transfer to Nuremberg |
| 04:30pm | adidas NEO store visit |
| 05:00pm | adidas Sport Performance store visit |
| 05:30pm | Departure Nuremberg and bus transfer to adidas World of Sports, Herzogenaurach |
| 06:30pm | Welcome drinks at adidas World of Sports restaurant Stripes |
| | Update on Russia/CIS (Martin Shankland) |
| - 10:30pm | Dinner with guest speakers, hosted by Robin J. Stalker |
| | Shuttles to HerzogsPark Hotel / 5 minute walk to Novina Hotel |

Investor Day – Thursday, March 26, 2015

| Time | Activity |
|---------|--|
| 07:25am | Meeting point: HerzogsPark Hotel parking area and transfer to adidas World of Sports main entrance |
| 07:30am | Meeting point: Novina Hotel lobby and 5 minute walk to adidas World of Sports |
| 08:00am | Investor Day opening (start of webcast) |
| | adidas Group |
| | Global Brands |
| | Reebok |
| 10:30am | Coffee break (15 minute webcast break) |
| | Global Sales |
| | Q&A session |
| 12:30pm | Lunch (webcast break) |
| | North America |
| | Western Europe |
| | Q&A session |
| 04:00pm | Coffee break (15 minute webcast break) |
| | TaylorMade-adidas Golf |
| | Finance |
| | Q&A session |
| 05:45pm | Closing remarks and end of webcast |
| 06:00pm | End of event Bus transfers to Nuremberg train station and airport |

Source: Adidas' IR homepage (2018)

How can a Capital Market Day look like?



Agenda – MTU Investor and Analyst Day 2017

| Time | Agenda | Speaker |
|---------------|---|--|
| 11:00 – 11:10 | Welcome | Michael Röger , VP Investor Relations |
| 11:10 – 11:30 | MTU's Market Environment: No Clouds in Sight | Reiner Winkler , Chief Executive Officer |
| 11:30 – 12:30 | Leading Technology & Cost Leadership Technology Roadmap & Key Enabler | Dr. Rainer Martens , Chief Operating Officer Lars Wagner , EVP OEM Operations |
| 12:30 – 13:30 | Lunch | |
| 13:30 – 15:00 | Shoptour: Blisk Facility, GTF Assembly Line, GTF Testcell | |
| 15:00 – 16:00 | MTU goes Digital Military: Defense Budget - Driver for Future growth? MRO Strategy: Mastering Future Growth Introduction of the GTF: Keeping a Long Term Perspective | Michael Schreyögg , Chief Program Officer |
| 16:00 – 17:00 | Financials: Ramping up cash conversion MTU's route 2030 | Peter Kameritsch , SVP Finance Reiner Winkler , Chief Executive Officer |

Source: MTU's IR homepage (2018)

How can a Capital Market Day look like?



January 15th, 2015 (early evening event)

| | | |
|--|-----------------|---|
| Arrival & Registration | until 5.30 p.m. | Sofitel Berlin Gendarmenmarkt Charlottenstraße 50-52, 10117 Berlin, Germany, Tel.: +49 (0)30/203750. |
| Welcome drink | 6:00 p.m. | Sofitel Berlin Gendarmenmarkt |
| Transfer to dinner location „Alte Münze“ | 7.00 p.m. | |
| Dinner with BayWa's Board members | 7.15 p.m. | Alte Münze, Molkenmarkt 2, 10179 Berlin, Tel: +49 (0)30/84853810 |

January 16th, 2015 (official BayWa Capital Market Day)

