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# The Senior Executive Guide to Successful Investor Relations in Asia

**EXTRACT:**  
**Full Report is available for purchase at US\$1,200.**

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Dear Senior Executive,

This report is for anyone who cares about increasing wealth. This means anyone who is inspired by or accountable for long term shareholder value stewardship and communicating with investors. For a listed company this means the Chairman, Executive Directors, CEO and CFO. This report is also for the practitioner who engages with investors, that is the professionals in the investor relations group or financial corporate communications who have the delegated responsibility from the CEO & CFO to engage with the equity markets. The focus is on shareholder value creation and shareholder communication aspects of corporate governance.

This report is unique. It is the only report available in Asia looking at Asian good practices for Asians. The report is based upon findings from research and discussions in Asia, Australia, Europe and USA. We have captured the collective wisdom and expertise of Chairman, CEO and major institutional investors views on shareholder value creation and shareholder communication. Plus the views of practicing Investor relations officers.

The aim is to provide awareness and the capability to formulate a shareholder value creating strategy and execute that with pragmatic policy, process and practices. Specifically it covers:

- Factual information based upon research and equity market experience over a eight year period 1997 to 2006;
- Global equity market trends and Asia equity market insights;
- Board level policy and procedures;
- Good investor relations practice guides;
- Practical know-how and also how-to execution suggestions.

All of the key policy & practice findings can be found in the executive summary. By sensibly customizing and applying these policy and practices a listed firm can ***add over 30% market valuation based upon PER ratio*** and provide stronger liquidity and investor following and have ***a firm and fair share price to enable successful secondary offerings.***

Institutional investors look at three aspects of governance that create shareholder value and reward companies when they find these aspects in abundance:

- Well formed corporate strategy and objectives
- Well formed capital structure
- Excellent financial and operational management track record.

Openness and transparency is about servicing the institutional investor's need for information on an ongoing basis to make an informed investment decision.

The report also explains in simple terms the how and the why of successful investor relations. In fact if the Chairman, CEO and CFO had the time and

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could pro-actively engage with the equity market then a separate professional IR group is not needed.

Qualvin Advisory organises master class programme, executive, and mentoring workshops for Chairman, CEO and CFO so they know how to direct a successful IR group.

The IR professional knows about both how the equity market works and who are professional equity market stakeholders. The IR group is the only professional group in the company managing shareholder value creation and engaging with investors.

Good practice shows that the IR group usually reports to either the CEO or CFO. The Senior IR Officer in Asia earns on an average US\$72,000, and it is 10 to 30% more in Australia, Singapore and Hong Kong. Do the sums, how much would you pay a manager accountable for US\$100 to 2,000m of assets under management and responsible for creating more wealth? The majority of listed companies in Asia have yet to grasp the professional character and value creation capability of the IR function. Many still see IR as just more public relations (PR). The IR Professional is just like any other senior HQ Professional, like the CFO and CIO. The highest salary we are aware of is around US\$200,000 for an IR professional in Australia and US\$150,000 in Singapore. Some companies do not even reward their CEO and CFO at these levels.

Qualvin Advisory Pte Ltd (Qualvin) is a boutique boardroom consulting firm specializing in investor relations, equity market consulting, boardroom advisory and sustainability reporting. We advise Board level executives of listed companies in South East Asia. Our core skill sets are in strategic and financial analysis and shareholder value determination so that Board and CXO level executives can make informed decisions. We also facilitate Board discussion in these areas.

Paul Zaman,  
BSc. MSC, MBA  
Member of Australian Institute of Company Directors (AICD) and Singapore Institute of Directors (SID)  
CEO of Qualvin Advisory Pte Ltd  
pzaman@qualvin.com  
+65 6733 1305 direct line



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## EXECUTIVE SUMMARY

This management report is written for the CEO, CFO and senior investor relations officer of a listed company in Asia. It is based upon extensive research, consulting and equity market experience.

Practical and pragmatic execution advice is provided on: enhancing Board shareholder value creation, improving investor relations procedures and accountabilities, formulating and executing investor relations strategy and institutional targeting. This is the know-how of building increased shareholder value.

Correct execution results in getting quality institutional investors focused upon wealth creation, getting analyst coverage, and a firm and fair share price in line with in-house company valuation.

