

Mifid II research report

Based on interviews with 79 members of the IR Magazine research panel, Mifid II examines the impact this European regulation has had on investor relations since its introduction in January 2018.

The report looks in detail at the following issues for IR:

- What is the IRO's overall impression of Mifid II?
- How has it affected corporate access and the quality of analysts' research?
- What aspects of IROs' workload have seen an increase or decrease since the introduction of Mifid II?
- What do IROs see as the main benefits and challenges of the regulation?

Data in the report is broken down by region, company market cap size and overall impression of Mifid II.

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Untitled Chapter

Mifid II report cover



Source: *IR Magazine*

Cover text

- What is the IRO's overall impression of Mifid II?
- How has it affected corporate access and the quality of analysts' research?
- What aspects of the IR workload have seen an increase or decrease since the introduction of Mifid II?
- What do IROs see as the main benefits and challenges of the regulation?

Introduction

In January 2018 the European Union (EU) began implementing the second round of its Markets in Financial Instruments Directive (Mifid II). Designed to increase transparency, Mifid II forces banks and brokerages to charge separately for research. The impact of this directive reaches beyond the EU and affects the whole global investment community.

This report looks at how the implementation of Mifid II has affected investor relations. It looks at the overall impression IROs have of Mifid II and what they consider to be its key benefits and challenges. The report further investigates how a number of aspects of IR have been affected by Mifid II and whether this has led to an increase or decrease in workload.

The findings in this report are taken from a survey of IROs conducted in May 2019, more than 16 months after the implementation of Mifid II. This means respondents had time to fully assess and understand the impact Mifid II has had over this time, providing a more measured outlook than some of the more immediate impact assessments.

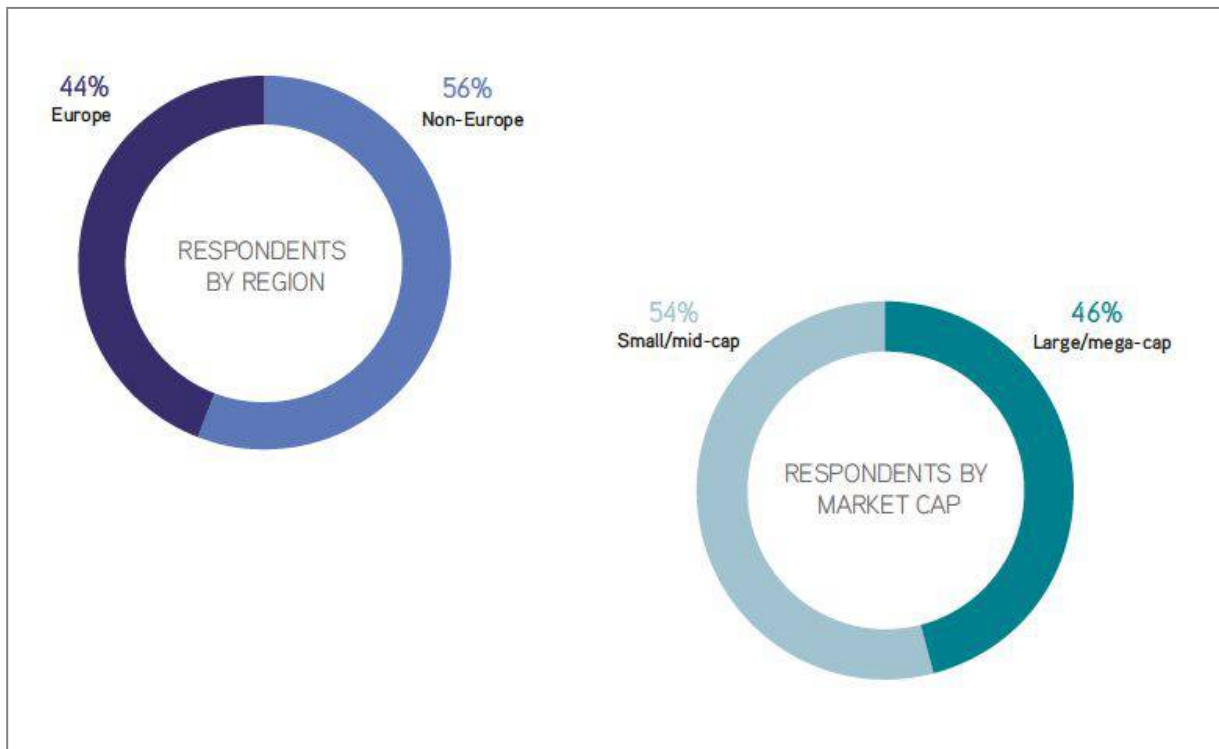
The survey was conducted among members of the IR Magazine research panel and 79 members responded. The survey was global, across all regions and market cap sizes. For the purposes of this report, findings have been further segmented, comparing the results of IROs from within Europe with those outside of Europe, as well as IR professionals from companies of less than \$5 bn in market cap to those from companies of more than \$5 bn. Further analysis of some results is made between IROs who have an overall negative view of Mifid II and those who have a neutral or positive view.

Cap sizes

SMALL CAP	<\$1 BN
MID-CAP	\$1 BN-\$4.99 BN
<hr/>	
LARGE CAP	\$5 BN-\$30 BN
MEGA-CAP	>\$30 BN

Source: IR Magazine

Respondents by region and market cap



Source: IR Magazine

Key findings

- *Half of IROs have an overall negative view of the impact of Mifid II, while just 14 percent have a positive impression.*
- *More than a third of IR practitioners have changed their approach to corporate access as a result of Mifid II.*
- *Just under a quarter of IROs have seen a change in the quality of analyst research coverage.*
- *Nearly a third have seen a decrease in the number of investor meetings, with an average fall in numbers of one fifth among those who have seen a decrease.*
- *More than a third of IROs have seen a decrease in the number of analysts covering their company.*
- *More than half of IROs have increased their direct targeting of investors.*
- *Since the introduction of Mifid II, 56 percent of IROs have seen an increase in direct inquiries from larger investors.*
- *More than a fifth of IROs have seen a decrease in their use of brokers for roadshows.*
- *IROs are having to work harder since the introduction of Mifid II, with 43 percent having seen an increase in their general workload and none having seen a decrease.*