Speakers include Prof. Lutz, his colleague Board members and guest speakers

| | | |
|---|-----------------------|--|
| Breakfast at Sofitel | until 8.45 a.m. | |
| Management presentations | 9.00 a.m. – 1.00 p.m. | Sofitel Berlin Gendarmenmarkt/ Delphinium |
| Lunch | 1.00 p.m. – 2.00 p.m. | Sofitel Berlin Gendarmenmarkt |
| Transfer to Messe Berlin | 2.00 p.m. | |
| Guided tour of the International Green Week | 2.30 p.m. – 4.00 p.m. | Messe Berlin |
| Transfer to Sofitel | 4.15 p.m. | |
| Transfer to Messe for BayWa Abend | 6.15 p.m. | |
| BayWa Abend | 7.30 p.m. | Messe Berlin |

January 17th, 2015

| | | |
|-------------------------|------------------|--|
| Breakfast and check out | until 12.00 p.m. | |
|-------------------------|------------------|--|

Source: BayWa's IR homepage (2018)

What is the purpose of a Capital Market Day?

"We don't give specific earnings guidance, so it was really a focus of ours to **communicate our customer focus strategy**"

Robert Sahadevan, United Airlines,
Managing Director of IR



"[...] We also look at these analyst days as an opportunity to bring the **intangibles of the brand** McDonald's to life. There's only so much you can communicate via quantitative metrics. It's the **optimism, the opportunity and the enthusiasm** that the investment community can see through a direct one-day [...] The incentive for people to come to our meeting is they have the opportunity to **talk to the CEO, CFO, COO** and the presidents of all our geographic units."

Lisa Ciota, McDonald's Corporation,
Director of IR

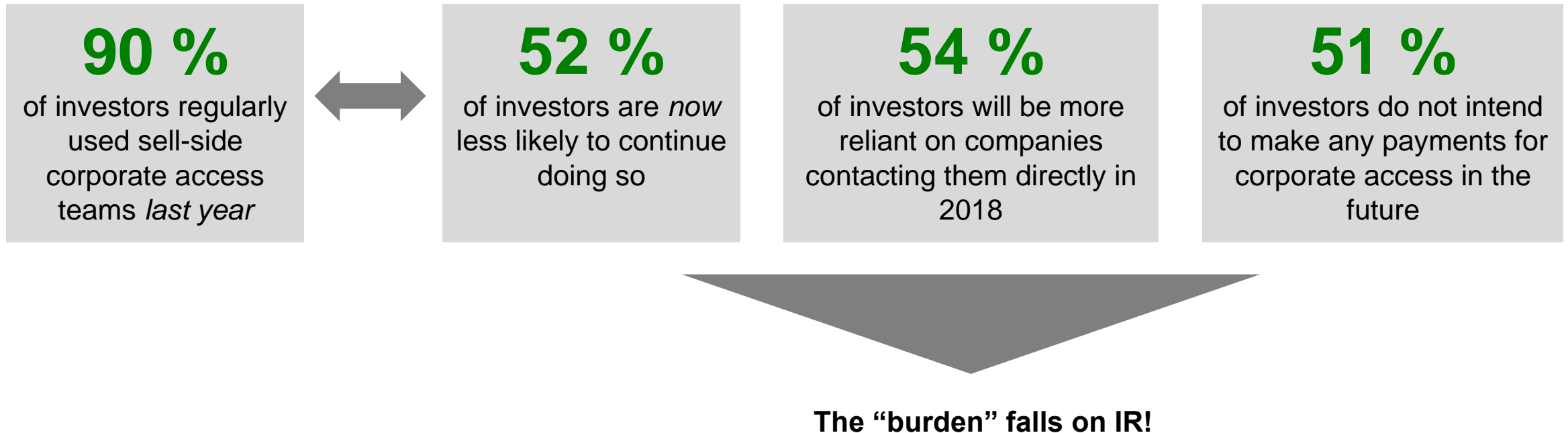
"For us, the investor day really is kind of our **annual coming-out party**. It's the opportunity that we take to provide our **next year's financial goals and our annual guidance**, and we also use the occasion to update the investor audience on our new product pipeline. [...] Because we have **R&D and manufacturing** on our corporate campus and because our facilities show well, we do like to have investors come to see us."