You will understand the key:

- policies and processes needed for good corporate governance and disclosure that enhances shareholder value and keeps the Board and senior managers relaxed.
- information that security analysts need to produce insightful research on your company.
- method to attract and effectively engage with international institutional investors whom will drive long term shareholder value.

There are two fundamental assumptions behind this report:

- You are interested in creating long term shareholder value;
- You are interested, at some point in time, in attracting new investment funds and hence investors into the business, to grow the business and create even more long term shareholder value.

A goal of a listed company is to attract high quality domestic and international institutional investors to fuel business expansion, earnings growth and increased shareholder value. The increased value is then shared between all shareholders, majority and minority. Institutional investors look at just three-shareholder value creating aspects of governance. Investors reward companies when they a job well done, in terms of:

- Well formed corporate strategy and objectives
- Well formed capital structure
- Excellent financial and operational management track record.



The PER premium available is a convincing issue for a effective financial IR function, supporting a corporate policy to proactively communicate with the equity market, exceeding the stock exchange minimum disclosure rules. For those companies with four or more analysts actively following the company announcements and writing research, they enjoy PER premium of around 30%. This is a clear indication that having active equity analyst coverage supports a company's share price and allows companies to trade at a premium in PER for the same level and quality of earnings.

A chairman or CEO can easily assess the level of performance of their company's engagement with the equity markets by asking, himself or the investor relations group, the following questions.

1. Do you know the fair valuation range based on in-house analysis of fundamentals and external equity market relative measures?
2. Is the share currently trading above or below fair value range?
3. On what basis is the equity market valuing the company's shares?
4. Does the equity market understand the company's goals, strategy, leadership, management ability and track record, and company franchise?
5. Who are the top 20 institutional shareholders who own 90% of the company's shares? Which major funds are missing from the share registry?
6. What are the major investment styles of the key shareholders?
7. Is there an equity market SWOT analysis and what is the recommended investor strategy and institutional targeting strategy?
8. Who are the key equity market stakeholders: sell-side analysts, buy-side analysts and investment fund managers?
9. Does the rolling 12-month investor relations calendar target these key stakeholders for results reporting, equity market briefings and offshore equity market road shows?
10. Is there an internal confidential equity market style report, highlighting the key value drivers, vision and goals, strategy, management team profile and track record, fundamental and relative valuations and equity market consensus forecasts?

Having made an assessment of your own company, most listed companies find themselves dissatisfied. This dissatisfaction will also often match to the assessment of the equity market rewarding the company with a firm and fair share price. The solution is to execute effective investor relations.



Three core execution policies to establish an investor relations mandate are:

Policy 1: Which member of the Board of Directors is accountable to the Board and hence owners for Investor Relations function and shareholder value stewardship?

Policy 2: What is the policy on ongoing public disclosure and forward-looking statements?

Policy 3: How often and in what detail is the Board going to receive a shareholder value report and recommendations?

The financial IR function is the steward of shareholder value which means potentially hundreds of millions of dollars represented by the 30% premium available. The IR group enables the CEO or CFO, to report to the Board on shareholder value and share performance. The IR professional is a senior executive with a typical profile of:

- A numerate first degree and a postgraduate degree such as Chartered Financial Analyst (CFA) or MBA from a leading management business school.
- Being pro-active, build relationships, confident and they elicit respect from senior management peers.
- Holding core values and beliefs of openness, accuracy, honesty and fairness.

A top IR professional will have two to seven years equity market experience and command a salary of US\$70K to US\$180K essentially in a similar salary band to other direct reports to the CEO and CFO.



## EXECUTIVE GUIDE

The creation of shareholder value and communicating effectively with shareholders is a core aspect of corporate governance. The prime purpose of a business is to create value to its customers when those customers use the product & service. If a company does that well, then the company will create profit and earn an economic rent on the assets and equity deployed. Investors choose a company because they think the company will create profit and so increase shareholder value for all the shareholders.

A great deal of focus has been placed upon openness and transparency issues of corporate governance, particularly from a legal and compliance perspective. The focus has been taken away from the core purpose of creating shareholder value and has created dismay among professional managers, entrepreneurs, family dynasties, Chairmen, professional Independent Directors and CEOs. It also has created dismay and confusion among owners, be it a family dynasty or a pension fund.

