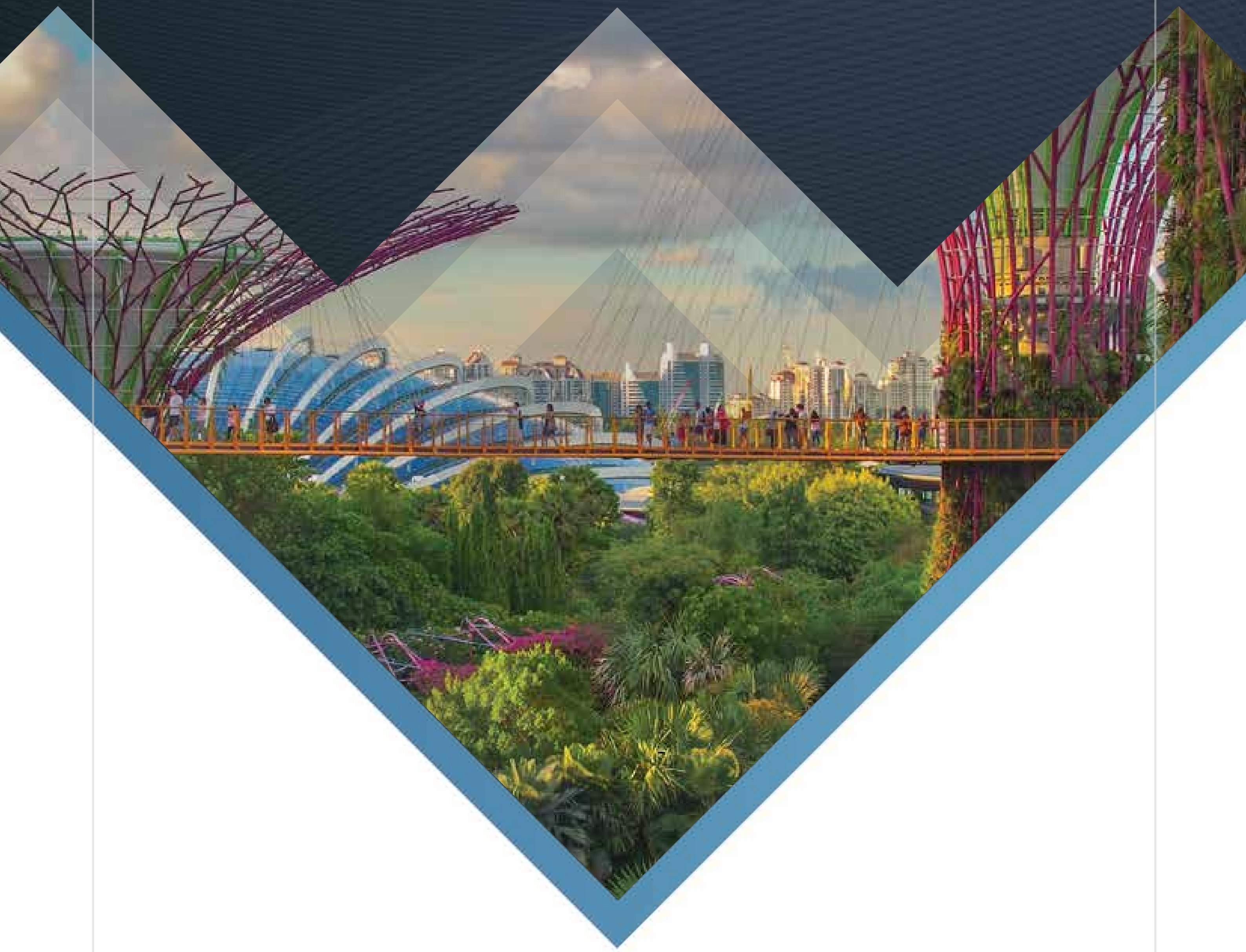
WHITE PAPER

CORPORATE ACCESS GETS A REFRESH AND IROs GET AN OPPORTUNITY!



