

**CHURCHILL PRYCE IR**  
**IR SURVEY RESULTS REPORT**  
**ON SECOND SET50 COMPANIES**

**31 OCTOBER 2007**



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## ***INTRODUCTION***

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### **Survey Background and Purpose**

The Stock Exchange of Thailand (SET) in cooperation with the Thailand Investor Relations Club (TIRC) commissioned an in-depth survey (the Investor Communications Survey – Perspectives on IR Practices in Thailand is presented in Appendix A) of the second SET 50 companies (the listed companies in SET 100 but not in SET 50) to determine the attitudes and practices of these companies on investor relations. In particular, the survey results were used as a guide for the selection of three companies for the investor relations mentoring program sponsored by the SET and TIRC being conducted by Churchill Pryce IR (CPIR).

This is the first in-depth survey on Thai company attitudes and efforts on investor relations. Using the results of this survey it has now become possible to compare and contrast the attitudes and practices of surveyed companies with publicly traded companies in overseas markets.

In addition CPIR scored the annual reports and websites of the surveyed companies to develop a comprehensive picture of the status of investor relations at the second SET50 companies. The average scores for website and annual report are 48% and 39% respectively.

According to international standard, 65.9% of the 44 surveyed companies (the list of 44 surveyed companies is presented in Appendix B) from the SET Second 50 falls into the Small Market Cap category and the remainder are Micro Cap. Based on the domestic standard, 65.9% of the surveyed companies are in Large Cap and 34.1% is in Medium Market Cap. The definition of the market capitalization is defined as follows:

	<b>International Standard</b>	<b>Domestic Standard</b>
Mega	More than USD 25 billion	More than THB 40 billion
Large	USD 5 billion up to USD 25 billion	THB 6 billion up to THB 40 billion
Medium	USD 1 billion up to USD 5 billion	THB 3 billion up to THB 6 billion
Small	USD 150 million up to USD 1 billion	THB 1 billion up to THB 3 billion
Micro	Less than USD 150 million	Less than 1 billion

## ***SURVEY RESULTS INTERPRETATION***

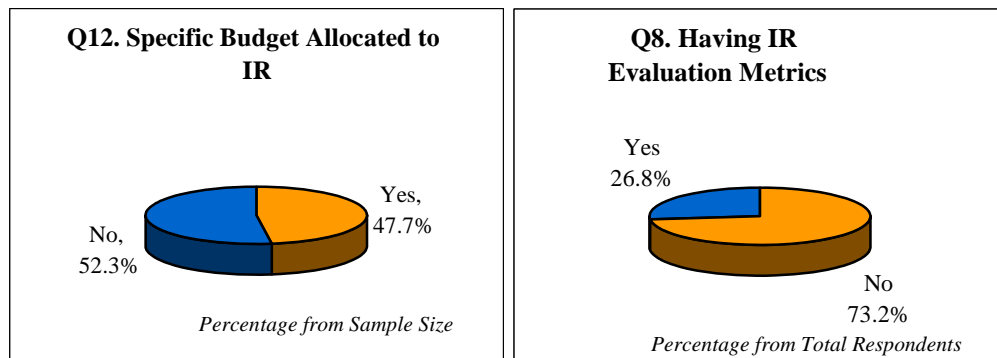
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### **IR Goals and Resources**

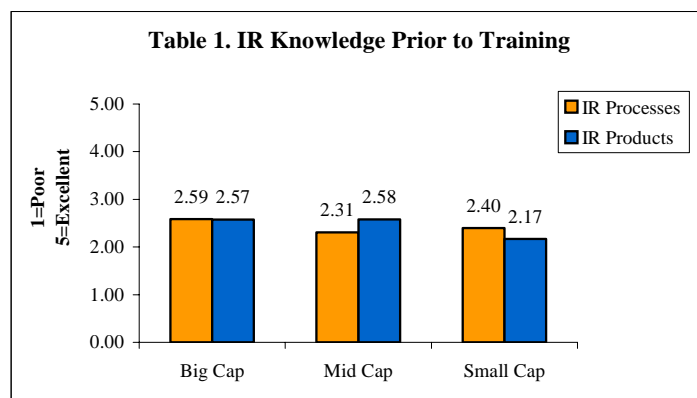
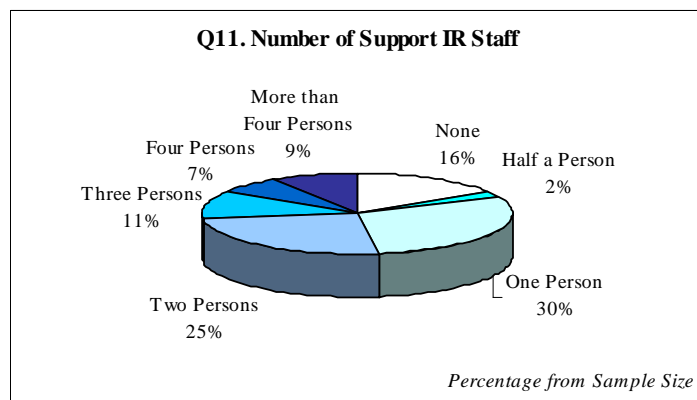
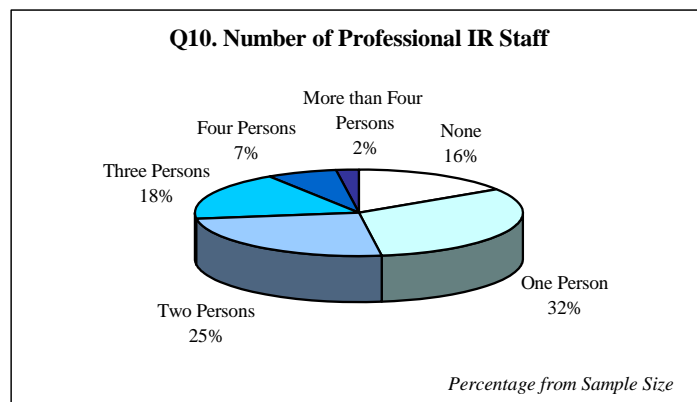
- The principal goals of investor relations executives at the companies that were surveyed mostly concern managing the day to day communications between their companies and market participants. The following comment about IR goals was typical:

*“I think investors have the right to know what’s going on within the company so one of the objectives is to communicate effectively and consistently with our investors”*

- The focus of IR executives on day to day external communications may also explain why just over half of respondent companies (Question12 - 52.3%) have no allocated budget for investor relations and why the majority (Question8 - 73.2%) have implemented no processes for tracking the effectiveness of their IR programs. These results suggest the focus at most companies is on meeting investor needs (Reactive IR) rather than managing a comprehensive program of proactive corporate communications (Strategic IR).



- In terms of human resources, the majority of companies (Question 10 - 84.1%) surveyed reported that they have at least one person working part time on investor relations matters while approximately half (Question 11 - 52.3%) had an IR team of two or more people. When we consider these staffing levels, IR spending at the companies surveyed and the indicated level of IR knowledge reported by participants at the CPIR workshops attended by companies in the survey category (Table 1. - Graph of IR Knowledge Prior to Training on IR Processes and IR Products) we conclude that it is an issue of knowledge rather than resources availability that explains the reactive nature of investor relations programs in Thailand.

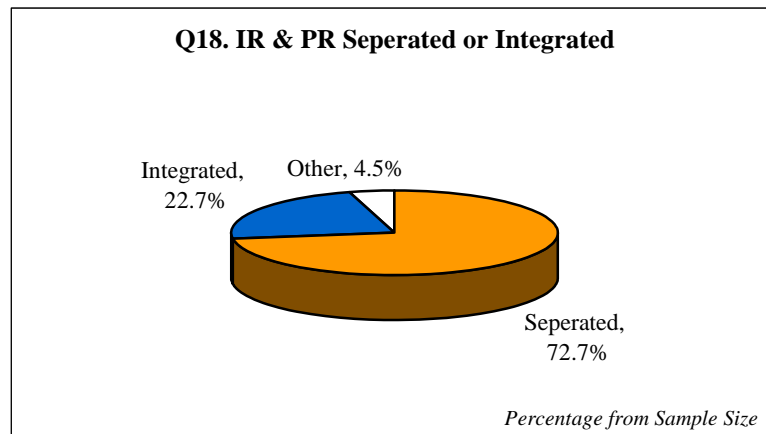


- Even assuming that IR knowledge is weak among companies surveyed there is good awareness that IR and PR have distinctly different missions and should be kept separate. A significant majority of the surveyed companies (Question 18 - 72.7%) already separate the departments. The following comments about the separation of IR from PR are typical of respondents:

*“I agree that IR & PR should be separated because the objectives of IR and PR are different”*