Although companies have focused upon improving corporate governance this has resulted in taking the “eye off the ball” and a distraction from running the business and creating shareholder value.

The security exchange jurisdictions in places like India, Singapore, Malaysia, South Africa and Australia are among the oldest security exchanges in the world, far older than NASDAQ and the popular markets of the USA. In the last few years these exchanges and their listed companies have been transforming themselves with a sensible adoption of European and USA corporate governance models that are adapted to work with the Asian culture and style of doing big business.

Qualvin Advisory has undertaken unique and distinctive desk and field research across Asia. We conduct the only survey of Chairman and CEO views on shareholder value and shareholder communications, which we termed Strategic Investor Relations. We conduct an Asia-wide survey of Investor Relations Officer’s (IRO) views on an extensive breadth of practitioner topics. The result of this research and other consulting work is this compendium of knowledge and expertise. Knowledge with action is wisdom.

The focus of this report is to present insights in know-how and the practical steps on how-to. We offer a set of good policies, procedures and practices. The reality is that each company’s organisation structure, culture and history is different and so there is no such thing as best practices. Although the Security Exchanges may have similar listing rules the body of Company Law and Listing Law varies in each country. The country law could also be based upon American, British, Dutch or Syrah legal frameworks. Each company therefore needs to pick and choose the policy, procedures and practices that will serve them best in their own environment. Qualvin advisory suggests that there is not a single best practice template to apply. Each listed company needs a



customised IR programme to deliver a unique outcome. Your own IR professional can do that work for you.

A truly common theme is that all listed companies across the world are competing for the same investment money from the largest institutional investors from USA, UK, Japan and Europe. These funds investment money from: mutual trusts (USA) and units trusts (Europe), insurance company investment money to back the general and life insurance liabilities; company, government and independent pension and superannuation funds to back an aging population's need for retirement income. The primary source of the investment money is from individuals.

The investment fund managers are looking to have a diversified portfolio of investments. A company must be the most attractive in its peer class to attract high quality investment funds. The common aim of the company Board of Directors and the investment fund is to drive increased shareholder value.

There are two fundamental assumptions behind this report:

- You are interested in creating long term shareholder value;
- You are interested, at some point in time, in attracting new investment funds and hence investors into the business, to grow the business and create even more long term shareholder value.

A goal of a listed company is to attract high quality domestic and international institutional investors to fuel business expansion, earnings growth and increased shareholder value. The increased value is then shared between all shareholders, majority and minority.

### **The institutional investors' three keys to investing**

Institutional investors look at just three-shareholder value creating aspects of governance. Investors reward companies when they a job well done, in terms of:

- Well formed corporate strategy and objectives
- Well formed capital structure
- Excellent financial and operational management track record.

There has been much discussion on corporate governance, yet the largely legal and academic debate has often missed the core issue. Openness and transparency is nothing more than the institutional investor seeking information on an ongoing basis to make the above assessment of shareholder value and an informed investment decision.

It is useful to remember that the longest lasting around 100 years were successful firms under family ownership such as Mars, Cadburys, Disney, Ford, Daimler-Benz, Akso and Motorola. New firms in the last 50 years are also the results of entrepreneurial individuals and often still have their culture such as Microsoft, Yahoo, Hewlett Packard, News Corporation, Ikea, Smorgen Steel and Sony. Whereas utilities such as telecommunications, transportation, water, gas, electricity were usually government owned and then privatised post 1980.



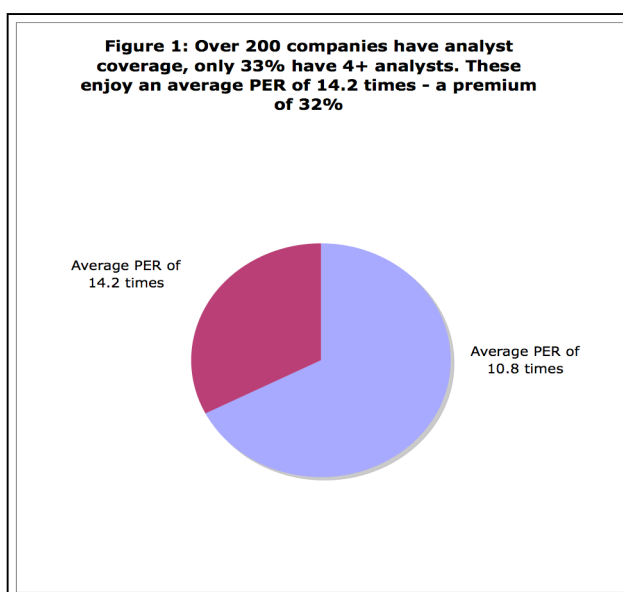
There is nothing right or wrong with family or state owned and controlled listed companies versus entrepreneurial start-ups and management buy-outs.