David Erickson, Edwards Lifesciences Corporation, VP of IR



Relevance of Capital Market Days: The impact of MiFID II

RESEARCH BY IR SOCIETY (UK), conducted in December 2017 among 302 institutional investors



Source: IR Magazine (2018)

Relevance of Capital Market Days: The impact of MiFID II

RESEARCH BY ORIENT CAPITAL, published in June 2017, interviews with IR managers of the FTSE 350

What support do you receive from your broker in respect of IR?

75 % Arranging Roadshows/Conferences

67 % Advising on Results communication

22 % Ad-hoc corporate advice

22 % Post Roadshow feedback

22 % Investor Targeting

How do you expect this to change in light of MiFID II?

47 % Increased IR budget

29 % Less support with investor targeting

26 % IR being more self sufficient

20 % Uncertainty over Roadshow fees

14 % Reduced sell-side coverage

9 % Direct reach-out from buy-side

6 % Possible additional broker fees

6 % Increased Independent research

3 % Enhanced Technology requirements



**The
“burden”
falls on IR!**

Relevance of Capital Market Days: The impact of MiFID II

*"With MiFID II and the changes at broking firms, **IR teams are carrying more of the weight than ever before**, as direct engagement with institutions becomes more frequent and more ad hoc"*

Basak Kotler, director of IR at Coca-Cola Hellenic Bottling Company



"Considerably more of the overall management and administration of investor interactions will need to be done in-house."

Report by WeConvene/
Extel/Bloomberg



Interim result:

Capital Market Days are becoming more relevant through MiFID II: Companies have to become proactive and organize investor access events on their own.

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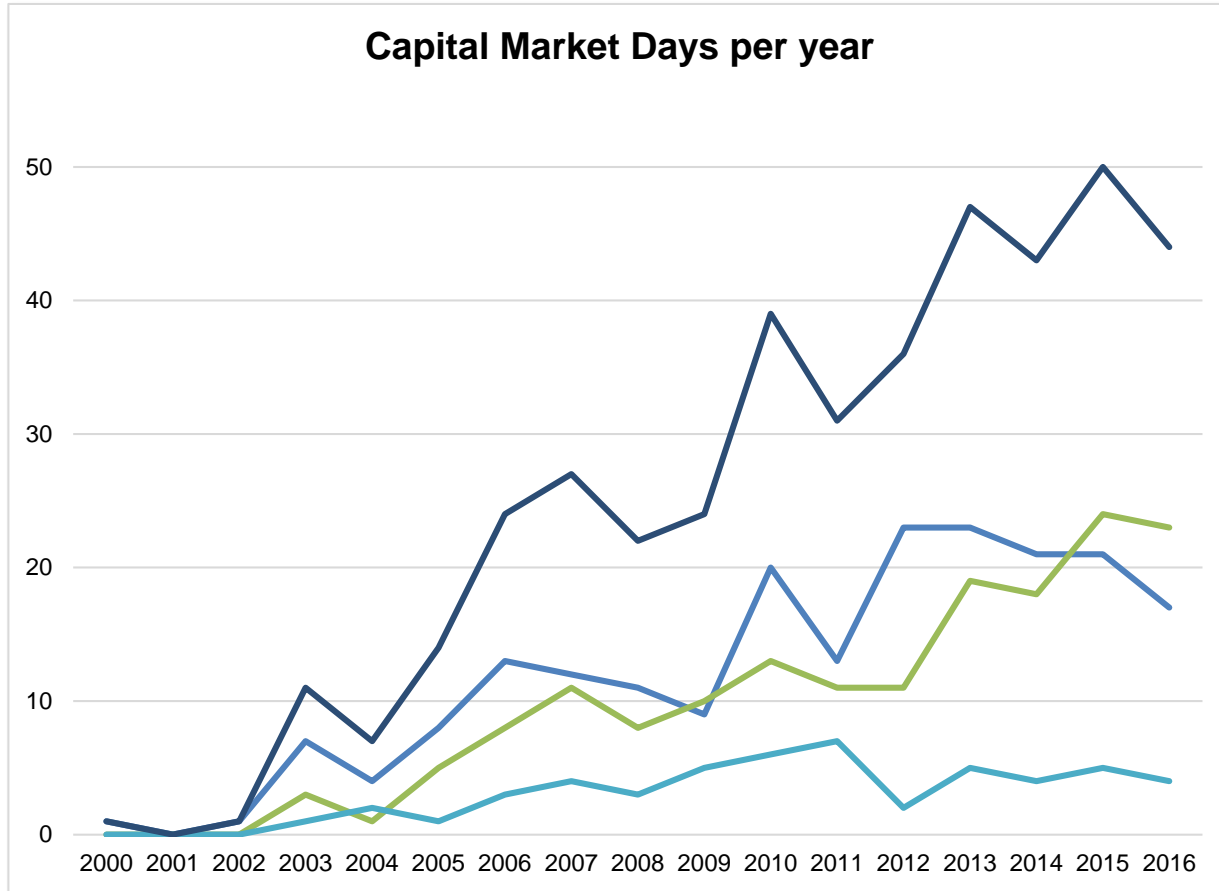
Introduction to study

