

Insight

The Role of the Corporate
Website in the Investment
Process

Al Loehnis
Investis

June 2007



MAKINSON COWELL

.INVESTIS

Contents

EXECUTIVE SUMMARY		1
INVESTORS' VIEWS	Influence on Investment Decisions	3
	Most Important Attributes	6
	Online Filing and the Annual Report	9
	Webcasting Comes of Age	10
	Some Quick Wins...	12
	...And Some Ways to Lose Friends Fast	14
INTERVIEW SAMPLE		15

The opinions recorded in this survey are those of international investing institutions and do not necessarily reflect the views of Makinson Cowell.

Executive Summary

What role does the corporate website play in the investment process of the professional fund manager, who has access to senior management, the best analysts and the most sophisticated desktop resources for financial information and analysis?

A company view that still prevails in many quarters is that the website is very much a secondary resource in this context: an online archive, but not a primary research resource. Investment in the website, both financially and in terms of senior executive attention, is allocated accordingly. Even companies which take a more enlightened view would do well to compare the amount of senior executive time that is spent each year on the annual report, with their level of engagement in the development of the corporate website. The question we are asking is whether companies prioritise the corporate website in line with its importance in the investment processes of professional investors?

We set out to seek the fund manager's view on the role of the website and its influence on their investment decisions. We interviewed 33 fund managers and analysts from some of the largest institutions in the US, UK and mainland Europe, controlling more than \$8tr of investments. The institutions we interviewed are detailed in the Appendix. We asked them how the quality of a company's website influenced their attitude towards the company as an investment. We asked them to talk about the role that the corporate website plays in the investment process. They told us about their likes and dislikes and how corporate websites can be made to serve their needs better.

Where relevant we have supplemented their comments with data from a recent survey by Investis of FTSE 100 websites. But this Insight report aims primarily to paint a picture not by numbers, but through the words of the fund managers them-

selves. Here are some of the key messages.

- Websites influence investment decisions
Nearly two thirds of the fund managers said that the quality of the website influenced their attitude towards the company as an investment. The company's website is a shop window for its shares as well as its products and services.
- First impressions persist
The website plays an especially important role when fund managers research a new investment opportunity, as well as in the ongoing analysis of existing investments.

The following companies were most admired by those interviewed

MOST ADMIRER WEBSITES

BAT - www.bat.com
BP - www.bp.com
Cadbury Schweppes - www.cadburyschweppes.com
Deutsche Bank - www.db.com
Deutsche Post - www.dpwn.de
Imperial Tobacco - www.imperial-tobacco.com
LVMH - www.lvmh.com
Prudential - www.prudential.co.uk
Rolls Royce - www.rolls-royce.com
TNT - www.group.tnt.com

Note: mentioned by two or more interviewees

Our research also confirmed that to meet the needs of fund managers effectively the company should recognize that:

- More is good
Provide comprehensive content and extensive archives of historical information. Let investors decide what is important.
- The medium itself is an advantage
Take advantage of the online medium - nearly

Executive Summary

70% of the interviewees really value webcasts and multimedia content. Many are also accessing sites away from the office, on laptops and mobile devices.

- Printed copy is still required
Lots of institutions no longer keep hard copy reports, but people do still want printable formats as well as those which are optimised

for the web. Providing documents in multiple formats is key.

- Speed and ease of use matter
Slow sites, poor navigation and untimely updating frustrate fund managers enormously - with possible consequences on their investment decisions. Ease of use is key.

Investors' Views

INFLUENCE ON INVESTMENT DECISIONS

OVERALL

We asked "To what extent does the quality of a company's website influence your attitude towards that company as an investment?"

Nearly two-thirds of the 33 fund managers we interviewed said that a company's website can influence their investment decisions. Only seven said that it would have no influence at all.

A company's website is the most visible public expression of its corporate brand and values. Intentionally or not, it says something fundamental to visitors about how the company sees itself and how it wants to be seen by the outside world. In the words of one fund manager, "The best run companies have the best websites. It is the pervasive culture of a firm."

Here are some of the other responses.