There is also the misconception about Western investors and their view upon Asian family and state owned companies. Global institutional investors are minority investors. Their focus is that via the governance process the Board focuses upon creating long term shareholder value. The global institutional investors are sophisticated and mature investors. They know that at times, short term behaviour, be it dealing with family ownership & dynastic issues or national service as a patriotic gesture are necessary to protect the overall business franchise. If this wealth distribution becomes excessive and starts eroding long term shareholder value or if there is an un-equal and unfair distribution of wealth between majority and minority owners then there becomes a governance issue. Equally once family or state owned business understand that the institutional investor wants openness and transparency to make informed investment decisions then disclosure no longer is threatening and in fact can be viewed as a platform for expect peer dialogue.

## Why engage with investors?

Efficient market theory suggests that the market always correctly prices a share based upon full and continuous disclosure. So, if the Company's Executive Directors and major share investors think the shares are mis-priced, any discrepancy can be traced to buy-side and sell-side analysts, fund managers and individual investors not fully understanding the company business outlook. This may relate to any or all of the following aspects of not fully understanding: the company's vision and goals; the strategy and execution plan; management's ability to deliver against the plan; management's willingness to measure and report progress; and the strength of the company's franchise.

This research looks at hundreds of Singapore and Malaysia listed companies,



both main board and minor board to see if there is a link between price earnings ratio (PER) and the number of equity analysts actively following the company. The results indicate that yes, there is a strong link as shown in the Figure 1 below.

In the most recent Singapore based study in late 2005 out of the population of 203 companies studied, 66 companies (around 33%) have over four analysts actively covering the company. The remaining 137 companies (around 67%) have three or less.



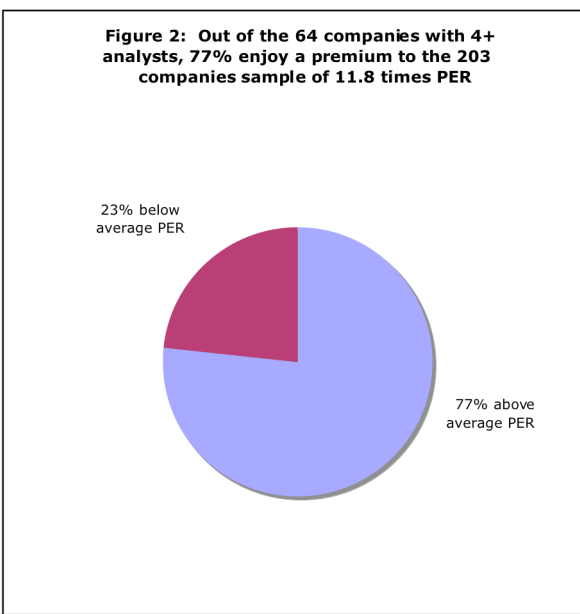
Those with four or more analysts have an average PER of 14.2 times versus those companies with three or less analysts, which have an average PER of just 10.8 times.

Thus, companies with four or more analysts have an average premium of 32%. The average PER for all 203 companies is 11.8 times.

For those companies with four or more analysts actively following the company announcements and writing research, the majority or 77% of these companies have a PER higher than the average 11.8 times PER for the 203 companies sample. This is shown in the Figure 2.

This is a clear indication that having active equity analyst coverage supports a company's share price and allows companies to trade at a premium in PER for the same level and quality of earnings.

The PER premium is a convincing issue supporting a Corporate policy to proactively communicate with the equity market, exceeding the stock exchange minimum disclosure rules.