SAMPLE:

- Germany's 130 largest listed corporations (DAX, MDAX, SDAX)
- Period: 2000-2016
- Data sources:
 - Thomson Financial's Street Events
 - Bloomberg
 - Company's IR homepages

| | |
|--|------------|
| Total observations from Thomson Reuters | 798 |
| Plus: | |
| Events added from IR homepages | 83 |
| | 881 |
| Less: | |
| Events coupled with earnings announcements | (42) |
| Events not meeting definition criteria | (354) |
| Entries of multiple day-events | (19) |
| Events in 2017 | (27) |
| Events combined with a fair (e.g., CeBIT) | (18) |
| Initial sample | 421 |
| Confounding events | (31) |
| Events on non-trading days | (2) |
| Final sample | 388 |

Prevalence of Capital Market Days in Germany



Accumulated

MDAX

DAX

SDAX

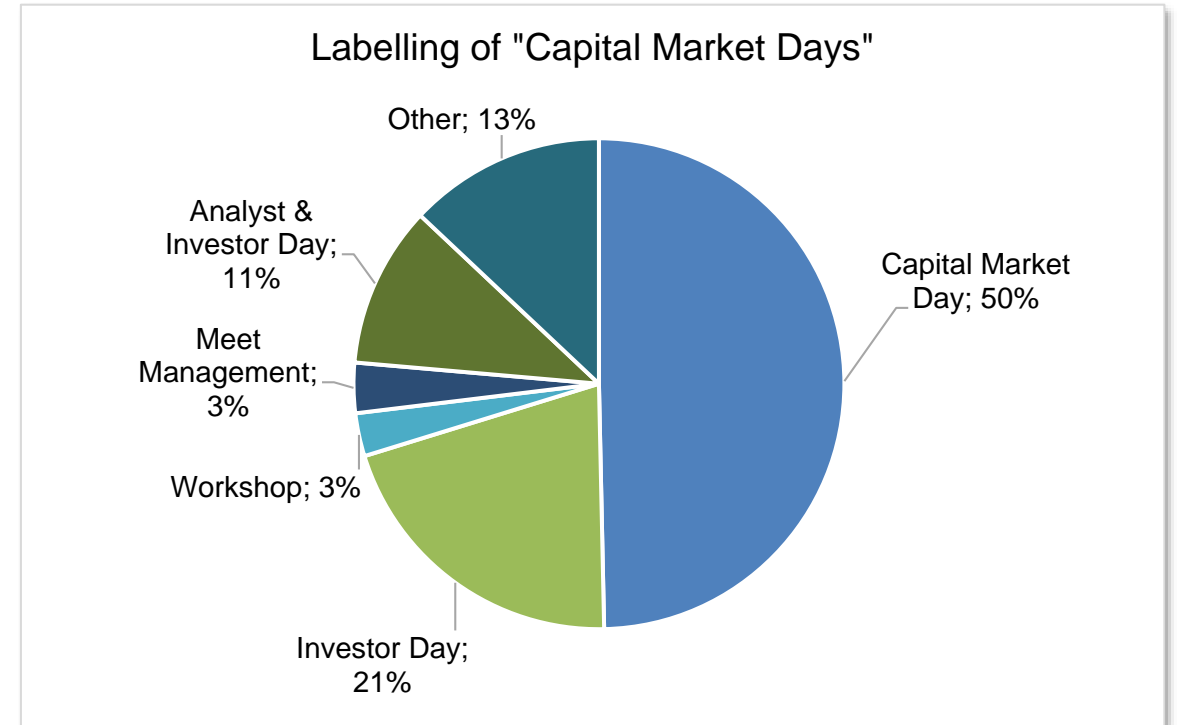
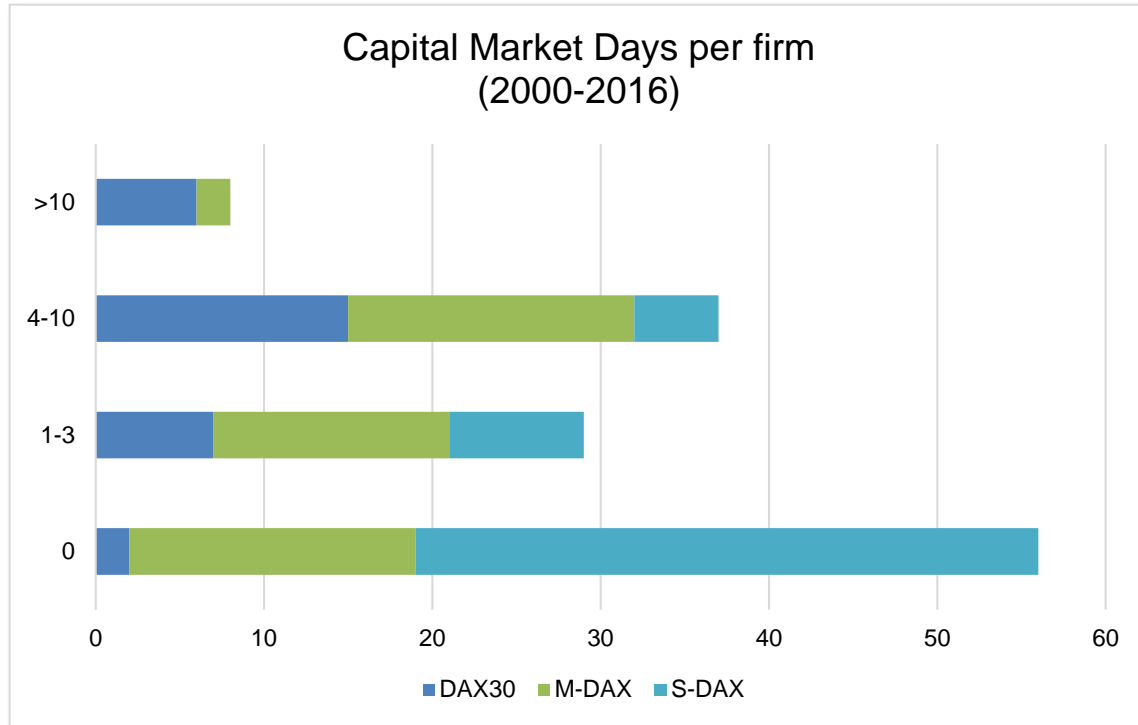
Average CMDs per company from 2010-2016:

| | Average | Median |
|-------|---------|--------|
| DAX | 4.6 | 3.5 |
| M-DAX | 2.4 | 2 |
| S-DAX | 0.5 | 0 |