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To the dismay of many, MiFID II has quickly dislocated many of the traditional relationships, routines, roles and economics that existed for years in the corporate access space. From the shrinking role of the sell side to the rise of the buy side and more independent service providers, few would argue that corporate access has not changed for the better.

The rise of a new model means that the commonly accepted way of getting paid for corporate access services needs a refresh because the old economic model no longer accurately values how meetings between capital markets participants are originated, executed and consumed.

With the changes taking place it makes sense to use the term investor access services instead of "corporate access" because Investor access services better reflects the changing landscape of investor meetings especially since investors don't only meet with corporates, but also meet with analysts, experts, academics to name but a few.

What has changed?

For as long as anyone can remember the sell side have always been the dominant creators of investor access content (meetings), the buy side were the consumers (i.e. people who paid) of investor access content (meetings) and ironically the Corporate was the content owner whose time was being monetized by third parties. However, since the introduction of MiFID II, the world has dramatically changed such that today the buy side, sell side and corporates have each become both content consumers and content creators.

Why is it important?

As a result of this shift, a new equilibrium in investor access origination and consumption is in the process of being created. This is now being further accelerated by the arrival of new entrants to the market in the form of IR firms; independent investor access operators, research exchanges offering analyst access and the world's Stock Exchanges organizing corporate days on behalf of their listed clients. Ultimately what this means is that the traditional model for monetizing investor access is becoming defunct and a *new model* is emerging.

The *'new model'*.

The *new model* seems focused on initially placing value on investor meeting related services instead of paying for investor meeting scarcity, meaning that as the market ecosystem democratizes the ancillary services provided will be paid for rather than using trading commissions as a way to increase the chance of getting a meeting with an in-demand corporate. This is a concept that MiFID II, and even the UK's Financial Conduct Authority (FCA) before it, worked hard to stamp out and it is gradually going away.

As the share of corporates managing their own investor meetings (or employing IR firms to do so) gradually rises, commissions will become even less of a relevant currency. Although globally this will take time to become completely aligned, the effects of the changes in Europe are already seen as being far reaching.

Due to the way the old model worked whereby the host (usually a sell side firm) monetized a third party's time, the *new model* will make it even more challenging for traditional service providers (the sell side) to monetize investor access services beyond receiving some kind of logistics payment, that is unless the traditional providers completely recalibrate the way they provide investor access services, by reducing the cost of delivery, separate out the investor access services staff as a stand-alone business unit, revisit rate cards and what it is that is actually valued by clients and accept that scarcity cannot be easily (and in many jurisdictions legally) monetized. Some have started to move in this direction but its slow going.

As it evolves this *new model* and the democratization that comes with it will likely drive the following outcomes:

1. The cost of corporate access to investors will invariably fall because the investor is only paying for services received from service providers instead of paying to satisfy an ambiguous scarcity charge. Costs will also fall because investors have already started to go direct to the corporate for meetings anyway. The cost to investors will come in the form of access to professionals who charge for their time including sell side analysts and experts etc.;

2. The real cost of investor access for Corporates will most likely rise because they will have to gradually bring in house the investor access services they once received from the sell side. Corporates can either outsource that to an IR firm or they can manage it themselves. Either way the cost of investor access is going up;

3. The traditional revenues available for the sell side will shrink or shift away to other players such as IR Firms who are better placed to monetize investor access services as a part of their overall IR offering;

4. Service providers focused on certain niche aspects of investor access services such as transportation, roadshow logistics, conferences etc. will have new opportunities to be directly paid for their specialized services;

5. Technology will be a critical success factor across the ecosystem as a marketplace for investor access services is created. The transactions between all of the capital markets constituents and the service providers will be high in number but not necessarily high in value (some transactions may even have zero value) – the perfect setup for a marketplace.