### **The Chairman and CEO equity market 10-point check list**

The large majority of CEOs have a focus on creating shareholder value. They can use the company's share price as a proxy performance indicator of long-term shareholder value. However they need to remember that an investor wants to understand where is the unrecognised value and growth opportunities, not reflected in the share price. In doing this the Institutional investors looks at just three shareholder value creating aspects of governance and reward companies when they find it in abundance:

- Well formed corporate strategy and objectives for growth.
- Opportunity to enhance the capital structure.
- Excellent financial and operational management track record in delivering growth and unlocking latent value.

Openness and transparency is nothing more than the institutional investor seeking information on an ongoing basis to make the above assessment and an informed investment decision.

A key measure of success for a listed company is to have world class investors present in their owners list. This is the very best indication of expected increases in shareholder value. The company management is expert in formulating and executing the growth strategy. The top investors are exceptional in evaluating shareholder value. Only if a company has an expert investor relations officer do



they have the in-company expertise to make an assessment of shareholder value.

Even if the Chairman has set the Corporate policy to engage with equity market stakeholders many companies fall very short on execution. They often do not have the key internal processes and practices in place. A Company although compliant with security exchange disclosure guidelines may yet have effective two-way communication with key equity market stakeholders.

Compliance is not the same as performance.

A chairman or CEO can easily assess the level of performance of his engagement with the equity markets by asking himself or the investor relations group the following questions.

- Do you know the fair valuation range based on in-house analysis of fundamentals and external equity market relative measures?
- Is the share currently trading above or below fair value range?
- On what basis is the equity market valuing the company's shares?
- Does the equity market understand the company's goals, strategy, leadership, management ability and track record, and company franchise?
- Who are the top 20 institutional shareholders who own 90% of the company's shares? Which major funds are missing from the share registry?
- What are the major investment styles of the key shareholders?
- Is there an equity market SWOT analysis and what is the recommended investor strategy and institutional targeting strategy?
- Who are the key equity market stakeholders: sell-side analysts, buy-side analysts and investment fund managers?
- Does the rolling 12-month investor relations calendar target these key stakeholders for results reporting, equity market briefings and offshore equity market road shows?
- Is there an internal confidential equity market style report, highlighting the key value drivers, vision and goals, strategy, management team profile and track record, fundamental and relative valuations and equity market consensus forecasts?

Few listed companies would have complete and favourable responses to these questions. This serves more of a ranking tool to see where a listed company can improve.

### **The Chairman and Board of Directors three core policies.**

In the same way the Board established key Board sub-committees for areas including Audit, Remuneration and Strategy a mandate must be established for stewardship of the shareholder value of the company. Stewardship is a unique western word, which means managing and growing an asset for the absent owner. Shareholder value or wealth is like any other asset, which needs a professional focused upon it. This is the real wealth of a company indicated by whether the shares trade above or below the net tangible asset value.



Three core policies are needed to establish an investor relations mandate.

#### Policy 1

Which member of the Board of Directors is accountable to the Board and hence owners for Investor Relations function and shareholder value stewardship?

*This depends upon the Board and Management Structure. Ideally it is the CEO. In Asia this means the Chairman, Assistant Chairman, CEO, CFO or an executive Director.*

#### Policy 2

What is the policy on ongoing public disclosure and forward-looking statements?

*Ongoing disclosure ranges from compliance to exchange listing minimum guidelines, which will largely mean you will not attract and engage with any major institutional investors. Or pro-active engagement with the equity market key stakeholders, which means you become a candidate for major institutional investors.*

*Forward looking statements, means giving regular updates and explanation on corporate strategy, corporate goals, growth initiatives and capital re-structuring initiatives. Again, the miss-conceived idea that strategy must be kept secret will mean your company is not international investment grade. There are three elements to successful strategy: formulation; execution; measurement and refinement. Many companies can formulate good strategy yet without dissemination the company cannot move around it and execute it. It became a strategy locked in a safe and wasted management time in its creation and destroys shareholder value every day it is key secret.*

#### Policy 3

How often and in what detail is the Board going to receive a shareholder value report and recommendations?

*The Report could be tabled for information only at every Board meeting and then once a year the investor strategy and institutional targeting strategy be agreed. The Shareholder Report could include many metrics: Absolute and relative valuation of the company based upon internal financial forecasts; benchmark of company estimates with analyst consensus, absolute and relative share price performance compared to index and agreed listed peers; share registry analysis to see institutional owners; execution and milestone reporting against the investor strategy & institutional targeting strategy. The report could also provide strategic options such as assessing investment strategies for shareholder value impact, options on capital re-structuring, and response of equity markets to candidate new corporate strategies and M&A activity.*



## Executing the investor relations mandate and role

Once the Board has set the three core shareholder value creation policies and assuming that a individual has been given the accountability for stewardship of the company's value, then an Investor Relations mandate and role has been created.