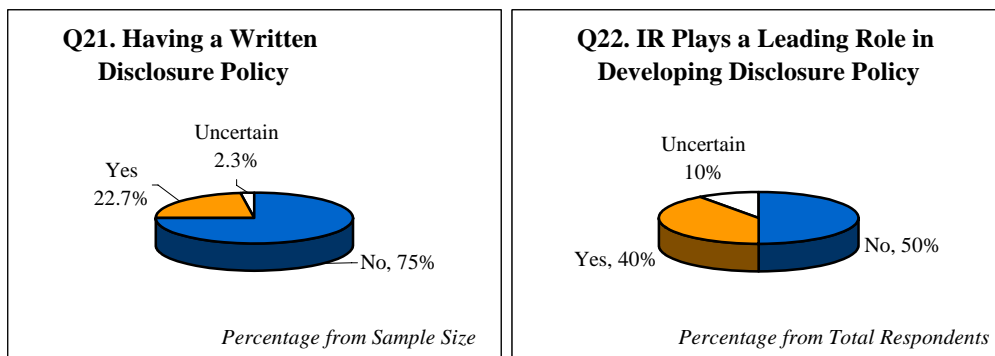
*“I believe IR job is to provide the information to the investors while PR is to focus on the media and get public awareness”*

*“I don’t think PR can do IR effectively because the customers of IR are analysts and fund managers which requires the information about numbers and understanding on finance and accounting.”*

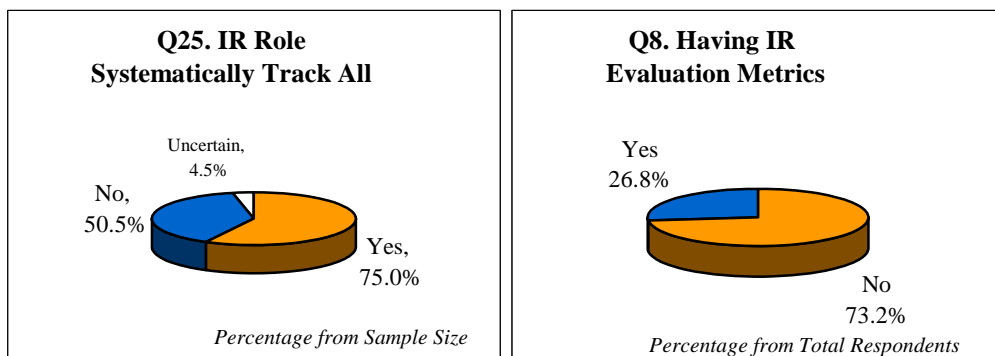


## *Corporate Disclosures*

- Companies are not generally aware of the importance of having a written disclosure policy because only around a fifth of the companies surveyed (Question 21 - 22.7%) have a written disclosure policy and of these less than half (Question 22 – 40%) confirmed that IR played a leading role in the development and updating of disclosure policies. **None of the surveyed companies have a disclosure committee.**



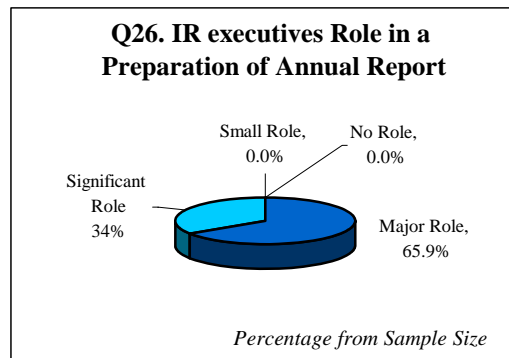
- Although the majority of respondents (Question 25 - 75%) said they systematically track all the disclosures made by their company the lack of disclosure policies, disclosure committees, and IR evaluation metrics suggests that at best the monitoring is haphazard and not systematic. We think it is reasonable based on the survey results to presume that, **although most companies think they are tracking disclosures there could be a high proportion of unintended or intended but unreported disclosures taking place at the surveyed companies. The treatment of disclosures is one area where the surveyed companies clearly lag their peers in overseas markets.**



## IR Products and Processes

- The survey results on IR products conflict with the anecdotal evidence from feedback at the IR workshops. For example: no respondent in the survey (Question 26) admitted to playing “no role” or “a small role” in the preparation of the company annual report. It is interesting that some of the companies participating in the IR Workshops often said that their annual reports were prepared mostly by executives in their PR, legal or compliance department with little or no IR input. We believe this probably suggests that **many respondents were unwilling to admit during the survey that they are not doing what they know they should be doing with regard to IR products** (possibly influenced by knowledge that the SET saw survey results). **We think that with some encouragement many respondents could reasonably be expected to play a more significant role in the production of IR products.**

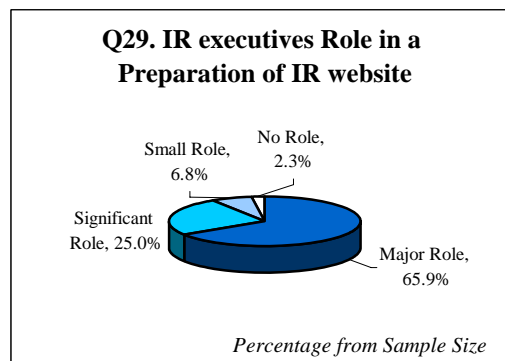
<b>Q26. IR executives Role in a Preparation of Annual Report</b>	
Major role	65.9%
Significant role	34.1%
Small role	0.0%
No role	0.0%
Uncertain	0.0%



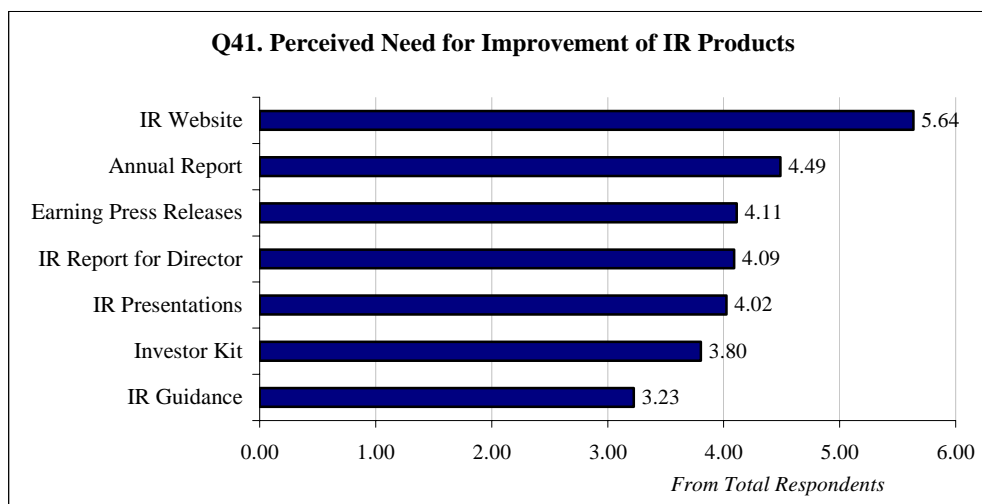
- If, contrary to the conflicting workshop feedback, IR executives are indeed either playing “a significant role” (Question 26 - 34.1%) or “a major role” (Question 26 - 65.9%) in the preparation of their most crucial IR product, the annual report, it is not evident in the final product. **The average score for the content of the annual reports of surveyed respondents was just 39%. This low score is consistent with either a) just a limited IR input to annual reports or b) a lack of knowledge about how to make a high value contribution from IR in annual reports.**

- The same conclusions can also be drawn about IR websites. Fully 90.9% of respondents reported that the role they played in the preparation of IR websites was either “significant” (Question 29 - 25%) or “major” (Question 29 - 65.9%). **It is possible that either a) they are exaggerating their contribution for whatever reason, or b) they are failing to make a meaningful contribution due to a lack of knowledge. The average content score for IR websites of respondent companies was a low 42%.**