Number of firms hosting a CMD in 2010/11 vs. 2015/16:

| | 2010/11 | 2015/16 | |
|------|---------|---------|---|
| DAX | 21 | 20 | → |
| MDAX | 15 | 30 | ↑ |
| SDAX | 6 | 8 | → |

Prevalence of Capital Market Days in Germany



Interim result:

Capital Market Days are becoming an established means of stakeholder interaction, but are not used by all companies, especially not by small-caps.

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Should we host a Capital Market Day?

- ✓ **Relevance: MiFID II**
- ✓ **Prevalence ("my peers are doing it")**

- **Capital market reaction**
- **Two-way communication flow**
- **Intense interaction**
- **Trust**
- **Costs**

Capital market reaction

- Event Study
- Kirk & Markov (2016) conducted the first event study on Capital Market Days in the U.S.:
 - Abnormal return of 2.1% at the event date
 - Abnormal turnover of 1.6% at the event date
 - Substantial increase in forecast activity
- This study:
 - Germany's 130 largest listed corporations (DAX, MDAX, SDAX)
 - Period: 2000-2016
 - Hypotheses:
 - Focus is on 'soft' and strategic information (\neq earnings announcement) \rightarrow no immediate share price effect
 - Less visibility of small-caps may trigger a capital market reaction
 - Volatility of US stock market and other differentiating features might lead to diverging results

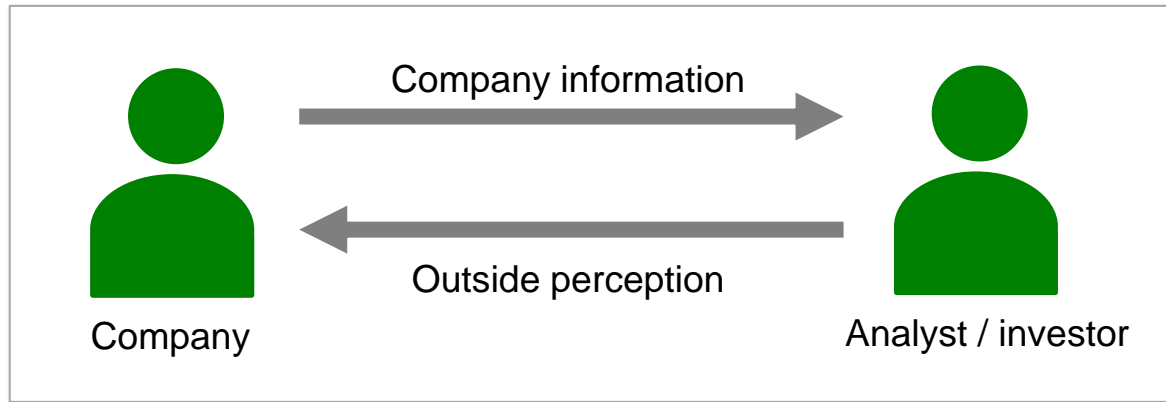
Results: Capital market reaction



Interim result:
Immediate share price reactions
are only visible at SDAX
companies. For others, the
effects of Capital Market Days
are not immediately reflected in
the stock prices.

Two-way information flow

- Capital Market Days are an efficient means to communicate with one's own important investors and analysts
- Leverage the two-way information flow:



*“People often underestimate the value investor meetings can provide in terms of imparting market feedback. Essentially, by listening to investors, management can **obtain an outside perception** of its company that can be relayed back up to board level.”*

Rosie Wilkins, senior IR manager at BT



Why not simply attend a broker conference or road show?

Because...