We think that there is a set of good practices, which each company needs to review and customise to meet their own specific needs.

The Designated Executive Director, Chairman, CEO or CFO needs to establish a professional investor relations (IR) group.

- The IR group could be a single person or a team of three or four depending upon the complexity of the role and the market capitalisation size of the company.
- The IR group reports to either the CFO or CEO.
- The principal IR Officer has a recognised professional status within the firm.

The **profile of a top IR Officer** is as follows.

- They usually will have a numerate first degree and a postgraduate degree such as Chartered Financial Analyst (CFA) or MBA from a leading management business school.
- They are pro-active, build relationships, confident and they elicit respect from senior management peers.
- Their core values and beliefs are about openness, accuracy, honesty and fairness.

A Principal IR Officer will have two to seven years equity market experience and command a salary of US\$70K to US\$180K essentially in a similar salary band with other CXO or direct reports to a CXO. A less senior IR Officer such as a support to a pro-active CEO/CFO would command a salary of US\$40K to US\$90K.

## The investor relations goals, plan and accountability

The **mandate for successful engagement with the equity market** could be shared between CEO and CFO offices or delegated to an IR group. The mandate includes engaging with internal management and external equity market stakeholders with the purpose of being the steward of shareholder value creation. A investor relations set of goals, strategy and execution plan is required.

- Formulate an investor relations strategy and institutional targeting strategy, which are approved by the Board.
- Formulate a retail investor strategy if the company has a major public face and substantive retail investor following.



- Produce an annual investor relations action plan and calendar of key events. This covers the Board designated executive directors and senior executives whom are allowed to engage with the equity markets.
- Create and deliver, the monthly Boardroom report on shareholder value stewardship on the agreed metrics and issues.
- Advise the Board on the equity market response and impact to share price and market value of any price sensitive event and announcement such as a new major investments, new strategy, merger and acquisitions.
- Pro-actively liaise and co-ordinate day-to-day activities with other groups such as: company secretary, treasury corporate communications, Chairman/CEO office and Legal Counsel.
- Pro-actively liaise, take the lead role or a support role in specific corporate events like: Conducting the AGM, producing the Annual Report and Financial Statements, making price and non-price sensitive announcements, quarterly results, managing investor expectations, investor meetings, investor conferences and equity analysts briefings.
- Coaching and mentoring the senior management on key aspects of the security laws and listing rules specifically on: ongoing public disclosure and insider trading, to protect senior managers from inadvertently breaching rules.
- Conduct equity market analyst briefings to ensure that the professional market understands the company strategy, business growth and value opportunities; and management operational and financial track record.
- Set up all (80%+) of equity market meetings and attend all (80%+) to ensure continuity and accuracy of disclosures and to monitor for inadvertent breaches of ongoing public disclosure and so protect the senior manger and the company from breach of the listing rules.
- Conduct ongoing equity market intelligence, specifically the equity market SWOT analysis of sell-side and buy-side perspectives on the peer group of listed companies and report upon key aspects.

The **IR group will have performance measures** and will be accountable to them. A candidate list of performance measure are:

- Quality and regularity of sell-side company research reports.
- Satisfaction survey of external stakeholders, the sell-side, buy-side analyst and the institutional fund managers
- Satisfaction survey of internal stakeholders, senior management and the designated equity market spokespeople.



- Share registry structure, monitoring changes and if the strategy execution has resulted in the target institutions investing.
- Alignment of sell-side analysts forecasts and consensus forecast with the company's own earnings and cash flow projections.
- Recognised industry 3<sup>rd</sup> Party rankings and awards such as: AsiaMoney, Finance Asia and Investor Relations Magazine.