"It does a lot because it sends a signal. It is part of the image - absolutely."

"If it is hard to get information on the company, if they are not disclosing things well, it definitely affects the decision because we view lack of transparency as a potential red flag as to what might be going on with governance."

"It is quite significant...There is a strong correlation between those companies that are sloppy in [managing their websites] and those companies that are just generally sloppy in the way they run

their business. A website is quite a good indicator of how sophisticated a company may or may not be."

"I suppose it must to an extent... I am sure that somewhere in the back of your mind you form an opinion either negatively or positively based on the quality of their website."

"It would not affect me in a positive way but it could in a negative way because if there are links on the website that lead nowhere, or if it is very badly structured, it might reflect a general level of carelessness or disorganisation within a company."

"It does. When I have the information, it helps me make the decision much faster, and feel more comfortable about it."

"Yes, it does. A good, helpful website makes it easier for me to do my job. It also indicates to me that these people are serious about providing the information and being open and attracting investors. It is not going to make or break an investment, but overall it taints your view of the company."

"I spend a lot of time on websites. I can say I spend hours on the investor pages, just looking for the information I need and if I can't find what I need easily I get frustrated, with all of the consequences for my investment decision."

NEW INVESTMENT

For a few fund managers the corporate website is a gap-filler in the research process. The vast majority, however, were clear that it has become more important than ever. As in-house research capabilities at institutions have grown and depen-

dence on the sell-side has diminished, fund management institutions are turning to the corporate website as the starting point for research. This is especially true when looking at new investments.

Investors' Views

INFLUENCE ON INVESTMENT DECISIONS continued

We asked what role the corporate website plays in the analysis of a company when considering a new investment.

"It is the absolute first port of call."

"If I had not met the management already I would want to hear the story from the horse's mouth, so I would listen in to a few webcasts, look at a few results presentations and see if there is any consistency about them or not. I would listen to the story being told, and the line

of questioning from the audience. I would then build my valuation model and arrange a meeting with the company and then make an active recommendation on the back of that."

"I think it is very important - to look at the KPIs and get an overview of the company. It is definitely the starting point for looking at a company."

"It is one of the key factors. Usually it is the first place I go."

VIRTUOUS CIRCLE

For companies with comprehensive websites which are regularly updated, a virtuous circle comes of this: the better they get, the more they are used. The opposite will obviously be the case if little information is provided and there is therefore no reason to regularly visit the site.

"The usage has increased a lot. There is so much information. I think there are two things here: one is that the quality of company websites has improved, information is much more available, it is much better presented and you can get into more depth in terms of information on the company and so consequently I use it a lot more."

"The great thing about a website is the amount of information you can store on it - all the company presentations and, as I said, you can get to the depth of a business, into the individual divisions and so on, so it is very good. The usage has increased a lot."

"[Our ongoing use of the website] depends on the information provided. Some companies provide some pretty good data on there that you can get, like monthly sales numbers. Most companies do not. So it is always a first point. You have to check for news releases, stuff like that, see what is happening with the shares. But more so for new companies than for ones ongoing."

EXISTING INVESTMENT

The role of the website changes for most fund managers when keeping track of existing investments, but it remains an essential research tool for data gathering and keeping up with events.

"To be frank, I look constantly at corporate websites."

"Whenever there is a quarterly results call or any other presentation, if I am not able to attend - which happens quite often because I travel a lot - the first thing I do, if I want to catch up on the things that have happened, is I go to their web page and look for the info."

Investors' Views

INFLUENCE ON INVESTMENT DECISIONS continued

"I think you can learn a lot about how they view their business. You can compare that to how the competitors view their strategies on their websites. You can see how your view of the company might be different or why they are doing something that you might disagree with."

"If I am meeting with a company, I go on the website to get a fast refresher course in their business. I look at the most recent quarterly earnings releases, the year-end results, and maybe read the Chairman's letter from the most recent Annual Report. I expect to find those in

an Investor Relations drop-down tab. I also don't mind getting emails reminding me of upcoming events. Those are helpful. Either the companies include me on their lists, or you can sign up to receive emails on most company websites. I go through my emails every day and look for these kinds of announcements."