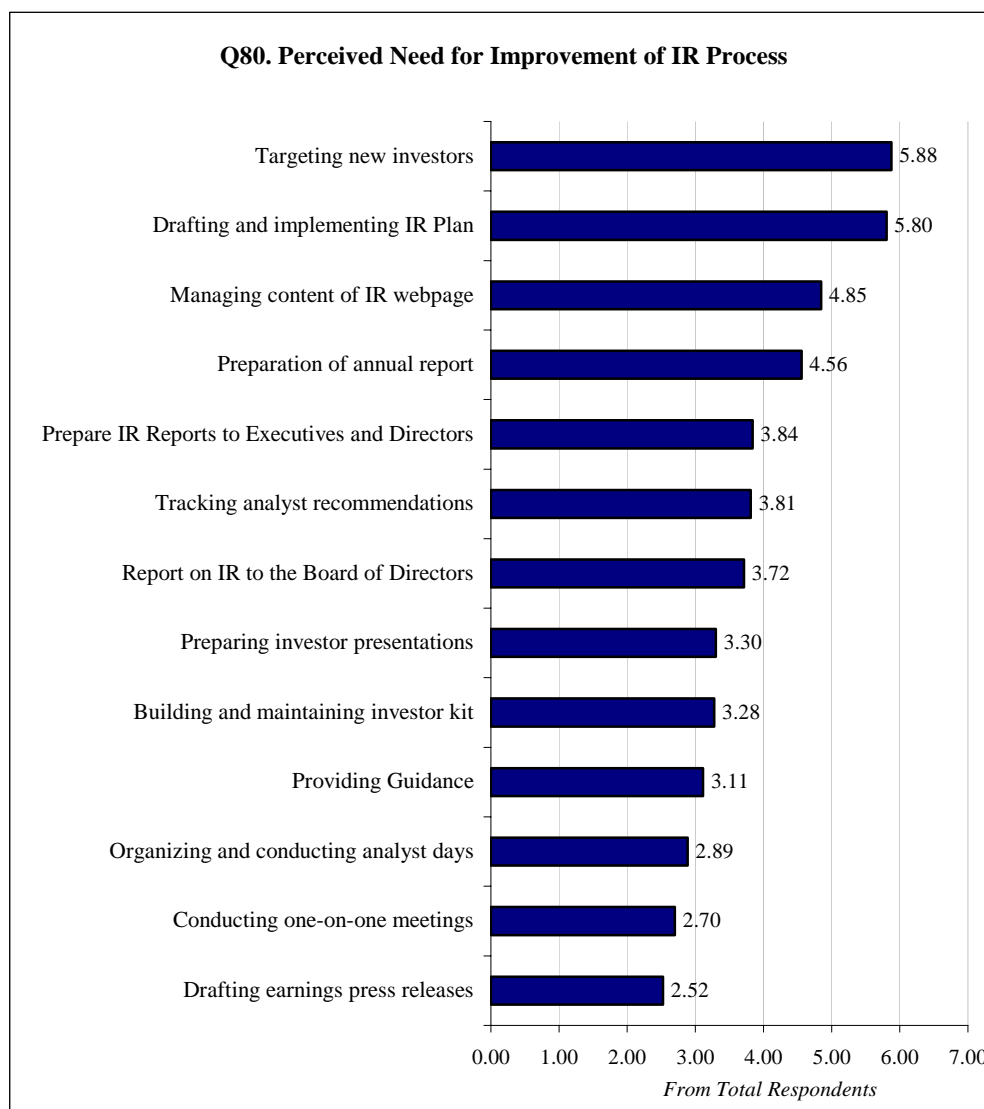
Q29. IR executives Role in a Preparation of IR website	
Major role	65.9%
Significant role	25.0%
Small role	6.8%
No role	0.0%
Do not have a company website	0.0%
Do not have IR website	2.3%
Uncertain	0.0%



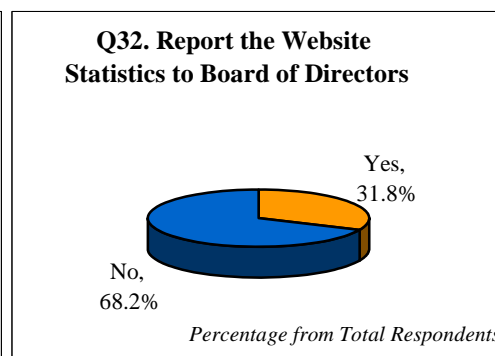
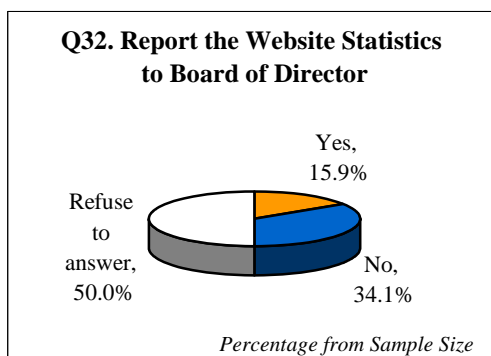
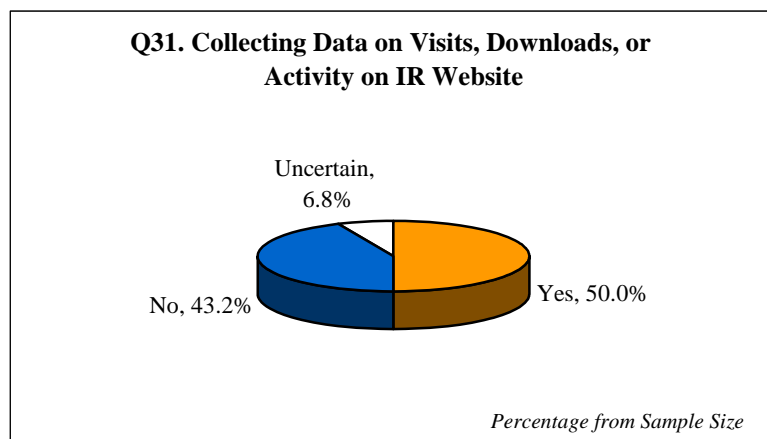
- The fact that IR websites and company annual reports came, respectively, first and second in the IR product “need for improvement” category (Question 41) suggests that **respondents are aware that IR websites and annual reports are important IR products. A question that could not be answered by this survey is whether: a) IR executives know they should be contributing more to these products or b) although they are contributing as much as possible they perceive that their finished products still fall short of what they consider a good standard.**



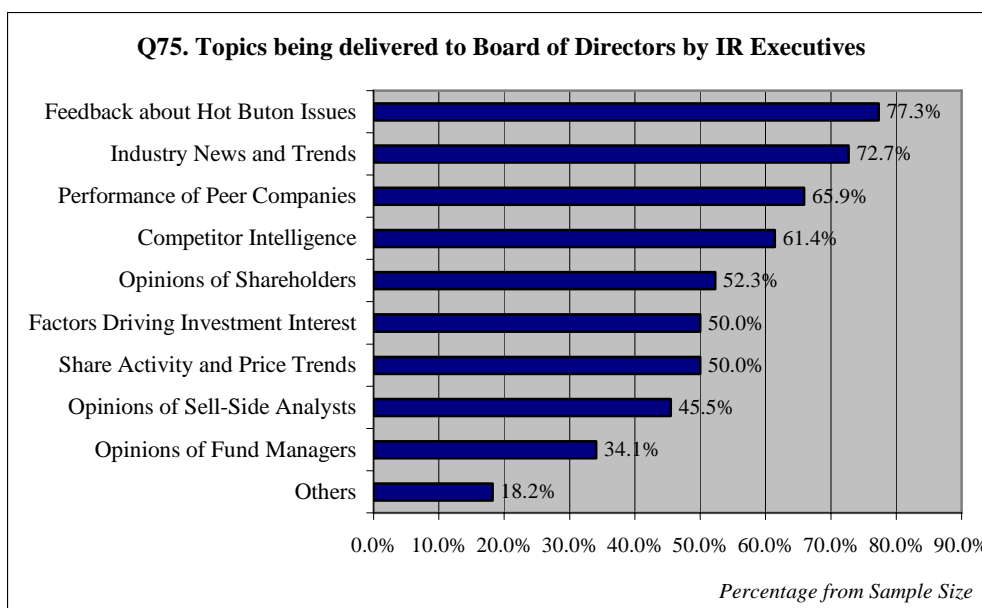
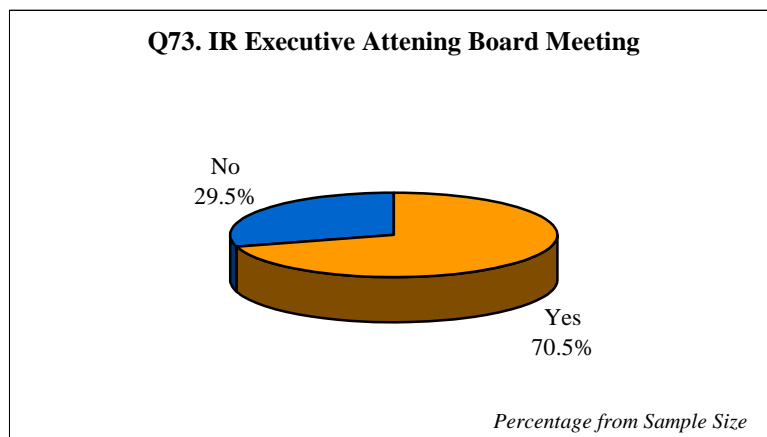
- Looking at the responses to Question 80 which concerned the perceived “need for improvement” of IR processes leads us to conclude that scenario b) above is more likely.
- The process for targeting new investors and drafting an implementing IR plan are at the top of the list for the perceived need for improvement of IR process. This may be because the companies lack the knowledge to target new investors. Also, most of the management are not giving enough emphasis on IR activities, therefore; making the task of drafting IR plan more difficult.
- The relatively high perceived need to improve the processes for producing IR websites and annual reports probably infers that a significant number of respondents believe the production of these products could be better managed and **maybe that respondents know they are not contributing as much as they believe they should to these products.**