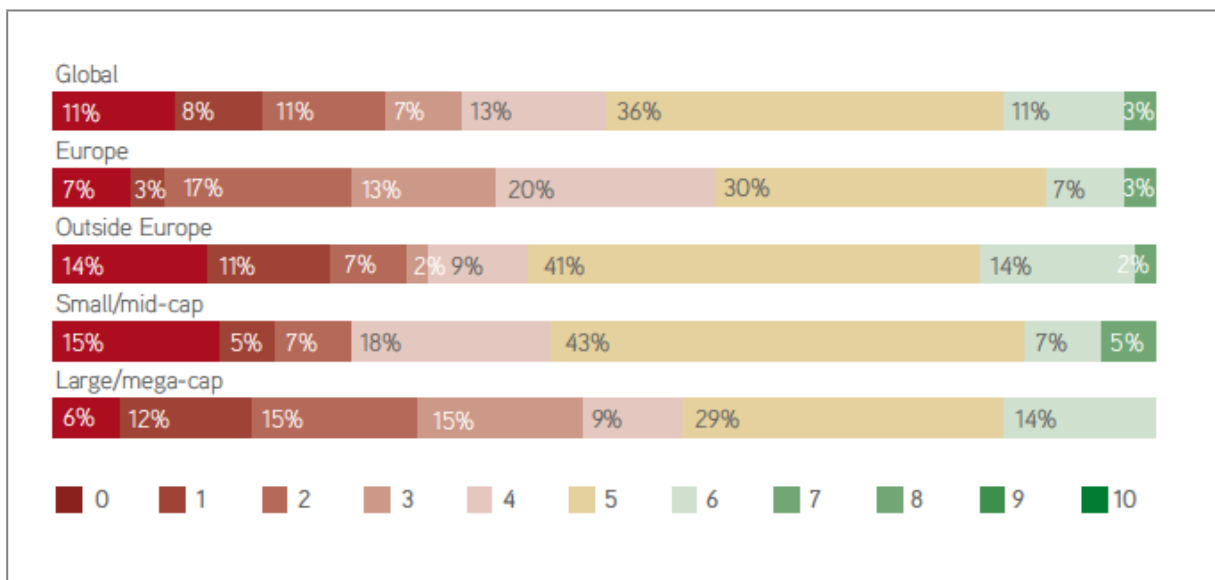
IROs' overall impression of Mifid II

IR practitioners were asked to rate their overall impression of the impact of Mifid II on a scale of zero to 10, with zero being extremely negative, 10 extremely positive and five neutral. Exactly half (50 percent) have a negative view of the impact of Mifid II, with nearly a fifth giving a rating of zero or one. Just 14 percent of respondents have a positive impression of Mifid II and no one gives a rating higher than seven. The remaining 36 percent have an overall neutral impression of Mifid II.

The negative impression of Mifid II is most pronounced in Europe, where the regulation obviously has the greatest impact. Six in 10 European IROs give a negative rating, with just one in 10 giving a positive rating and three in 10 indifferent. But a quarter of IROs *outside* Europe give a highly negative rating of either zero or one.

IROs at larger companies are more likely to have a negative view than those at smaller companies, with no one at large/mega-caps giving a rating higher than six. Although 43 percent of IROs at small or mid-cap companies have a neutral impression of Mifid II, 15 percent have an extremely negative view.

What has been your overall impression of Mifid II?



Notes: *Rated on a scale of 0-10, where 0 is most negative and 10 most positive*

Source: *IR Magazine*

Overall impression of Mifid II: Comments

Impression score 0

US	Small cap	Healthcare	'I think it is likely to distort the motivations of sell-side analysts'
Germany	Mid-cap	Technology	'The whole industry suffers – investors and issuers, higher cost, less service, no improvements'
Hong Kong	Large cap	Utilities	'Changes have resulted in fewer brokers covering us, fewer and lower-quality reports and greater difficulty in us meeting with investors'

Impression score 1&2

Singapore	Large cap	Financials	'It has added to workload, but has detracted from transparency. Fewer brokers covering companies can only mean a less informed market'
Hong Kong	Large cap	Real estate	'Smaller brokers getting increasingly sidelined'
Portugal	Mid-cap	Utilities	'It just makes my life more difficult because investors are harder to reach'
UK	Large cap	Materials	'It has made life harder for corporates, but with no discernible advantages'
Germany	Mega-cap	Materials	'So far, no benefit of Mifid II visible'

Impression score 3&4

Singapore	Mega-cap	Communications	'Has made the role of the IRO much harder. Different standards are applied for each fund; hard to keep track'
Switzerland	Small cap	Industrials	'Things are getting more complex'
Germany	Large cap	Utilities	'While direct investor contact has increased, the quality of research has not improved and the organization of roadshows has become more complex'

Impression score 5

US	Large cap	Consumer discretionary	'Overall, I am not sure Mifid II has had much impact on my role as an IR person'
Portugal	Large cap	Consumer discretionary	'Has not changed significantly'
US	Mega-cap	Healthcare	'No real impact'
Malaysia	Mid-cap	Technology	'Not really affected us as most of our investors originate in Asia'
Belgium	Small cap	Technology	'We're extremely neutral here. We have not experienced any increase or decrease in work. I don't think the extra analysts covering us are a direct consequence of Mifid II'

Impression score 6&7

US	Mega-cap	Communications	'Overall the reduction in sell-side analysts has offset any negatives'
US	Mid-cap	Consumer staples	'Good for the industry. Sell side should not get paid for management access. I could do it myself for free but it requires more resources'
Canada	Mid-cap	Energy	'Good for the industry long term, but short-term pains'

Source: IR Magazine

Corporate access

More than a third of IR practitioners have changed their approach to corporate access since the introduction of Mifid II. These figures change very little according to company size or whether the firm is based inside or outside Europe.

Changes in approach to corporate access correlate with IROs' attitude to Mifid II: more than half of those who have a negative impression of Mifid II have changed their approach to corporate access since its introduction. This compares with just 19 percent among those who have a neutral or positive impression.

Has your approach to corporate access changed since the introduction of Mifid II?