"That is what the website gives - I don't have an IR person calling me when it is not convenient for me. The website allows me to do things when it is most convenient for myself."

Investors' Views

MOST IMPORTANT ATTRIBUTES

KEY MESSAGES

We asked what people considered to be the most important attributes of a corporate website. Two key messages were almost universal:

- Your site must be really comprehensive
- Your site must be easy to use and fast in terms of performance

Without exception, ease of use was cited as a key attribute, although a number of different factors were emphasised, from page load speed, to the

necessity for simple, clear navigation and signposting of key information.

"It should be easy to use and navigate, it should have all the information that I am looking for as an investor and it should have a fast response time. Performance matters."

Below are some sample extracts from our interviews which provide some more specific pointers for improvement.

LET THE AUDIENCE DECIDE WHAT IS RELEVANT

"Like all fund managers, we always say 'more is good', then at least we can filter it."

"Some companies divide things up into City releases, PR releases, other sorts of releases, and you have to go to different parts of the website to find out what each is. A central data base is probably the most important thing - I need to go in, I need to know the newsflow for this company over the last six months from top to bottom on a

daily basis. I can ignore the ones I don't want."

"The three most important attributes would be archives of financial announcements, report and accounts, presentations are very important so people should not underestimate those and results statements. Financial calendars are very important and then the background stuff I mentioned earlier - how the company works, how the product is sold and what the product is, history."

STRATEGIC DEVELOPMENT

40% of FTSE100 companies have no dedicated strategy page of their websites.

Source: Investis

Provide a detailed account of the company's strategic development, going back much further than you might think relevant:

"I also like to see a lot of historical financial information - at least 10 years, not just 3 or 5 years."

"In terms of a new company, we are interested in a detailed history of how it got to where it is. For instance, a list of acquisitions it has done, when it changed brand names or when it developed new brands. It may seem trivial to the management running it now but how the company was founded maybe 100 years ago, who founded it, and significant events along the way. This all helps you form a picture of the background to the business and to understanding where it has come from."

Investors' Views

MOST IMPORTANT ATTRIBUTES continued

GIVE THE INDUSTRY CONTEXT

Only 21% of FTSE100 companies provide a clear explanation of their market context on the website.

Source: Investis

Investors will be judging your company against a broader industry context, so it is a good idea to provide that information for them rather than have them find it from other sources.

"When researching a new investment, it would be useful to have some collection of market data on the markets in which they operate, some reports on the markets they operate in, some information

that would help me understand the context in which these companies operate."

"Companies attach many financial presentations to their websites, and I think they could attach a lot of other presentations, for example on the operational side we know very little about a company and it could be a useful source of information."

"It would be helpful to have access to in house research, for example on emerging market banks it would be helpful to have some top down macro analysis."

DON'T LET DESIGN GET IN THE WAY OF USABILITY

"Some websites give the impression that they are designed to please the website designer but not to make life easier for the user logging on to get some information."

"It is difficult to find what you are looking for and, even with a fast connection, it is a bit slow to load because there are too many pictures that have no information content but just look pretty."

A CLEAR STRUCTURE AND NAVIGATION IS ESSENTIAL

"If you can find everything easily you have the impression that the company is also well managed and is sharing information with their shareholders, so having a well laid out website is very important."

important because if you don't find it at first glance you can forget about it. I think it is really important that there is a structure at first glance when you look at the Investor Relations page, so that you can access everything with one or two clicks and no more than three."

"Things must be easy to find. I think that is most

Investors' Views

MOST IMPORTANT ATTRIBUTES continued

HELP THEM BUILD FINANCIAL MODELS

27% of FTSE100 companies make financial data available for download into Excel.

Source: Investis

"I would add a little button which takes you to company guidance on earnings, margins, capex and how they expect the tax rate to evolve. That would be really useful...even if it is very vague - like mid-term guidance for sales or 'EBIT margin above 10%' so you have some kind of idea about the guidance."