### **Financial versus public relations style of investor relations**

If the Board and the Company sets the mandate of the IR group to be more strategic and financial bent, which around 25% of companies do and increasingly so we think, then additional roles include:

- Creating a financial forecast and absolute and relative valuation of the company.
- Produce and update an equity style broker report to as a tool to aid the designated equity market spokes people in what they can and cannot disclose.
- Using the financial model to assess the impact on long term shareholder value from events and activities such as: new corporate strategic options; major new investments; divestments; acquisitions – defensive and offensive; alliances; capital restructuring options; debt vs. equity treasury options; dividend pay out ratio and policy; share buyback; secondary share offerings and pricing.
- Using the financial model, and within the disclosure guidelines and forward looking statements set by the Board, conduct equity market analyst briefings to ensure that the professional market understands the sources of the business franchise, the operational driver of value, the scope and opportunities for increased shareholder value; the upside and downside risks to the shareholder value outlook.
- Gather sell-side analyst forecasts, determine consensus and provide guidance to out-lining analysts forecasts.
- Conduct quarterly share registry analysis and unclocking nominee account investors.
- Accountable for producing the sustainability report and triple bottom line reporting.



## **The role of technology in investor relations**

The IR technology profile for top performance will also be as follows:

- Use internet technology and the IR web page on the corporate site for: Annual Reports; Annual Financial Statements; Quarterly Results; Equity Analyst Briefing presentations; price and non price announcements; company profile, company strategy and objectives; share price and price charts including average daily liquidity and average daily transaction value; top 25/50 shareholders; Board of Directors and Senior Management Profiles and IR group contact details.
- Use live and recorded audio conferencing for quarterly results, equity analyst briefings and possible AGMs. Ensure that the company's outreach is through maximum number of financial platforms such as financial or business websites (e.g. Yahoo Finance, Forbes, Bloomberg etc.).
- Subscribe to one or more online financial services, such as Bloomberg, Reuters, and Thomson Financial. To enable share registry analysis of own company and peer listed companies. To monitor and acquire equity research on own company and peers. To determine relative valuation benchmarks. To determine institutional and equity market commentary on global economy, market economy, industry sector and peer group of listed companies.



## SECTION III: About Qualvin Advisory Ltd

*Qualvin Advisory (Qualvin) was founded in June 2003 by Paul Zaman with the aim of providing the CEO/CFO of a listed company with "smart expert support for smart busy executives". Qualvin successfully engages institutional investors; formulates and executes value-creating strategy; achieves a fair market valuation level; enables successful M&A and equity placements. Qualvin has provided smart support and insights to over fifty listed companies in Australia, Singapore and Malaysia.*

### **The Needs of a Listed Company**

Any size of listed company can be misunderstood and unloved by the equity market. This results in low share turnover and a steadily declining share price often irrespective of management and profit performance. In this situation, the share registry often includes short-term traders, dormant retail investors and a few passive institutional investors. The Board wants a firm and fair share price and liquidity to do M&A or raise funds in an equity placement. The Board wants active research analyst coverage and supportive institutional investors just like the more successful peer listed companies, but how?

### **How the Equity Market Really Works**

Institutional investors, be it growth or value based, look to just three elements that create long-term shareholder value.

- Well formed company strategy and execution
- Well formed capital structure
- Financial and operational management track record.

Global institutional investors particularly pension funds and unit/mutual funds look to these three factors to find the hidden value and growth opportunities. Institutional investors undertake industry, market and company franchise assessments to ensure that they pick the right company in the right sector. They identify latent long-term value meanwhile other short-term investors see the company as fully or even over valued. Global institutional investors take a few weeks to a few months to investigate and undertake analysis on candidate investment companies. The institutional investor needs an appropriate level of transparency and access to management and information. Institutional investors always have alternative investment choices, so a listed company needs to actively engage with the institutional buy-side analyst in their language.

### **The Benefits of Investor Relations and Institutional Investor Following**

The successful Investor Relations team engages with the equity market and attracts quality institutional investors. The benefit of having knowledgeable and committed institutional investors is that they understand and fully support your company's growth strategy. They are willing to invest for the long term. They support M&A and equity share placement by buying shares on-market during any price weakness and have a strong appetite for private placements. The presence of quality institutional investors on your company share registry is a strong indication of confidence in the management team, business strategy and franchise. The share market price is more likely to be firm and move in line with the long-term shareholder value.