Source: IR Magazine

Corporate access: Comments

Impression score 0

Germany	Mid-cap	Technology	'Doing more of our own targeting'
Australia	Mid-cap	Real estate	'Still adjusting. Not yet successful. Need better people in-house to help'

Impression score 1&2

Singapore	Large cap	Financials	'Easier for us to arrange meetings than brokers in many instances'
Philippines	Large cap	Financials	'We are more selective on brokers used and more active in the investor targeting'
US	Small cap	Industrials	'We are starting to do more on our own'
UK	Large cap	Materials	'Definitely having to do more directly. Have also noticed brokers failing to fill days in certain cities'
Hong Kong	Large cap	Real estate	'Many more direct dealings with investors and self-arranged roadshows'
Portugal	Mid-cap	Utilities	'I now use an IR platform'

Impression score 3&4

Singapore	Mega-cap	Communications	'Logistics harder to arrange'
Netherlands	Large cap	Consumer discretionary	'Banks investing less in corporate access, quality of corporate access teams differs. Banks can't invite everyone in'
US	Mid-cap	Financials	'Looking to do more ourselves'
Germany	Large cap	Utilities	'Organization of one-to-one meetings without broker involvement'
UK	Small cap	Financials	'A move to more direct contact and analysis'

Impression score 5

US	Small cap	Consumer discretionary	'Fewer covering analysts'
Italy	Mid-cap	Energy	'More conferences versus roadshows'
Hong Kong	Small cap	Industrials	'Difficult to fix meetings and get feedback'
France	Mid-cap	Technology	'In part, we have to reach out to non-client investors ourselves'

Impression score 6&7

US	Large cap	Consumer discretionary	'We are looking more closely at company or third-party sponsored non-deal roadshows'
Canada	Mid-cap	Energy	'We need to reach out directly in Europe to fill out day'

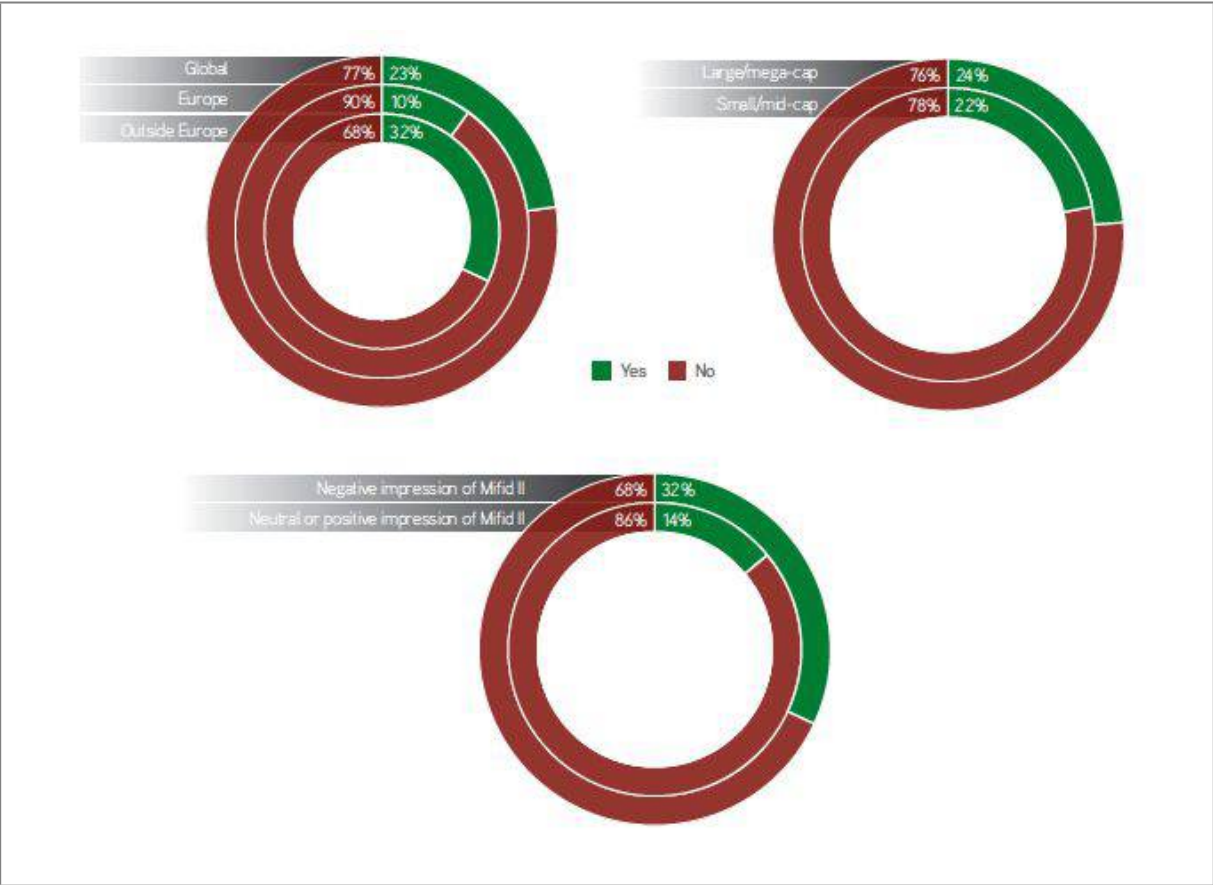
Source: IR Magazine

Quality of analysts' research coverage

Nearly a quarter of IROs globally have seen a change in the quality of analyst research coverage since the introduction of Mifid II. Interestingly, it is outside Europe where the greatest change has been seen, with nine in 10 European IROs not experiencing any change in research coverage quality.

Company size does not appear to have an effect on the number of IROs experiencing a change in the quality of research. Almost a third of IROs who have a negative view of Mifid II have seen a change in quality compared with 14 percent of those with a neutral or positive impression.

Has the quality of research coverage changed since the introduction of Mifid II?



Source: IR Magazine

Quality of analysts' research coverage: Comments

Impression score 0

US	Small cap	Healthcare	'It appears there is a trend toward reduction in quality – banks trying to do more with less'
US	Mid-cap	Industrials	'Quality has declined. Fewer analysts with more stocks per analyst'
Hong Kong	Large cap	Utilities	'Analysts are covering more stocks and writing fewer pieces on each one and, in particular, fewer thematic pieces'

Impression score 1&2

US	Small cap	Industrials	'Yes, only in that we only have one analyst left from the four we had'
Portugal	Small cap	Materials	'Changes for the worse'
Hong Kong	Large cap	Real estate	'Quality had been in decline for a while, but it worsened after Mifid'

Impression score 3&4

Singapore	Mega-cap	Communications	'Juniorization of analysts'
Germany	Large cap	Utilities	'More focus on short-term trading calls rather than fundamental analysis'
UK	Small cap	Financials	'Fewer in-depth reports and less frequent updates'
Germany	Large cap	Utilities	'Organization of one-to-one meetings without broker involvement'
UK	Small cap	Financials	'A move to more direct contact and analysis'

Impression score 5

US	Large cap	Consumer discretionary	'I would say the quality of research continues to decline as the pay for research continues to decline'
Indonesia	Mid-cap	Energy	'I think it's not solely because of Mifid II'
Malaysia	Mid-cap	Technology	'More junior analysts assigned to research'
US	Large cap	Materials	'Overall quality has improved as weaker analysts have left roles'