"It would be very good if I could download the figures into an Excel spreadsheet but not many companies offer that. It would be great because then you could use their own data. There are lots of figures in the press releases but they are usually only available in PDF, which you can't download."

"The other thing that is useful is, a lot of companies, although it is not directly in their financial release, will put out additional statistical information with their financials, be it price, volume, whatever, that you can download in an Excel format, and that is usually pretty useful."

KEEP IT UP TO DATE

Make sure the website is updated in a timely manner as and when new information becomes available.

"Speed is the most important attribute. It is incredibly frustrating not to have the information on the website when the announcement is made."

"Put the announcement out on the website at 7 o'clock on the dot; it should be on there within a

few minutes. It is so much more of an important medium for them to disseminate their information through."

"Websites should always be as up-to-date as possible is the only thing I would say and, if they are not, it is intensely frustrating but also does give you a clue typically as to how the company a) views its shareholders, and b) how well organised it is."

ONLINE FILING AND THE ANNUAL REPORT

As more and more institutions no longer maintain printed report archives, the website has become the key source for annual reports. This was notable amongst many interviewees, especially the US fund managers. Annual reports are not just being downloaded and printed - a number of fund managers expressed a preference for accessing online versions designed expressly for the web.

Documents designed for print do not necessarily work well on the web. Companies should ensure that their reports are available online both in formats designed for downloading and printing (ie a PDF or excel) and in formats designed for web browsing (ideally an HTML annual report).

"From an accounts point of view, it is where we are getting the report and accounts from, but I am not sure we are going to download the HSBC 450 pager!"

"If you download results you always get them in PDF, which I think is good if you want to print them out, but I prefer to have them in Excel, so I can immediately copy them."

"It is typically our first point of reference because I would look for the Report & Accounts - we don't hold hard copies any more."

"When you want to look quickly at an item in the [HTML version of the] annual report, it is much easier. I do not keep annual reports any longer because of lack of space so, in fact, the internet is my storage."

"I never store the annual reports so every time I have doubt about something, I look at the annual report on the internet to check."

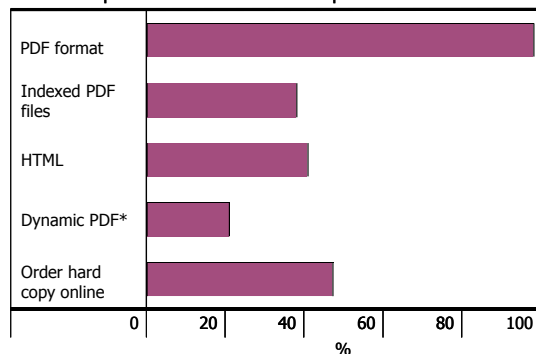
"There is a general trend of using the website as a resource for documents and financial information. In other words, I don't maintain many paper files any more."

"I have been making the transition from studying companies mostly on paper to using the Internet to help me find information faster or to get third-party information."

"If the website is good, and the information is accessible, then a website is preferable to trying to look through hundreds of pages of financials to find what you need."

"I tend to use [corporate websites] a lot more than I have done, just because it is easier than using Reuters to find historical records and also it is my primary source of data for reports and accounts."

Annual Reports Online – FTSE 100 practice in 2006



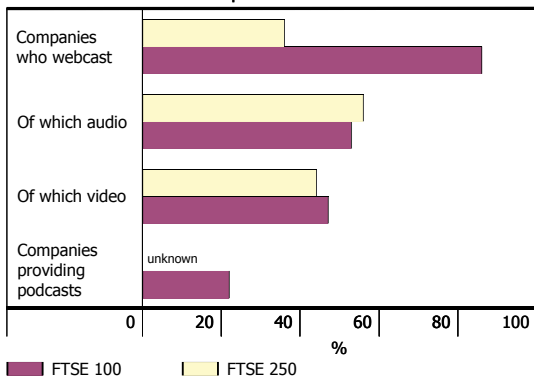
Source: Investis
* HTML wrapped pdf optimised for online use

WEBCASTING COMES OF AGE

More than two thirds of the fund managers we spoke to mentioned webcasts as something they valued highly, both for the convenience they offer and for the ability to get some of "the whites of the eyes" nuance in a company's communications that the written word can never provide.