One of the important features of the *new model* is that not all participants can *directly* monetize their participation in the investor access services market even though they may be the source of the service, the "zero-value transaction" mentioned in point 5 above. Specifically, a corporate is unlikely to ever charge investors for meetings and an investor is also unlikely to charge for meetings. These two capital markets constituents are capable of monetizing their involvement indirectly. For the corporate it is through share price appreciation as the outcome of a good IR program, consistent shareholder engagement and being readily available for investors in a structured manner. For the investor the more obvious path is their return on investment hopefully gained through a consistent approach to analyzing companies and getting access to them and the analysts who cover them.

What does it all mean for the IRO?

With new entrants, new services, new technologies and new pricing dynamics, the new model is already changing things. IR firms are entering the void left by some sell side firms and technology is being assessed to replace outdated practices or manual workflows. The change is happening faster than expected and is creating challenges where they may not have existed before, especially for Investor Relations Officers (IROs). Much has been written about the challenges faced by IROs but given how the model is evolving it is becoming clear that:

1. IROs should anticipate that they will increasingly be the content creator for their company – curating meetings with investors whether that includes roadshows, investor days or scheduled conference calls around results;

2. IROs should also expect a significant increase in their content consumption as in the receipt of unstructured in bound meeting requests from investors of all varieties;

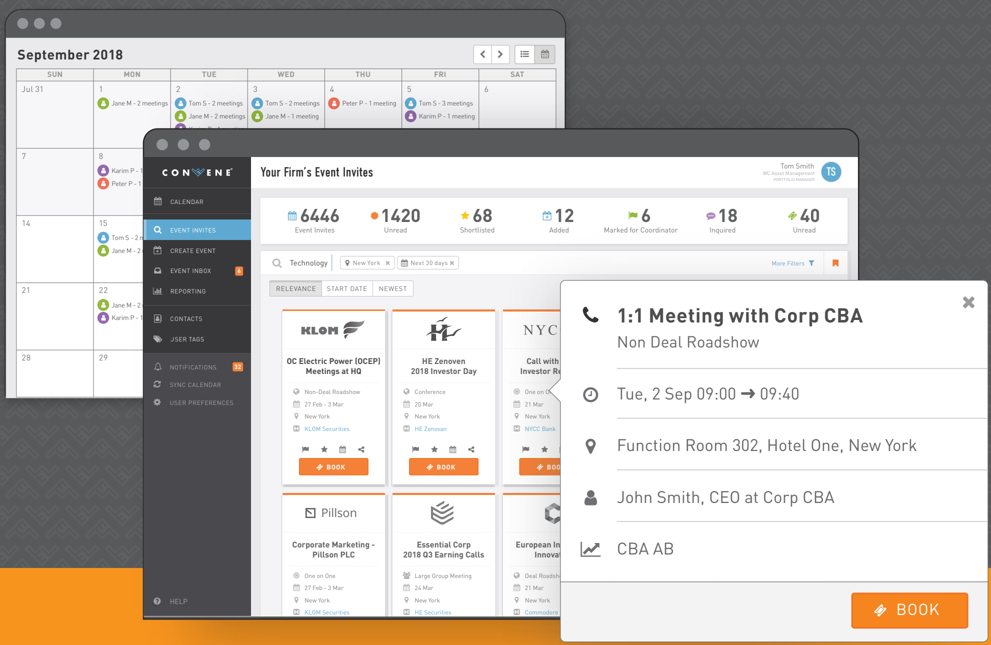
3. IROs should expect that IR budgets will rise over the next few years as the landscape of service offerings settles and services that were previously not available become available and increasingly handy;

4. IROs should expect a much more challenging path to remaining relevant to investors as the shape of the sell side's role in the investor access services market changes.

These are exciting times, if not a little scary but change is a good thing and with it comes the opportunity to take stock and evaluate old practices, manual workflows and inefficiencies in favor of building a much more efficient, effective and powerful IR team.

ABOUT WECONVENE

WeConvene is a global, independently owned web-based platform that automates corporate access consumption and evaluation for the investment community. Events large and small directly impact investment strategies and WeConvene provides value to buy-side, sell-side and corporate organizations by enabling efficient discovery, booking and tracking of meetings.



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