Impression score 6&7

US	Mega-cap	Communications	'Lower-quality research'
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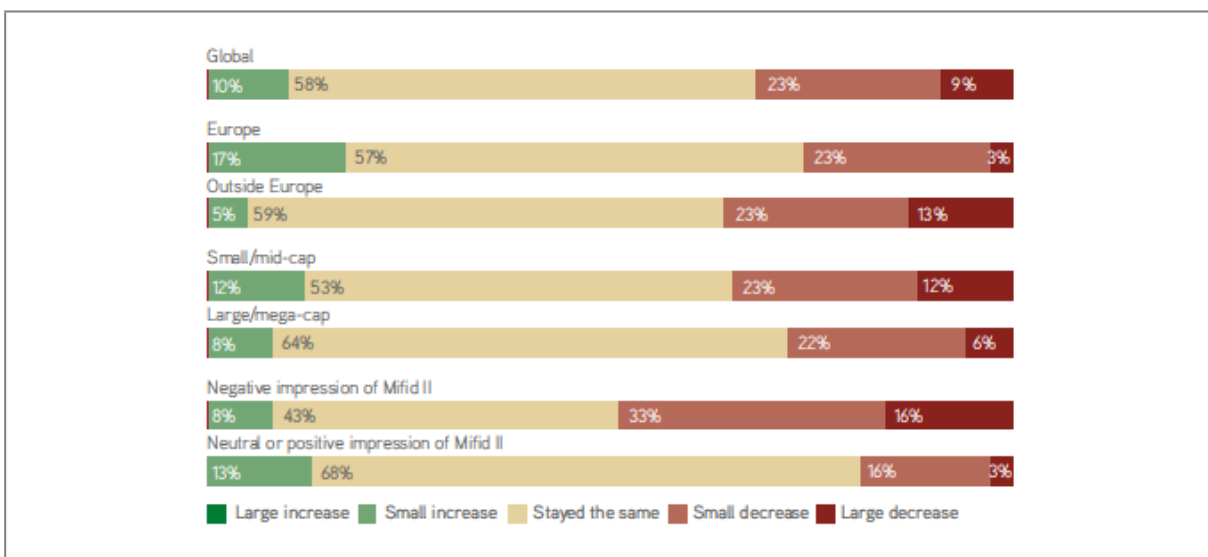
Source: IR Magazine

Investor meetings

Almost a third of IROs have seen a decrease in the number of meetings with investors since the introduction of Mifid II. But a fall in the number of investor meetings is more likely to be seen at companies outside Europe than within Europe and is also more likely among smaller than larger companies. Nearly half of IROs who have a negative view of Mifid II have seen a decrease in the number of investor meetings, compared with just 19 percent of those who have a neutral or positive view.

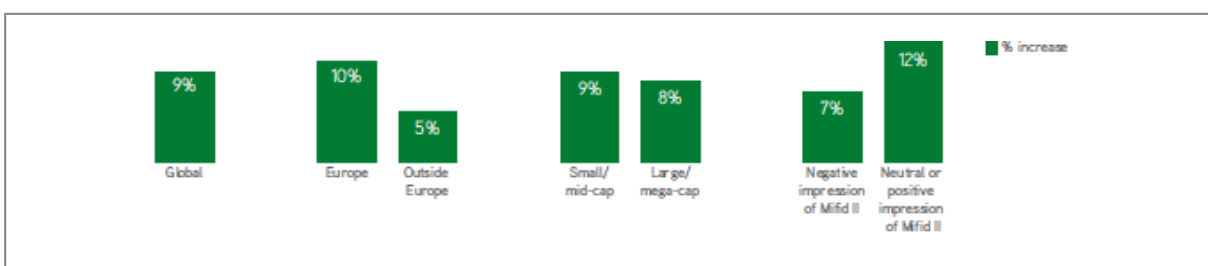
Among those who have seen a decrease in meetings, there has been an average fall of one fifth in meeting numbers. A greater decrease has been seen by smaller firms and those who have a negative view of Mifid II.

Number of investor meetings



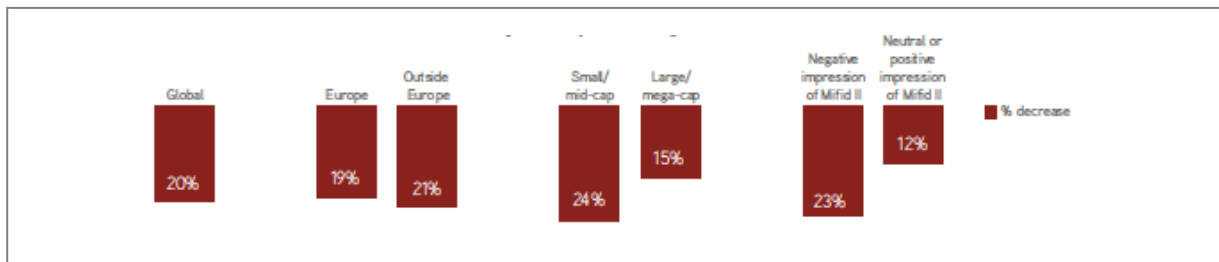
Source: IR Magazine

Where numbers have increased, by what percentage?



Source: IR Magazine

Where numbers have decreased, by what percentage?



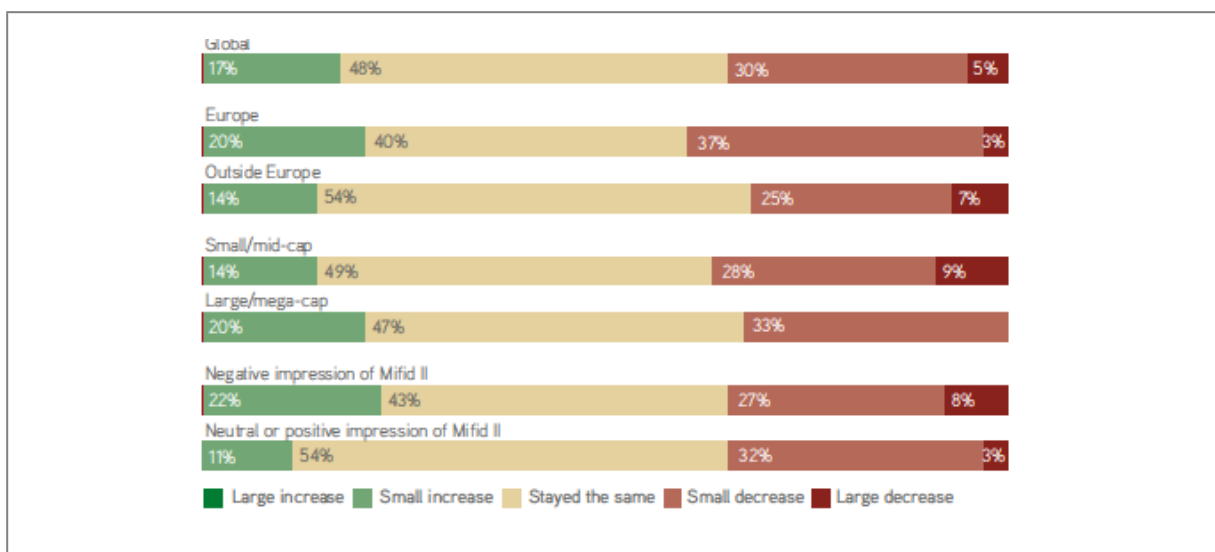
Source: IR Magazine

Number of analysts

More than a third of IROs have seen a decrease in the number of analysts covering their company since the introduction of Mifid II. A greater number of European companies have seen a decrease in analyst coverage, as have more smaller than larger companies.