Broadband penetration is clearly a big factor, but access is not universal, with firewall restrictions at a few institutions still preventing fund managers from viewing these. Ensuring that a transcript of the event is available will provide equal access for all and was expressly requested by a number of interviewees.

Use of Multimedia in Corporate Websites 2006



Source: Investis

"Webcasts allow me to go in and view as and when I choose to, rather than having to be at that meeting at 9am on that day when you may have five other sets of results that are more important than that company. It just allows me that flexibility."

"The quality of webcasts has definitely increased and more companies offer that service so I think I can speak for my colleagues when I say that we definitely use that facility more than before. It is helpful on a day when you have three sets of results and you can't necessarily go to the analysts' meeting. It feels better than just dialling in on the phone because you often get video casts."

"Our internal security firewalls do not allow us to see webcasts so I am unable to listen to any webcasts. It is annoying. A good evolution, which is more a US practice and not so much seen in Europe, is to have a transcript of the conference call. That would be great. You would avoid misunderstandings or taking the information down incorrectly."

"The webcasts are just so much more user-friendly now because the bandwidth we have in the office is more than enough; you do not get buffering all the time. The overall quality has massively improved."

"I think webcasts have become increasingly important and, for me, it is not enough to just see the presentation, I like to be able to replay the presentation itself and see the tone, the attitude - everything."

"Transcripts do not often get posted so more companies doing transcripts would be useful, then you can go back and see genuinely what was said."

"If they have got recorded webcasts of the results, then that is a big bonus for me because when you get to know a company, you are just doing it in a vacuum looking at the statements and you do not know really how to characterise them, or what the next conference call is going to sound like, so it is very useful to have something to go back to."

"I use online investor day presentations; interviews with senior management could also be helpful."

"An historic webcast which is posted without the Q&A session, is quite frustrating. Obviously the management have a story to tell and that is all they want you to hear whereas it is useful as an

Investors' Views

WEBCASTING COMES OF AGE continued

investor to hear the Q&A. Presentations are well rehearsed so it is more about listening to their reaction to hear how eloquent they are in answering questions."

"I might look at a video if I thought it would give me some information I couldn't get elsewhere. Maybe an in-depth look at a division or a new

product during a broadcast of an investor day, something like that."

"I think it would be great if companies would produce MP3 files of presentations and conference calls that I could download and save to my computer."

Investors' Views

SOME QUICK WINS...

In addition to the main themes already mentioned, investors suggested the following quick wins that in their view would much improve websites.

- DIRECTOR'S DEALINGS:

"One feature we find is often missing from some websites is on Director's dealings. It is an important feature."

- IR CONTACTS:

"One thing that I did not mention because it was probably obvious is the names and email addresses of the investor relations people."

Only 59% of FTSE100 companies provide named IR contact details.

Source: Investis

- SHAREHOLDER STRUCTURE:

"The shareholder structure is not always obvious. If you have some key shareholders it is nice if you can find that information easily."

37% of FTSE100 companies provide details of their shareholder structure outside the report and accounts.

Source: Investis

- OPERATIONAL MAPS:

"Having a world map and being able to quickly understand what the company makes and where its markets are is very helpful."

- SEC FILINGS:

"US filings, if you can get them; a lot of [European] companies have to file accounts with the SEC so 20Fs - that sort of thing. If they can be posted on the website that would be great."

- ENVIRONMENTAL ISSUES:

"As environmental issues come to the fore a bit more, I am going to want easy access to some sort of environment policy and what policies they have."

- E-MAIL ALERTS:

"On some websites it is very easy to sign up for alerts and they are a very useful trigger because they pop up in your e-mail box and you can go and find out what is going on."

82% of FTSE100 companies provide an e-mail news subscription service.

Source: Investis

- PRINTER FRIENDLY PAGES:

"The most important thing is the possibility to be able to print in a printer friendly way."