- 1) ...You may not be invited
- 2) ...Capital Market Days offers more interaction opportunities

| | Capital Market Days | Conferences / road shows |
|----------------------------------|--|-------------------------------------|
| Organized by | Company's IR department | Brokers |
| Duration | 0.5-1.5 days | One presentation à 30-45min and Q&A |
| Target audience | Company's own institutional investors and analysts | Clients of the broker |
| Audience size | Larger (80-125 in person, 65-680 via webcast) | Smaller |
| Company presenters | 10-14 speakers, more during Q&A | One or few presenters |
| Interaction opportunities | Many | Few |
| Format | Flexible: Own agenda/venue/timing can be set | Inflexible: Set by the broker |

Sources: NIRI 2011, Kirk & Markov 2016, Bushee et al. 2016

Intense interaction

REDUCE COMPLEXITY & RAISE INTEREST:



Investor Day at Dürr (2017)

- Explain your business in depth
- Especially relevant for complex business models
- Presentations by divisional experts
- Especially for smaller companies: Increase investors' interest

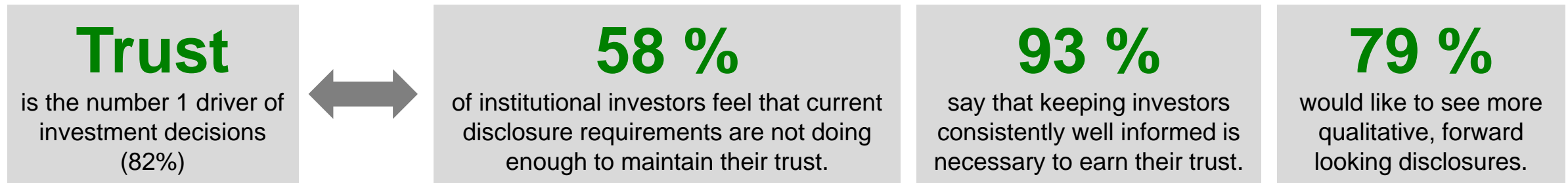
TOP 5 GOALS FOR THE IR FUNCTION FOR THE NEXT 12 MONTHS:

| Mega-large cap | Mid-cap | Small-cap | Micro-cap |
|---|---|---|---|
| 1) Expand engagement with existing shareholders | 1) Expand engagement with existing shareholders | 1) Expand engagement with existing shareholders | 1) Diversify shareholder base |
| 2) Diversify shareholder base | 2) Diversify shareholder base | 2) Increase research coverage | 2) Improve disclosure |
| 3) Improve disclosure | 3) Increase research coverage | 3) Increase liquidity | 3) Expand engagement with existing shareholders |
| 4) Greater management visibility/accessibility | 4) Improve disclosure | 4) Diversify shareholder base | 4) Increase research coverage |
| 5) Increase international shareholder ownership | 5) Greater management visibility/accessibility | 5) Improve disclosure | 5) Increase liquidity |

According to research conducted by BNY Mellon (2017), survey among IR professionals from 537 companies in 51 countries

Trust

EDELMAN TRUST BAROMETER, published in October 2017, responses from 101 institutional investors in 14 countries



- Capital Market Days as a way of establishing and keeping confidence
 - Relationship management
 - Transparency

Costs

\$ 30,000 – 250,000

direct out-of-pocket costs of hosting
a Capital Market Day in the U.S.



opportunity cost

diverting the attention of the major decision-
makers within the company for the
Capital Market Day

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Conclusion

KEY TAKE-AWAYS:

Should we host a Capital Market Day?

- ✓ Relevance: MiFID II
- ✓ Prevalence ("my peers are doing it")
- ✗ ✓ Capital market reaction
- ✓ Two-way communication flow
- ✓ Intense interaction
- ✓ Trust
- ✗ Costs

Consider:

- Your current portfolio of activities
- The demands of your investors/analysts
- Expectations/attitude/time of senior management
- Your peers
- The visibility of your company
- ...

→ **It's up to you!**



Thank you for your attention.

Do you have any questions?