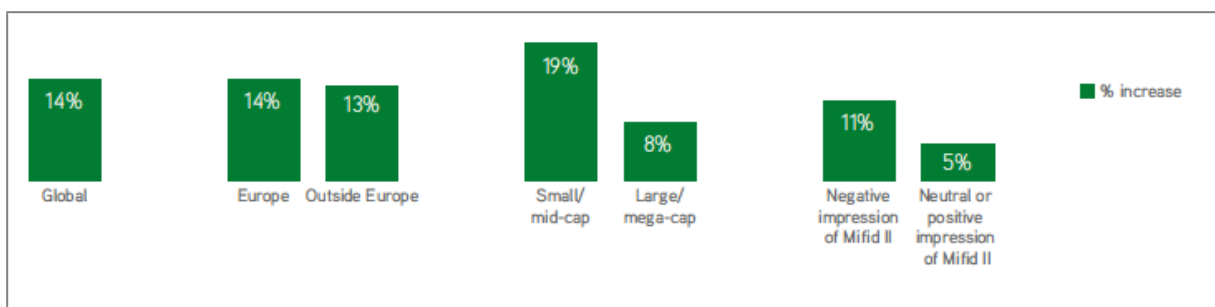
Interestingly, the same amount (35 percent) of both IROs with a negative impression of Mifid II and those with a neutral or positive impression have seen a decrease in analyst numbers. Indeed, twice as many IROs who have a negative view have seen an increase in analyst coverage – 22 percent, compared with 11 percent of those with a neutral or positive attitude.

Number of analysts covering your company



Source: IR Magazine

Where numbers have increased, by what percentage?



Source: IR Magazine

Where numbers have decreased, by what percentage?



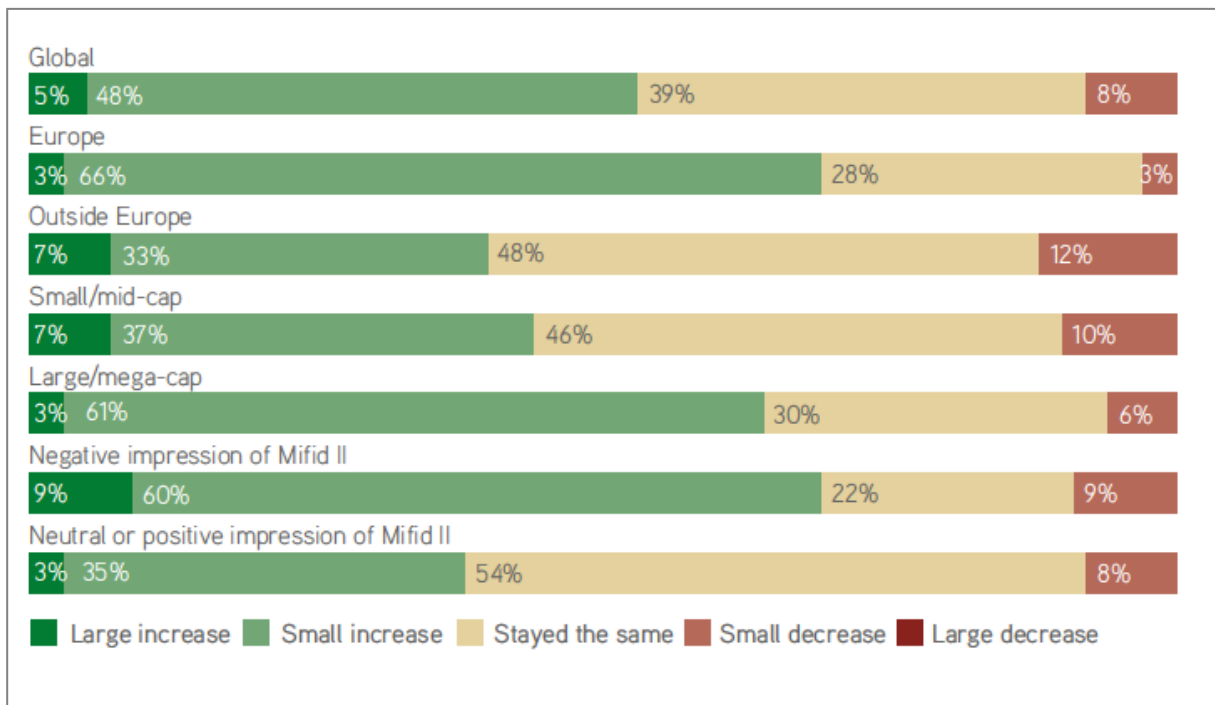
Source: IR Magazine

Direct targeting

More than half of IROs globally have increased their direct targeting of investors since the introduction of Mifid II. Nearly seven in 10 European IR professionals have increased their direct targeting, as have 64 percent of large/ mega-cap company IROs.

IROs with a negative view of Mifid II are much more likely to have increased their direct targeting than those with a neutral or positive view: 69 percent compared with 38 percent.