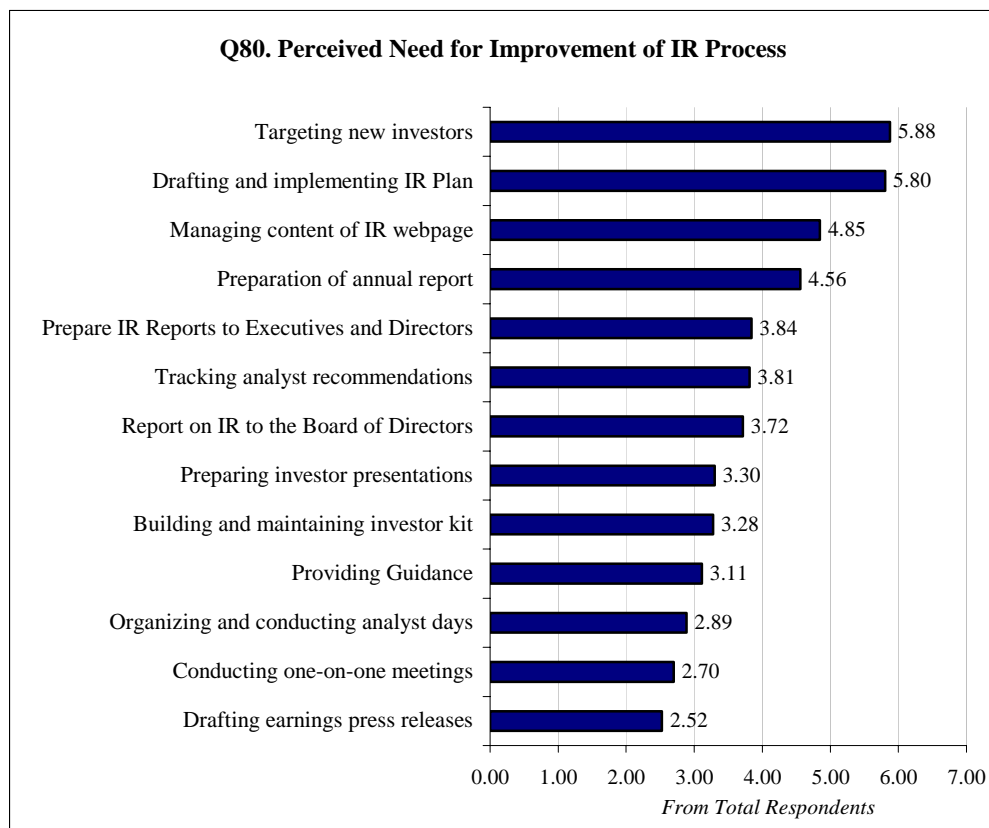
- Half of all respondents said they track the traffic on their IR websites (Question 31 - 50%), but of these only 31% (Question 32 - 15.9% of total sample size) said they report on website activity to the Board of Directors. This raises an **obvious question about whether it is only IR website traffic that is excluded from IR internal reporting to directors or whether there is systematically poor reporting in general on IR matters to Thai boards of directors**. This latter conclusion looks more likely when you consider the low relative score for priority given to improving the IR Report for Directors and low relative score on the perceived need for improvement. **We suspect that reporting on IR matters to Thai boards is one area of IR that is poor among survey participants compared to peers in other markets.**

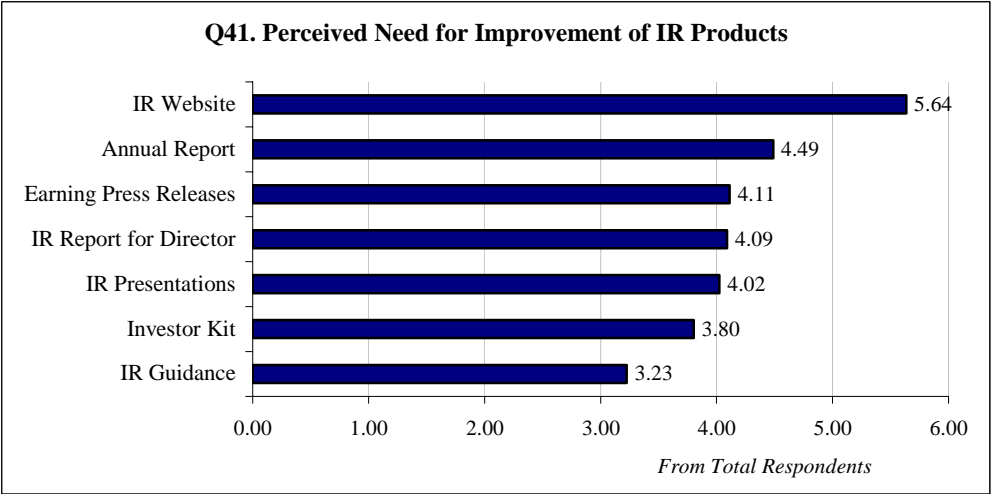
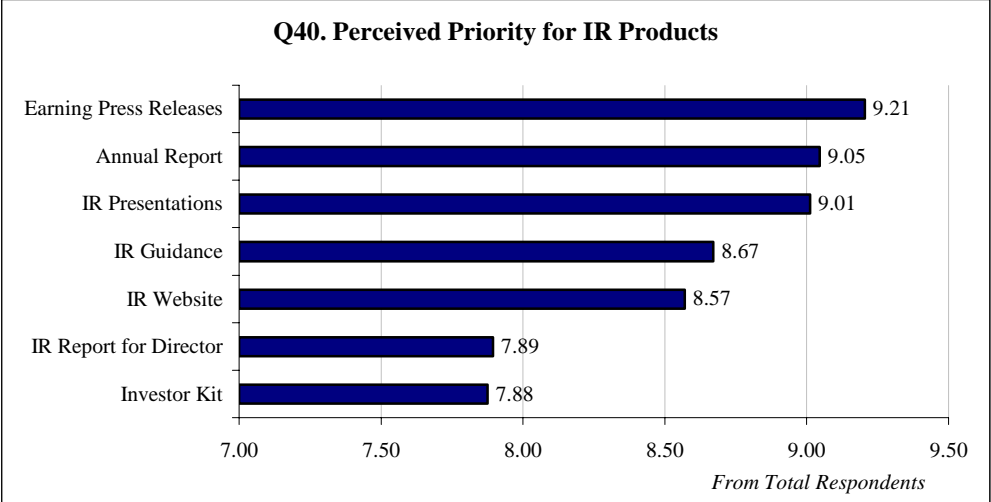


- Some light is shed on the matter of IR reporting by the responses to Question 73 about respondent attendance at board meetings and Question 75 which enquired about the role IR plays providing information on a range of topics to the board. Firstly, 31 out of 44 respondents (70.5%) said they attended board meetings yet only 22 respondents (50%) said they report on share activity, 20 respondents (45.5%) said they report on analyst opinions, and 15 respondents (34.1%) said they report on fund manager opinions. By contrast 72.7% said they report industry news, 65.9% said they report on peer companies, and 61.4% said they report competitor intelligence. From these results **one interpretation could be that the executives who attend board meetings participate in some capacity other than as IR manager (possibly CEO, CFO or COO).**