- BROKER FORECASTS:

"Consensus forecasts would be helpful."

18 FTSE100 companies make broker forecasts available on their websites.

Source: Investis

Investors' Views

SOME QUICK WINS... continued

- ROADSHOW CALENDARS:

"It would also be helpful to see a company's roadshow schedule on the website."

- CONTEXTUAL INFORMATION:

"What is nice is to have some presentations on the local markets."

- PAGES OPTIMISED FOR PDA'S:

"A lot of fund managers are on the road all the time and need to be able to read something on a BlackBerry."

12 FTSE100 companies have specific pages optimised for viewing on a BlackBerry/PDA.

Source: Investis

...AND SOME WAYS TO LOSE FRIENDS FAST

Incomplete or out of date information, revisionism and information overload feature on this list.

"When things are not up to date, like an out of date financial calendar."

"When there is no translation into English or the translation is quite poor, it doesn't look too good from a London based investor's perspective."

"We have had some companies post things on their website and then realised that they are a bit too explicit or subsequently whatever they said did not bear fruit or pan out and have since withdrawn the presentation. That drives me nuts

also. Not so much myself, but the analysts do not forget that sort of thing. As trivial as it may seem, that can tarnish people's views on the quality of the information they are being given."

"Another thing that drives me nuts is if the website is not up-to-date. Typically that is a really bad sign. Things like lack of contact details, how to get hold of the investor relations person, only being able to go by general switchboards - things like that."

"Some companies send too many emails. I get a couple of hundred emails a day and companies should be careful about adding more."

Interview Sample

We interviewed fund managers from the following institutions during March 2007.

UK INSTITUTIONS	TOTAL ASSETS \$2.2TN	EUROPEAN INSTITUTIONS	TOTAL ASSETS \$2.0TN	US INSTITUTIONS	TOTAL ASSETS \$4.3TN
Alliance Growth		ComInvest		AllianceBernstein (US)	
Artemis		Deka		Blackrock MLIM	
AXA (UK)		Eurizon		Boston Co.	
British Airways		Frankfurt Trust		Brandes	
Barclays Global		KBC		Causeway Capital	
Brewin Dolphin		MEAG		Columbia	
Co-op		UBS Wealth (Switz)		DuPont	
Fidelity (UK)		Union Investment		Gardner Russo	
Hermes				Northern Cross	
JP Morgan				Principal Global	
RCM (UK)				State Street GA	
Scottish Widows				US Steel & Carnegie	
Threadneedle					

The Role of the Corporate Website in the Investment Process

AUTHOR

Al Loehnis

Investis is Europe's leading specialist in providing online corporate communications services to listed companies. Founded in 2000, the firm now has more than 100 staff servicing over 400 clients in eleven European countries, including more than 30% of the FTSE350.

Al Loehnis is a founding director of Investis, with responsibility for client relationships, product development and partnerships. Prior to this, Al worked as an analyst in the City, most recently at Credit Suisse First Boston where he was a Vice-President in Equity Research. He is a Director of the Investor Relations Society and has chaired the IRS Annual Conference Committee since 2005.

*Investis Ltd, 24 Fashion Street, London E1 6PX
Tel: +44 (0)20 7038 9000 Fax: +44 (0)20 7038 9001
e-mail: al.loehnis@investis.com
website: www.investis.com*

Makinson Cowell is a capital markets advisory firm founded in 1989 that provides independent research and advice to leading companies on their relations with institutional investors. With 70 people in offices in London, New York and San Diego, the firm has special expertise in advising companies on cross-border investment matters.

*Makinson Cowell Limited, Cheapside House, 138 Cheapside, London EC2V 6LQ
Tel: +44 (0)20 7670 2500 Fax: +44 (0)20 7670 2501
Makinson Cowell (US) Limited, One Penn Plaza, 250 West 34th Street, Suite 1935, New York, NY 10119
Tel: +1 212 994 9044 Fax: +1 212 994 9055
e-mail: enquiries@makinson-cowell.co.uk
website: www.makinson-cowell.com*

Authorised and regulated by the Financial Services Authority