Direct targeting of investors

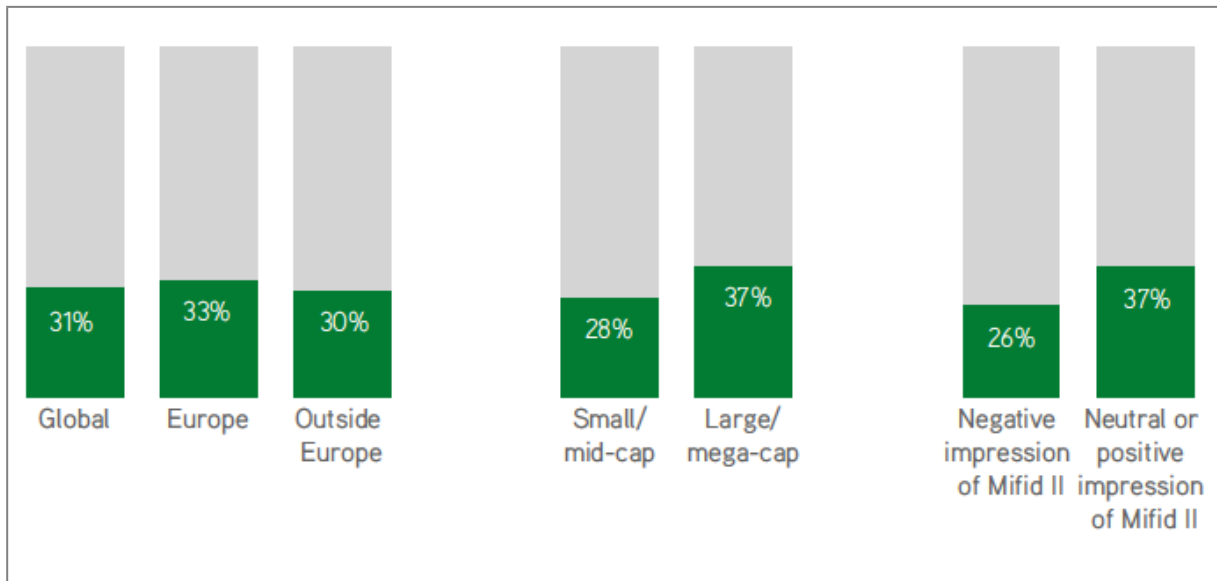


Source: IR Magazine

Direct targeting success

Just over three in 10 IROs view their direct targeting of investors as having been successful since the introduction of Mifid II, with the majority of IROs considering it neither successful nor unsuccessful. Larger companies and companies with a neutral or positive impression of Mifid II are more likely to view their direct targeting as successful.

Direct targeting success



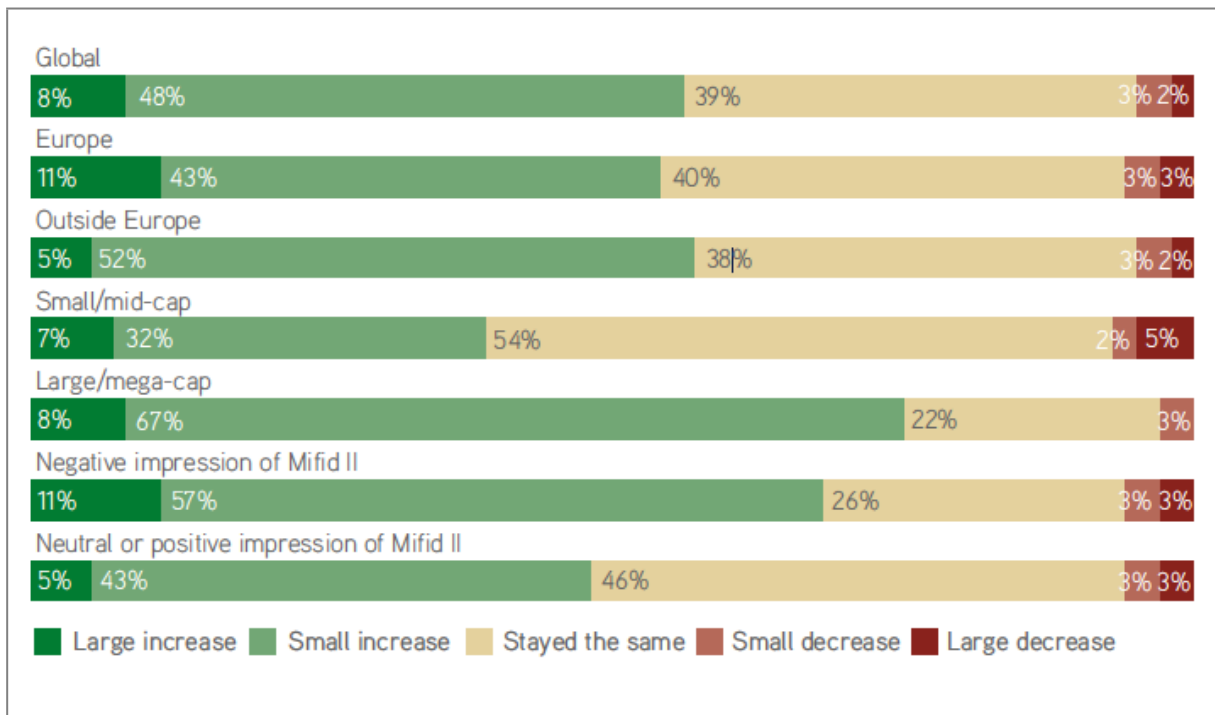
Source: IR Magazine

Direct inquiries from larger investors

Since the introduction of Mifid II, 56 percent of IROs have seen an increase in direct inquiries from larger investors. Large increases have been experienced by both European and non-European IROs.

The greatest increase in direct inquiries from larger investors is found among large and mega-cap companies, three quarters of which have seen an increase in such inquiries since the introduction of Mifid II. There is a 20 percentage-point difference in witnessing an increase in direct inquiries between IROs with a negative view of Mifid II and those with a neutral or positive view.