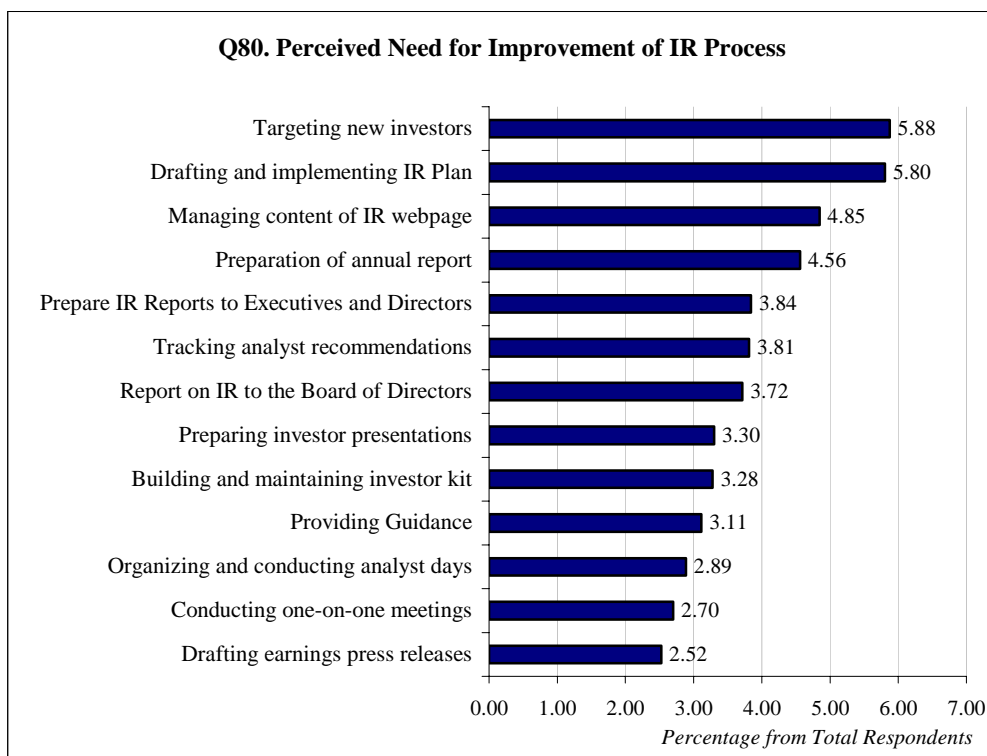


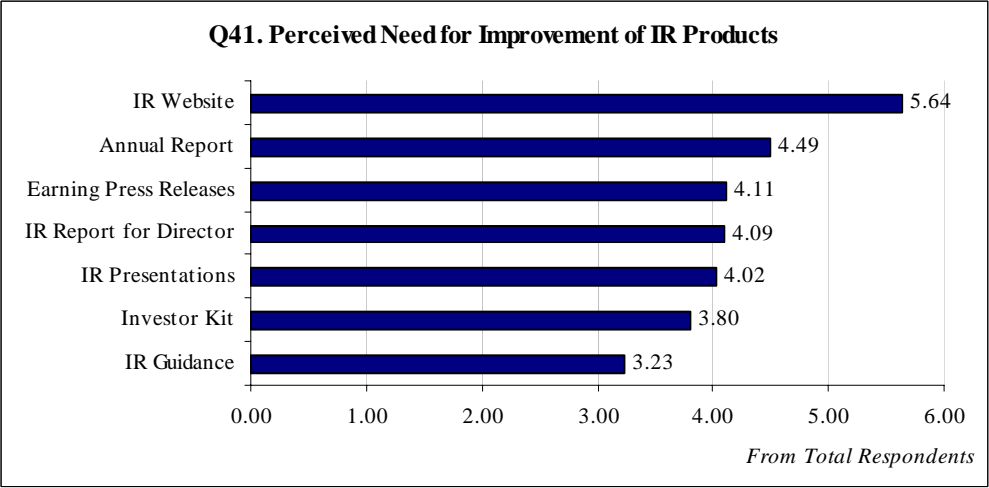
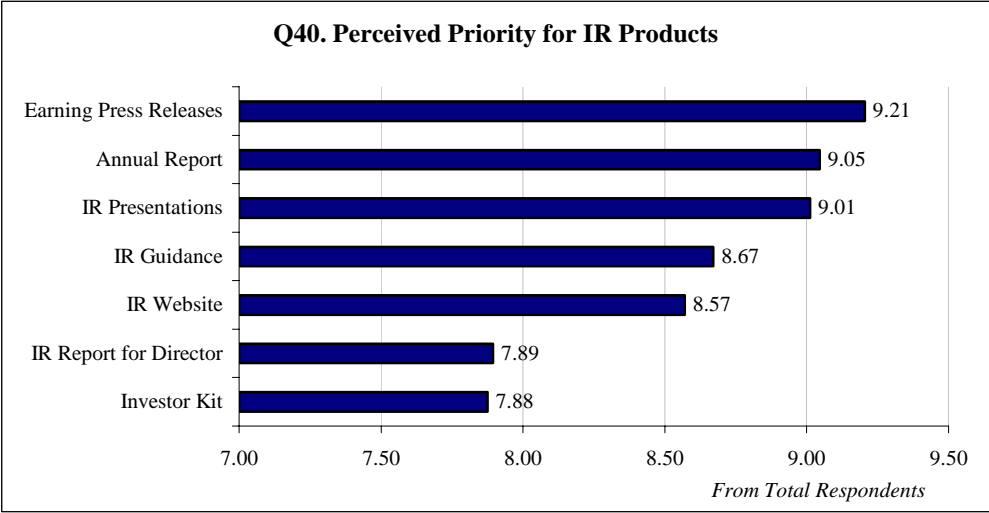
- A further indication that IR internal reporting is an area of weakness among the surveyed companies can be seen by the answers to Question 80 which asked about the “perceived need for improvement” in IR processes. The need to improve “preparing IR reports to executives/directors” (3.84 points), the “reporting on IR to BOD” (3.72 points) and “tracking analyst recommendations” (3.81 points) were perceived as more in need of improvement than “drafting the earnings press releases”. This is an interesting result given that in Question 40 “earnings press releases” were flagged as the third priority product and in Question 41 were ranked third in importance in terms of the perceived need for improvement. Moreover, in Question 70, half of the respondents admitted to never having issued earnings press releases.



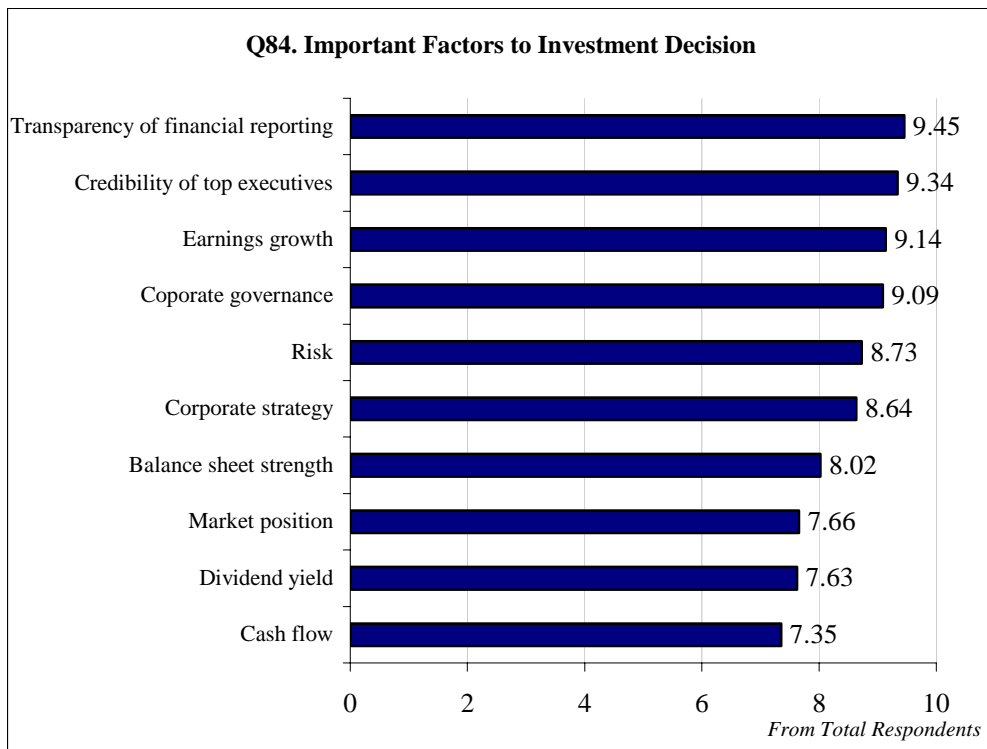


- There could be another explanation for the low perceived priority of improving the IR process of “drafting the earnings press releases” (Question 80: just 2.52 points). When you also consider the high perceived priority for improving the quality of press releases (Question 40: 9.21 points) and high perceived need for the improvement of “earnings press releases” (Question 41: 4.11) it could mean that respondents perceive that their shortcomings on the matter of press releases are due at least in part to a lack of in-house drafting ability that could not be addressed by process changes alone. If this interpretation is correct it would mean that **respondents, although recognizing the importance of earnings press releases, do not see a path towards improvement that is within the capability of current corporate processes and do not see the need to improve the corporate process in this matter.**