## **IR Solutions, Options and Next Steps**

At the Board level, the following deliverables are offered by Qualvin:

- Research and advice on capital structure of long-term debt/equity ratio; dividend policy; and disclosure policy based upon comparison to listed peer companies.
- Research and advice corporate goals and strategy to ensure they increase long term shareholder value and are equity market friendly.
- Preparation of a monthly Board Report on share performance and equity market intelligence.

Qualvin will also assist in setting up and executing a full range of IR capabilities, processes and know-how to effectively engage with the equity markets and achieve the agreed objectives. Qualvin is committed to technology transfer during every engagement in the following areas:

- Develop and execute the IR action plan, including an institutional investor targeting strategy and switching strategy to get quality institutional investors onto the share registry
- Develop and execute an IR outreach programme designed to get targeted sell-side analysts to commence research coverage
- Develop internal financial forecasts and apply valuation techniques
- Evaluate strategic investments in terms of shareholder value and the likely response of institutional investors.
- Develop a custom monthly Board Report on share performance and shareholder value.

## **Qualvin's Industry Sector and Functional Expertise:**

Qualvin has extensive experience in the global corporate world and equity markets. Qualvin also has specialist know-how and expertise in the IT and Telecommunication sector and has worked with leading corporations and government ministries. Qualvin conducts the only survey of Directors' views on Investor Relations and Shareholder value in Asia. Qualvin also undertakes extensive research of IR best practices and advises listed companies across Asia.

Qualvin's functional expertise includes:

- Establishing successful internal investor relations systems and processes.
- Advising on triple bottom line reporting aspects of governance.
- Coaching and mentoring senior executives and Board members.
- Strategy visioning, formulation and voracity testing using shareholder value assessment.
- Absolute and relative valuation modeling to evaluate strategic options.
- Preparing financial and business plans for investments and acquisitions
- Bidding for telecommunication sector licenses.

## **Qualvin Clients and Credentials**

Qualvin and the professional core three person team has undertaken multi-client projects, investment analysis, equity placements; strategy formulation and investment planning; and establishment of investor relations best practices for many listed corporates across Asia, including: AIS, Astra Group, Cerebos, Clough, China National Office Oil Corp, Chemeq, ExcelComindo, ASA Group, AsiaTravel.com, Boustead Singapore, CapitaLand Limited, COSCO



Corporation, Courts Singapore, Deutsche Telekom, Eu Yan Sang International Ltd, FarEasTone, First Engineering, HG Metal, Hutchinson Telecom Australia, inno-pacific Holdings, Innovalues, Jardine Cycle & Carriage Ltd, Koda, Maxis, M1, NOL, MTN Dialog, OCBC, Optus, Pacific Internet, People Phone, PLDT, Promina Group, Qian Hu Corporation Limited, Robinson, Rubberex, Samudera Shipping, Stratech Systems, SembCorp Industries, Siam Cement, Sim Siang Choon Ltd, Singapore Airlines, Singapore exchange, Tat Hong Holdings Ltd, Telekom Malaysia, Telstra, Thai Village Holdings, Thakral Corporation Limited, The Ascott Group, Total Automation Limited, Wearnes, Westech Electronics, and UTAC Group.

### **Qualvin Professional Core Team – “smart support”**

The Qualvin core professional team is three executives each with extensive work experience in strategy consulting, equity markets, corporate finance, equity research and investor relations. In total the core team offers over 40 years of work experience of which 15 years is in equity markets. The three professionals share credentials of: two MBAs, MSc, M.Applied Finance, CFA, BSc Physics, BA Architecture and BA Economics.

### **About the Founder**

Paul Zaman, is the CEO of Qualvin. He was the Head of Telecommunications Research for ING Barings based in Singapore and prior to that the Head at Goldman Sachs J.B.Were in Melbourne. He has produced equity research and conducted equity market global road shows extensively in the telecommunications, professional electronics and computing sectors. Paul has done many equity road shows as a sell side equity analyst in USA, Europe and Asia for high technology companies. Paul Zaman also was the Director of Strategy at the IDA responsible for formulating and executing national ICT strategy to keep Singapore relevant and competitive. Paul received his MBA from Cranfield School of Management in 1988 and also holds an MSc in Electronic Engineering and BSc in Quantum and Nuclear Physics. Paul is a member of both the Australian and the Singapore Institutes of Directors. He is an advocate for shareholder value creation and writes on the triple bottom line aspects of corporate governance.



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