Direct inquiries from larger investors



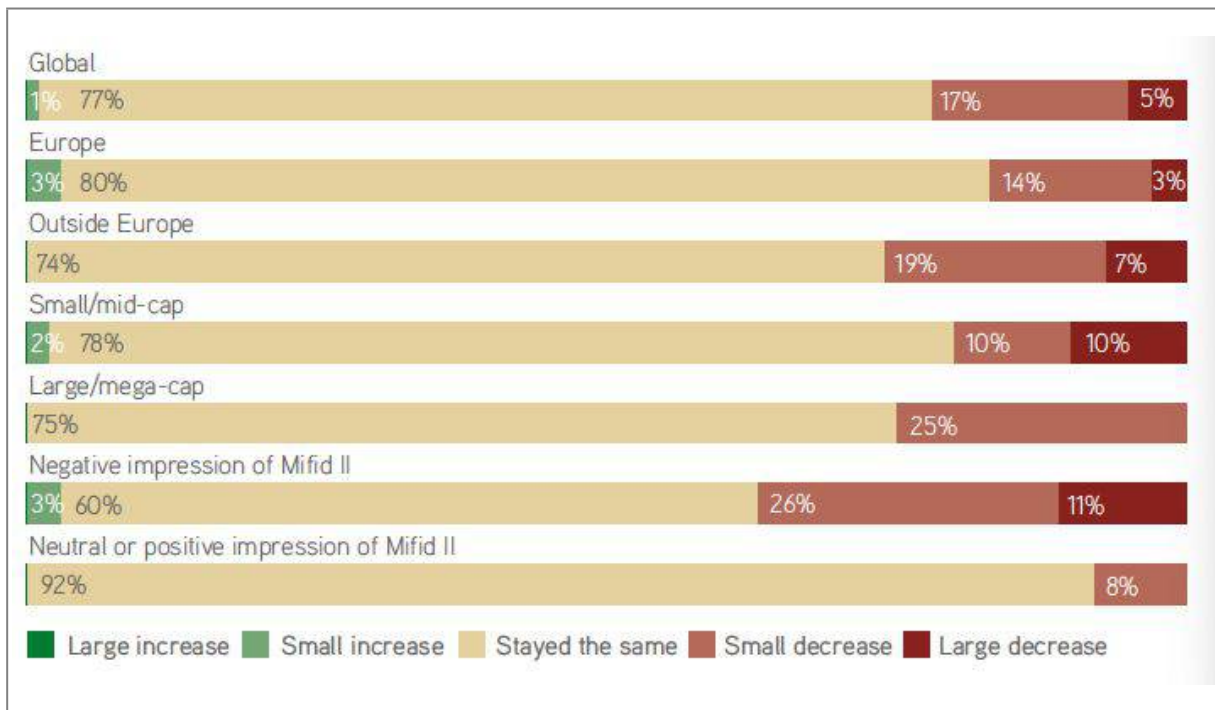
Source: IR Magazine

Use of brokers for roadshows

Since the introduction of Mifid II, 22 percent of IROs have seen a decrease in their use of brokers for roadshows compared with just 1 percent who have seen an increase. A reduction in broker use for roadshows is more common for companies based outside Europe and among larger companies.

Among IROs who have a negative view of Mifid II, 37 percent have seen a decrease in their use of brokers for roadshows compared with just 8 percent among those who have a neutral or positive view.

Use of brokers for roadshows



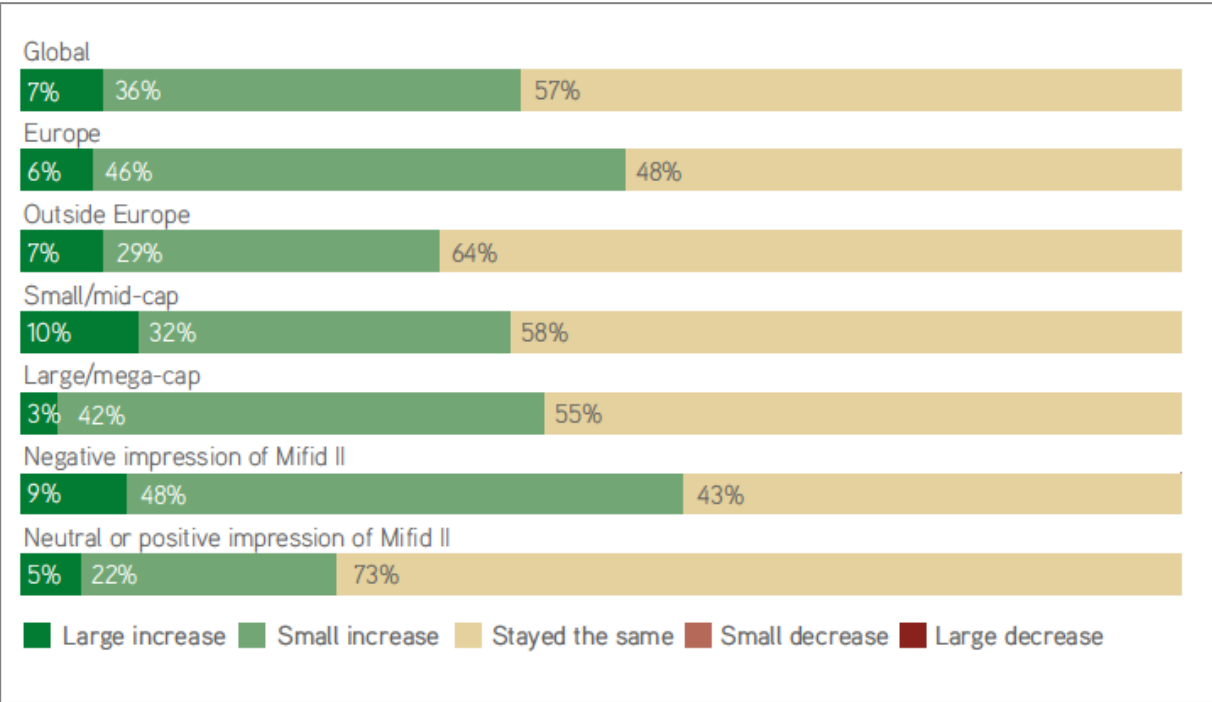
Source: IR Magazine

General workload

Overall, IROs are having to work harder since the introduction of Mifid II, with 43 percent having seen an increase in their general workload and none having seen a decrease. Unsurprisingly, more IROs in Europe have seen an increase in their workload than those outside Europe, while company size doesn't seem to have much effect on whether or not IROs experience a workload increase.

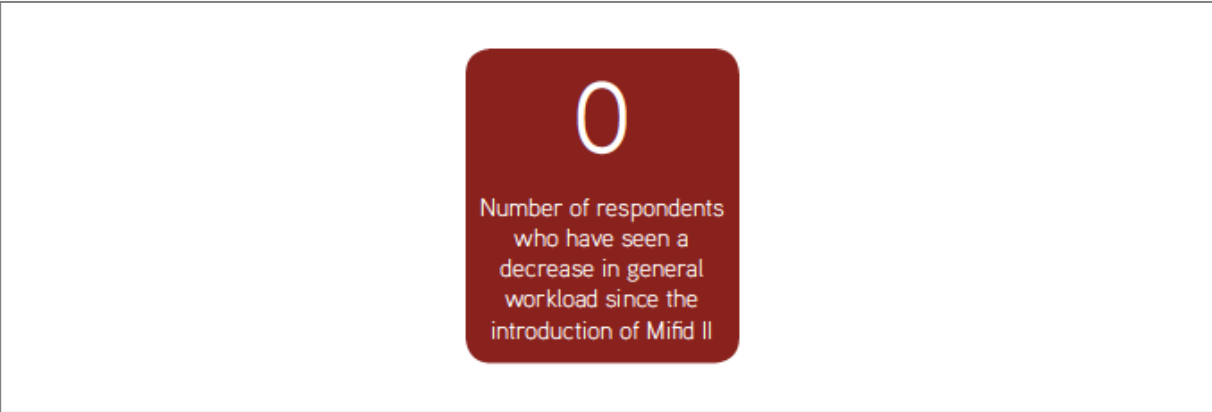
Among IROs who view the impact of Mifid II negatively, 57 percent have seen an increase in their workload since its introduction. This compares with just 27 percent of those who have a neutral or positive view of Mifid II.