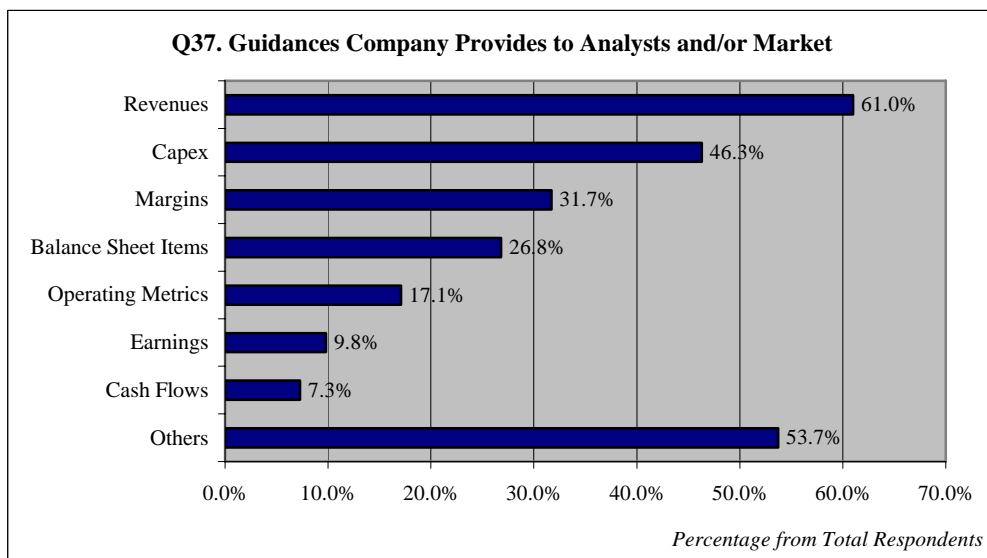




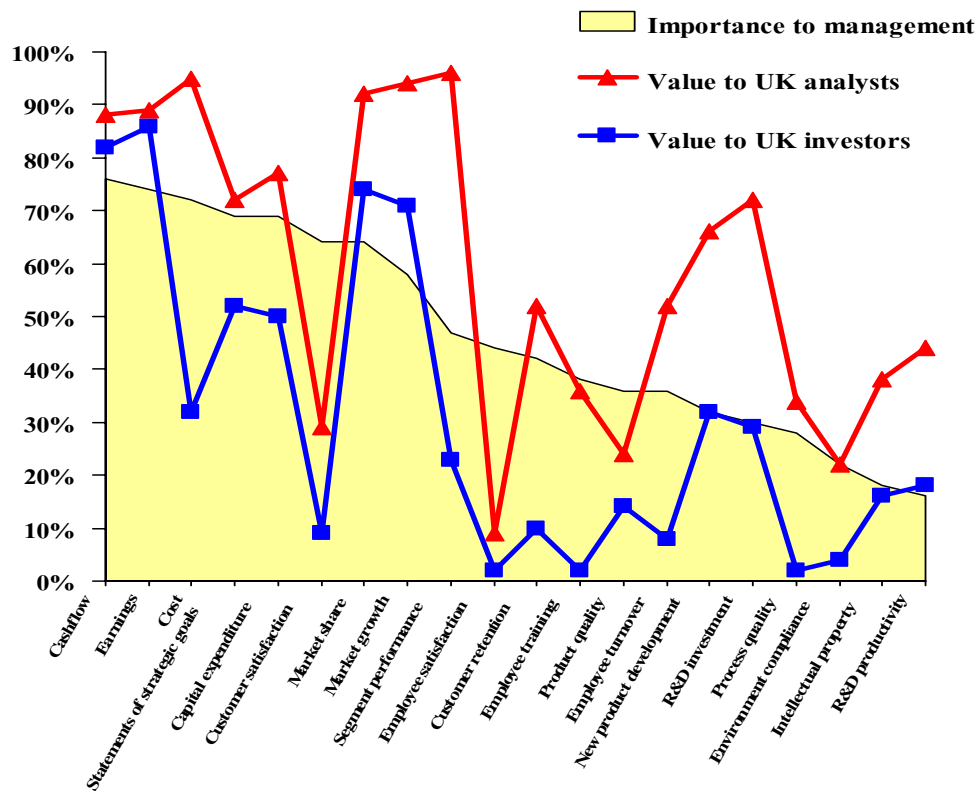
- The seriousness of problems with IR press releases is magnified by the fact that “transparency of financial reporting” was perceived by respondents as being of the greatest importance as an investment decision factor.



- It is also interesting that although respondents perceive the “transparency of financial reporting” as being of the greatest importance as an investment decision factor, “cash flow”, “operating metrics” and “capex” are items not included by the majority of respondents in earnings press releases. We suspect that this contradiction may be again due to drafting difficulties.

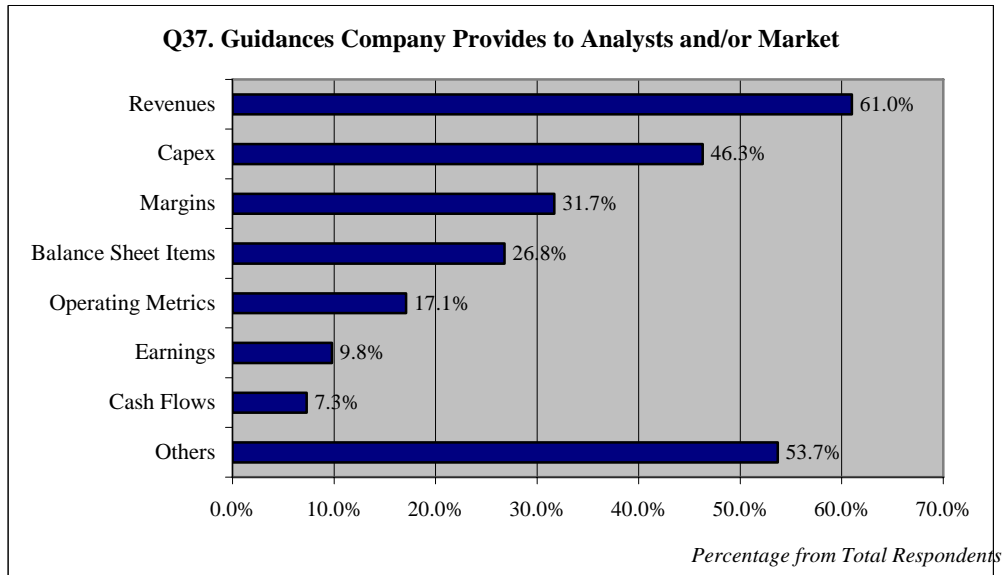
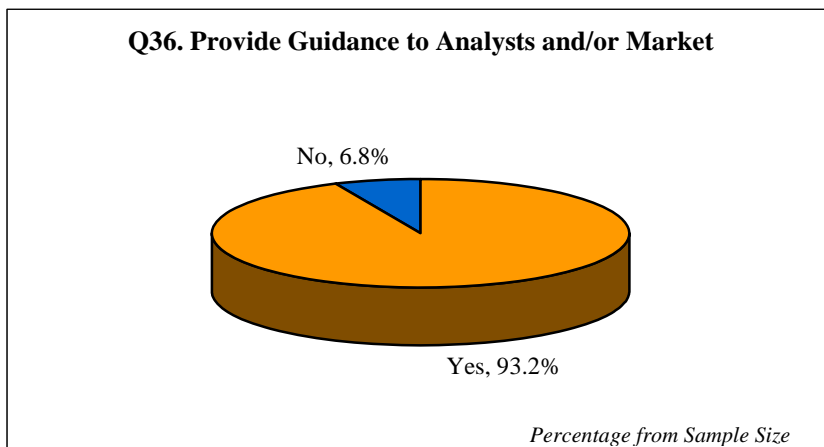


- Survey respondents perceive the “transparency of financial reporting” as being of the greatest importance as an investment decision factor, yet “cash flow”, “operating metrics” and “capex” are items not included in the majority of earnings press releases. International surveys of investors, such as the one in the table below repeatedly have shown that cash flow, metrics and capex are among the most valued components of performance information in the eyes of analysts and investors.

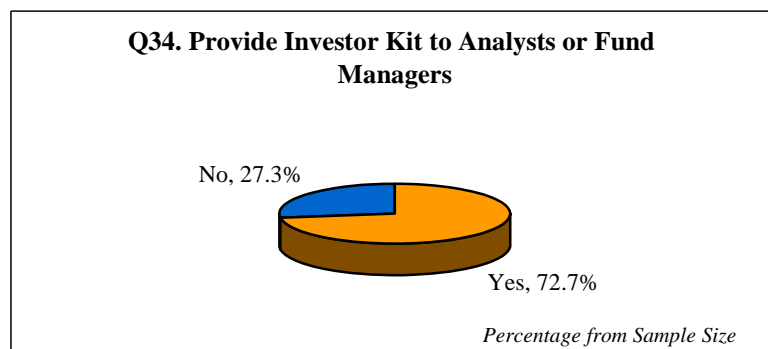
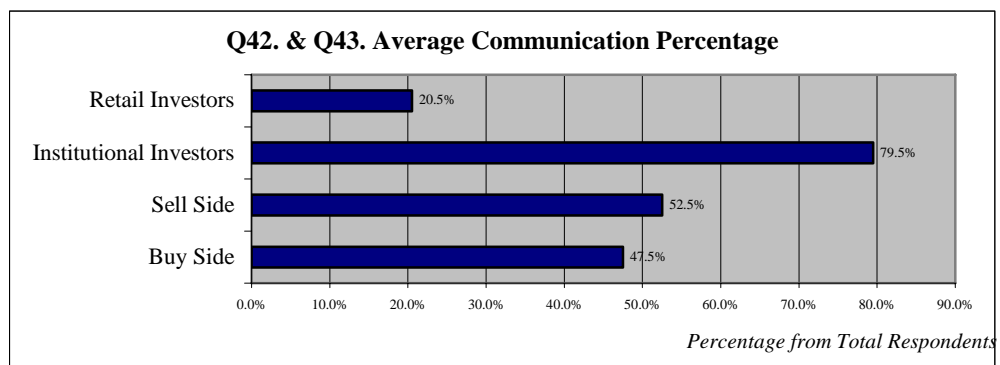


Source: PricewaterhouseCoopers

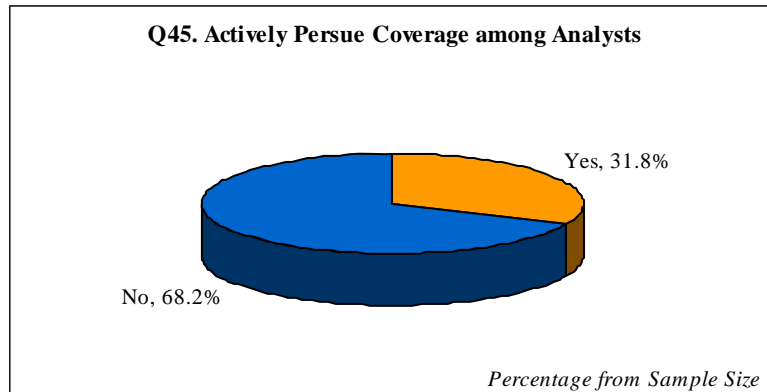
- The fact that respondents in the SET survey recognize the importance of transparency but are not reporting information important to transparency could be due to the earnings press release drafting difficulties mentioned above. However, it could also be the case that respondents do not recognize the importance of these inputs. This latter observation is supported by the answers to Questions 36 and 37 that showed that although 93.2% of respondents gave some form of guidance only 7.3% of respondents gave cash flow guidance and just 17.1% gave guidance on operating metrics.



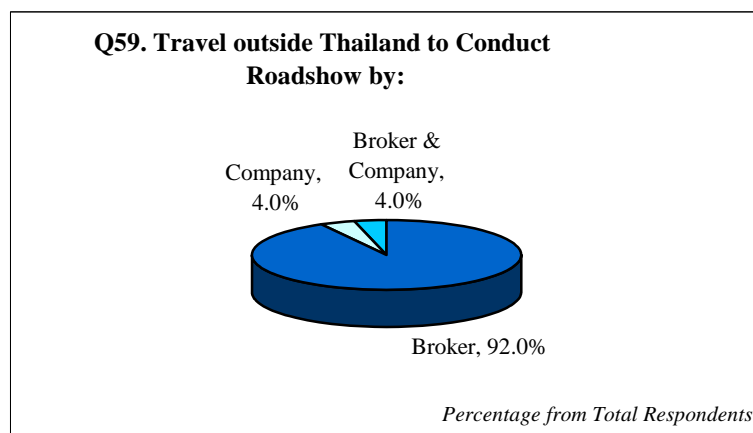
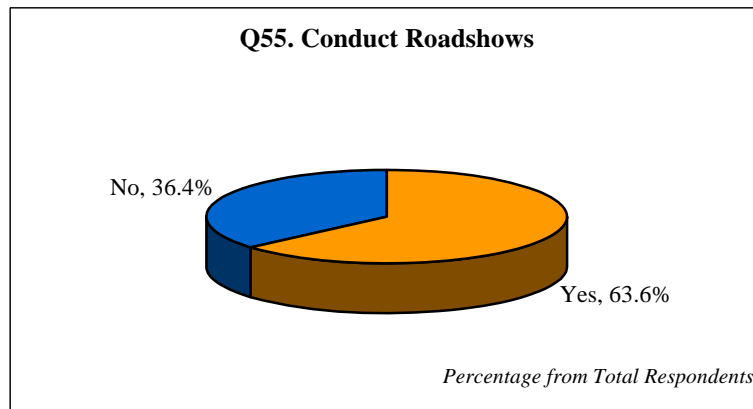
- Respondents spend slightly less time communicating with the buy side (institutional and individual investors) than they do with the sell side (stock broker analyst and salespeople). They reported in Question 42 and 43 that 47.5% of their time was spent with the buy side versus 52.5% of time spent communicating with the sell side. Given the high proportion of time devoted to investors, we found it surprising that in Question 34, 27.3% of respondents' companies do not provide investor kits. Some of which claims that investors are already familiar with the company and believes that it is not necessary to provide investor kit. However, we believe that it is better to provide investor kit to investor in order to give them full access to the information available to them.



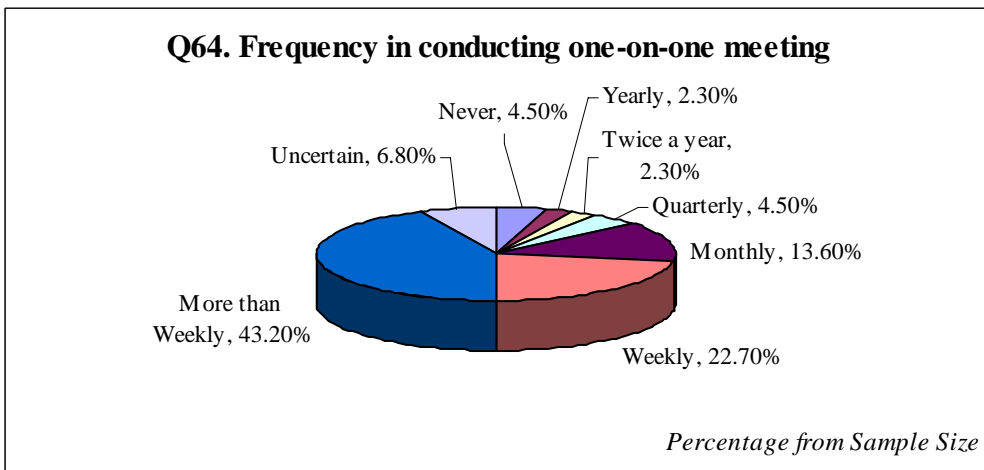
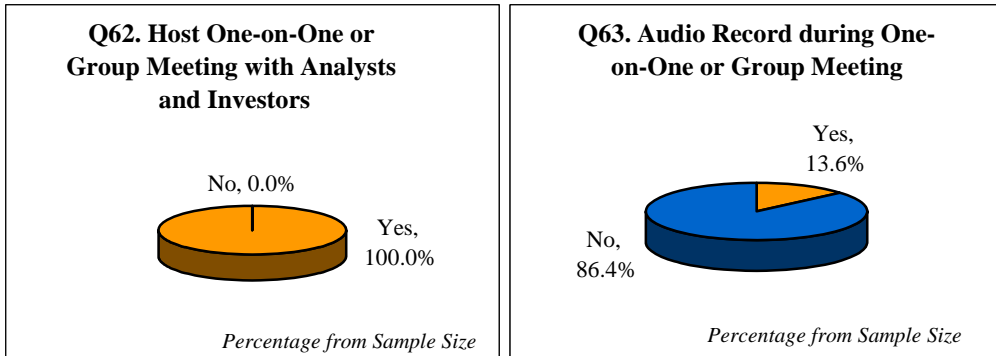
- Every company surveyed was followed by two or more analysts and the average number was 15 which is high by emerging markets standards and could explain why in Question 45, 68.2% of respondents do not actively pursue coverage among analysts.



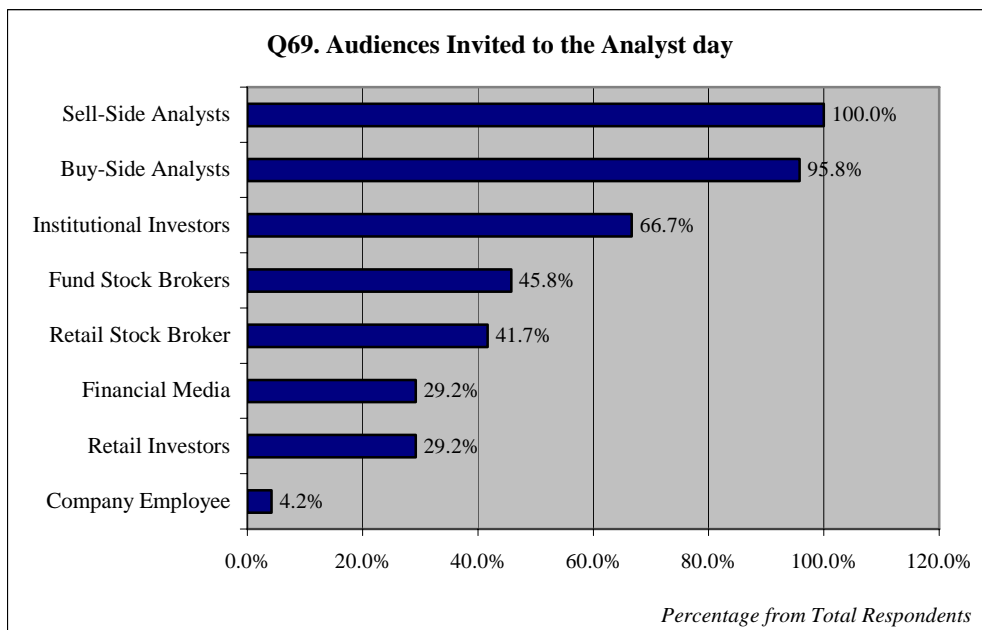
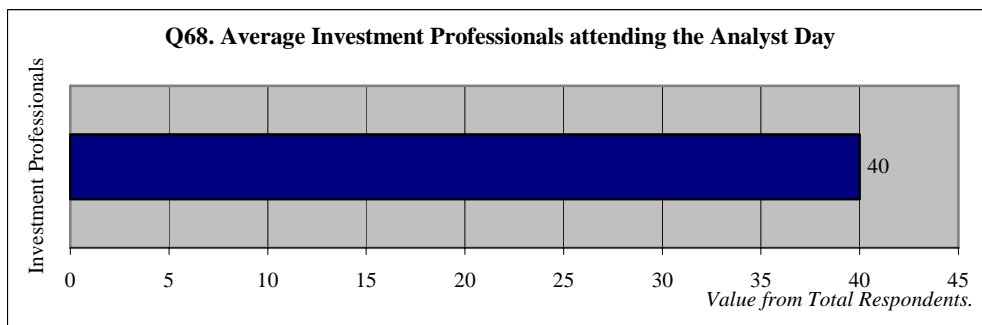
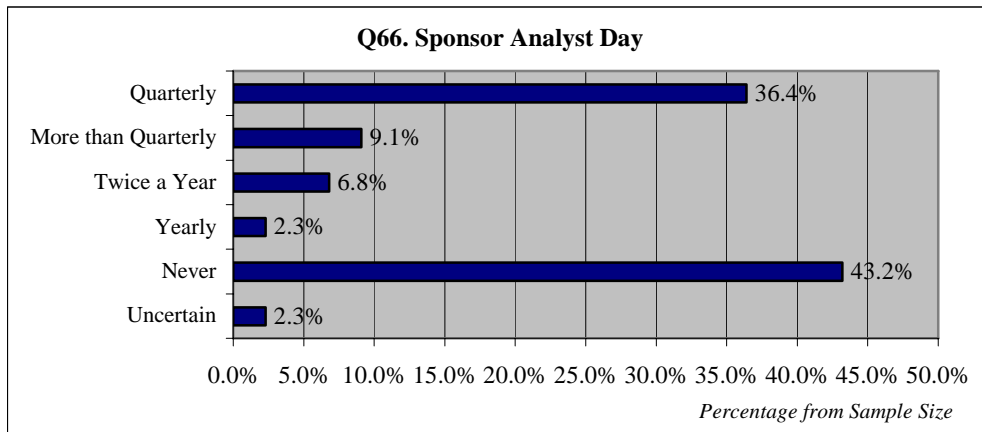
- The importance of having a large analyst following is evident from Questions 55 and 59 which shows that, of the 63.6% of companies that conduct marketing trips or road shows, 92% of these events are arranged by brokers.