General workload



Source: IR Magazine

Number of respondents who have seen a decrease in general workload since the introduction of Mifid II



Source: IR Magazine

Mifid II: Benefits

When asked what can be considered the main benefits of Mifid II, more than half of respondents actively state that they have seen no benefits since the implementation of the regulation. Of the remaining respondents, half say they haven't really seen any impact or are not much affected by Mifid II.

Mifid II: Benefits

Impression score 3			
Germany	Large cap	Technology	'Fewer market education-type meetings. Investors are better prepared'
Impression score 4			
Russia	Mega-cap	Energy	'No cold meetings'
Germany	Large cap	Utilities	'Increased direct dialogue with investors'
UK	Small cap	Financials	'Providers of corporate access and CRM solutions'
Impression score 5			
Italy	Mid-cap	Energy	'More direct investor contact'
Indonesia	Mid-cap	Energy	'I think Mifid II has not been as strictly implemented in South East Asia, so cannot really comment on this matter'
US	Mega-cap	Healthcare	'We have had a couple of investors create their own corporate access departments'
Hong Kong	Small cap	Industrials	'Direct contact with investors'
Impression score 6			
US	Mega-cap	Communications	'A reduction in sell-side coverage. We used to have 22 covering analysts; now we have 20'
US	Large cap	Technology	'One benefit has been an increase in the larger firms putting together their own roadshows to visit us'
Impression score 7			
Canada	Mid-cap	Energy	'High grading of brokers, as the weak ones are falling off. Also, no waste-of-time courtesy meetings'

Source: IR Magazine

Mifid II: Challenges

When asked what the main challenges are that Mifid II presents, fewer than one in 10 respondents say they see no challenges resulting from its implementation. Respondents overall clearly see more challenges in Mifid II than they do benefits.

Mifid II: Challenges

Impression score 0

US	Small cap	Healthcare	'I think it motivates banks to focus on banking revenue rather than research and trading revenue, shifting resources away from research'
US	Mid-cap	Industrials	'Weaker analyst coverage, and a handful of large investors are no longer accepting meetings from certain brokers'
Germany	Mid-cap	Technology	'Corporate access – the fact that brokers have only selected access to investors'
Australia	Mid-cap	Real estate	'As a mid-cap, we are having to spend time and money on things we used to have brokers do better and for free. Our investor exposure has been less because we do not yet have the right people in-house. Cost up, effectiveness down – Mifid is a major negative'
Hong Kong	Large cap	Utilities	'Organizing logistics for roadshows and getting brokers to accompany us when we are on the road'

Impression score 1

Philippines	Large cap	Financials	'Investors wanting to avoid brokers so coming direct. Or requesting we visit them without allowing broker to co-ordinate schedules on non-deal roadshows. Or crashing the cheaper group sessions at conferences and then trying to monopolize'
US	Large cap	Technology	'Many analysts/banks are no longer interested in doing roadshows in Europe'
Hong Kong	Large cap	Real estate	'More work for corporates, less/narrower coverage from brokers'
Portugal	Mid-cap	Utilities	'Finding time to organize good roadshows without the help of so many brokers'
Hong Kong	Large cap	Utilities	'Organizing logistics for roadshows and getting brokers to accompany us when we are on the road'

Impression score 2

Colombia	Large cap	Financials	'Less interest in sponsored events'
US	Large cap	Industrials	'Indirectly, Mifid II closes off the direct interaction between investors and issuers'
Germany	Small cap	Technology	'Comply – or complain'
UK	Large cap	Materials	'Not every broker has access to every investor, which makes planning and executing roadshows difficult, particularly in the US'
Germany	Mega-cap	Materials	'It is harder to establish contacts with smaller investors'

Impression score 3

Netherlands	Large cap	Consumer discretionary	'Some investors don't work with certain banks, which means it's difficult to cover them on roadshows organized by banks. We therefore work only with the 'bigger' banks with good analysts, knowing that their research is most often used'
Italy	Large cap	Consumer discretionary	'Smaller brokers are struggling a bit'
UK	Large cap	Industrials	'Getting access to research on us and peers'

Source: IR Magazine

Mifid II: Challenges continued

Impression score 4

Singapore	Mega-cap	Communications	'Logistics arrangements and investor targeting'
US	Mid-cap	Financials	'Having to do more to reach out to investors because sell-side sponsored non-deal roadshows – especially to Europe – seem to be very challenged'
Switzerland	Small cap	Industrials	'As a small-cap company, it is an ongoing challenge to keep the awareness of both investors and analysts. Moreover, we're seeing frequent requests for paid research and conferences, where we as a listed company have to pay an entrance fee'
Germany	Large cap	Utilities	'Investor targeting'
UK	Small cap	Financials	'Ensuring enough voice in the market'

Impression score 5

US	Large cap	Consumer discretionary	'The biggest challenge has been investment banks shutting off access to research because I do not fill out a form periodically to say that I am a corporate person, not an investor'
Italy	Mid-cap	Energy	'More difficult to organize roadshows with brokers'
US	Mega-cap	Healthcare	'We have not really experienced any challenges'
Hong Kong	Small cap	Industrials	'Difficult to get feedback after meetings through brokers'
Bulgaria	Small cap	Industrials	'No unexpected challenge from Mifid II for our company'
US	Large cap	Materials	'More difficult to fill broker-sponsored roadshows with quality meetings'

Impression score 6

US	Mega-cap	Communications	'We have seen heavy turnover in our London-based sell-side accounts. Getting new (junior) covering analysts up to speed has been challenging. We have noticed that a lot of the senior research analysts have quit or been fired'
US	Large cap	Consumer discretionary	'Knowing when there is a need to work directly and when there is not'
UK	Large cap	Financials	'It has caused a lot of movement in the sell-side community, which has led to reduced coverage in my firm but primarily because of analysts leaving and time taken to replace them'
US	Large cap	Technology	'Occasionally, we have seen smaller firms be boxed out of roadshows and conferences. The larger firms get more airtime, which is not necessarily all bad'

Impression score 7

Canada	Mid-cap	Energy	'Fielding a full schedule without IR doing a lot of the booking'
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Source: IR Magazine