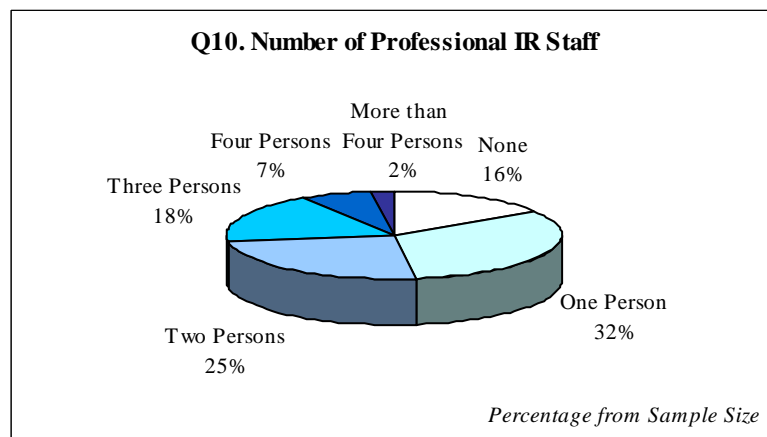
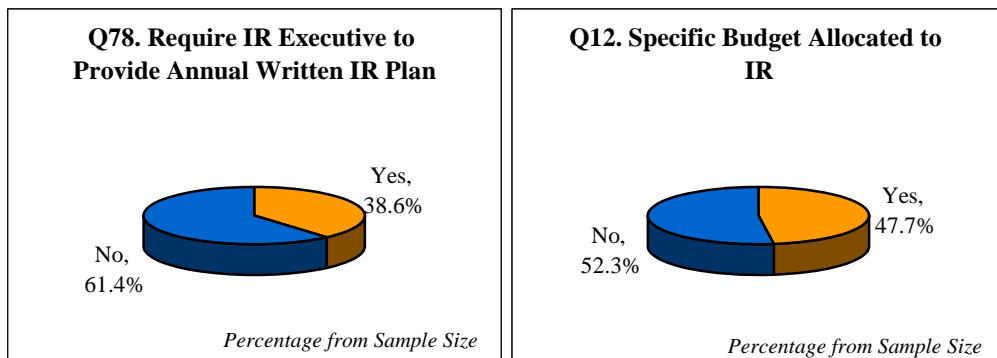
- All companies reported holding one-on-one meetings with analysts and these are very frequent events judging by Question 62. Most of the company (Question 64: 43.2%) conducted one-on-one meetings with analysts more than once every week. However, the conduct of such meetings falls below best practice standards because only 13.6% of respondents (Question 63) make audio recordings of these meetings.

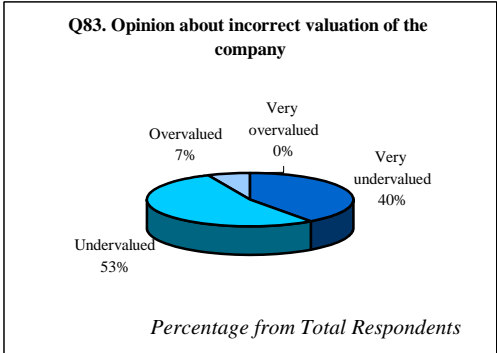
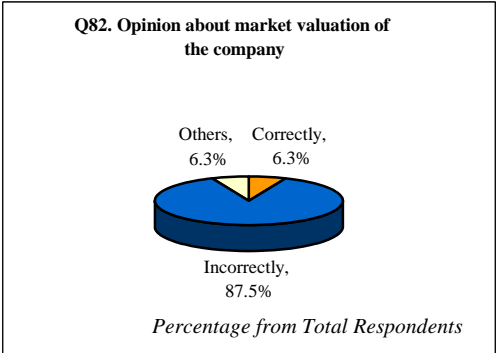
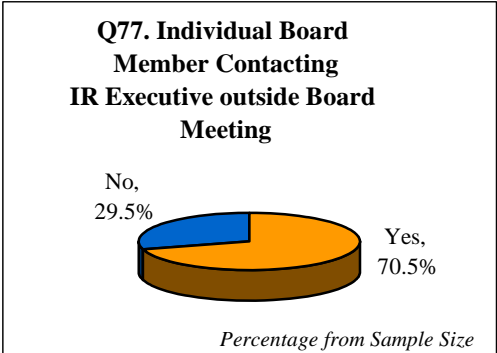
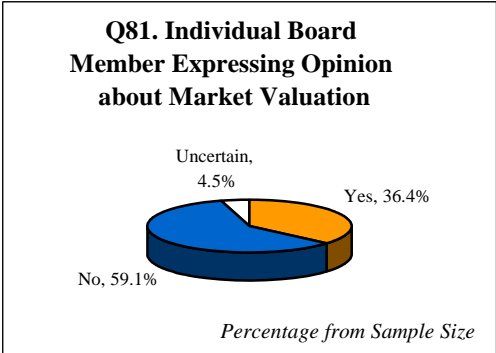
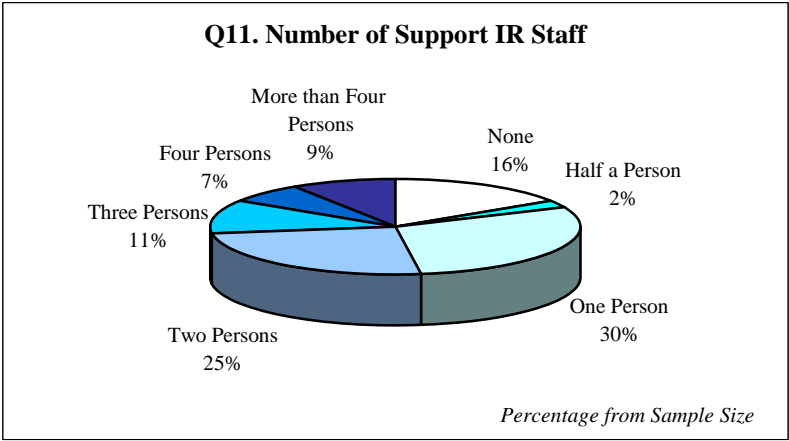


- Slightly more than half the surveyed companies confirmed having analyst days, 54.5%. Judging from Question 68 these events are often well attended and according to Question 69 the variety of participants is a wide cross section of the investment community. However, it might be possible that the remaining companies that do not conduct the analyst day because they already attend the opportunity day organized by the SET.



- Another area where the survey group is failing to meet standards of best practice is in the area of IR planning. Fully 61.4% of respondents (Question 78) do not prepare a written IR Plan which also probably goes some way to explaining why 52.3% of respondents (Question 12) have no specific IR budget. These findings are consistent with the conclusion we drew earlier about the high number of IR teams led by an executive who is working only part time on his company's IR functions and filling another senior executive role on a day to day basis (Questions 10 and 11). This also explains the high level of executive interaction with directors outside of board meetings (Question 77 - 70.5%) and the low level of specific IR reporting to boards of directors we mentioned earlier in this review. It is not surprising then that 36.4% of respondents in Question 81 said that directors had expressed to them opinions on the company's value and that 87.5% of the time the opinion was either that the company was undervalued (53.3% of 87.5%) or very undervalued (40% of 87.5%).





## ***CONCLUSION FOR SURVEY***

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The main conclusions from our review of the respondents' answers to the Investor Communications Survey – Perspectives on IR Practices in Thailand are as follows:

- Investor relations as conducted by Second SET 50 companies tends to be “reactive” rather than “pro-active and strategic”. (Page 2)
- The surveyed companies have the resources and most have the right attitude to convert their investor relations programs from “reactive” to “pro-active and strategic”. However they lack many of the basic disciplines such as IR planning, IR budgeting and IR internal reporting that normally go hand in hand with a more proactive approach to IR. (Pages 3,10, and 21)
- Disclosure practices, the key corporate governance element of IR is an area that is weak and needs improvement. (Page 5)
- The surveyed companies recognize that their IR products for external communications need to be improved but in most cases do not recognize the importance of their internal IR products and internal processes. (Pages 7, 8, 11, and 13)
- Transparency, which is correctly recognized by respondents as an important factor in investment decisions, is an area that might need to be improved by incorporating cash flows, operating metrics and capex into the earning press releases (Page 13, 14, and 15)
- The sell side community is the major channel used by companies to get their corporate messages through to the market. They are failing to make effective use of direct channels such as annual reports and their IR web pages. (Pages 6, 7, and 18)