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## RUSSIA INVESTOR RELATIONS SURVEY

JULY 2016

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# EXECUTIVE SUMMARY

The 2016 Russia Investor Relations Survey was undertaken between March 21 and April 29, 2016 by Extel, working in association with IR magazine Russia & CIS.

Investor relations continues to grow – in importance, in its centrality to the investment community, and in the professionalism with which it is undertaken. This is a global fact, and a global, and in our view irreversible trend – and one we see in Russia too. The continuing growth in participation from the buy-side and sell-side, to evaluate IR excellence in Russia is a real signal of this. Extel has delivered IR rankings, rating and best practice data & insights on the Russian investor relations world for a decade now, and 2016 represents a new high water mark in votes received, with over 570 participants, and in those corporates, IR professionals, CEOs and CFOs being nominated. In Extel 2016, some 68 Russian corporates, 122 IR professionals, 51 CEOs and 54 CFOs collected qualifying nominations.

There are three key drivers that underpin the ever greater focus on investor relations – and whilst these are generic to all markets, there is a particular Russian dimension for each of them. In no especial order, these drivers are –

**Buy-side Selectivity** For active equity fund managers, the pressure to perform is intense. In part, they need to justify the costs associated with active strategies, as opposed to passive and ETF-based investing. But it is more than that. Faced with the ‘new normal’ of uncertain markets, the perpetual surfacing

of macro issues that can derail stock stories, and a framework of enhanced global and multi-asset funds, the buy-side needs to dig deeper, search further, and analyse more rigorously, to unearth investment potential. That is leading them to do more in-house, but to choose external advice and support more carefully. A key part in this is the appetite to hear more from corporates directly, and about wider sector and industry issues, to help context your stock story. Russia, as both an emergent market, and one where the political and economic undertones are especially vivid, is more exposed than most – and IR needs to react accordingly.

**Sell-side Decline** Worldwide, the returns from research and advice in the secondary cash equities market, largely via commissions, are not what they were. As well, existing and future regulations are restricting the role of sell-side analysis, dampening its profile and importance. As a result, although at the sharp end of excellence, we see sell-side research as superior to any time in history, there is less of it. Brokerage firms and banks are reducing coverage, cutting back on teams, and serving fewer buy-side clients. In Russia, we have seen this more acutely, with many of the larger global investment banks choosing to spend their dollars elsewhere. The insights and

information deficit this creates has to be filled by IR teams.

**Executive Management Interaction** Both sellside and particularly the buy-side, are looking for evermore direct contact and meetings with CEO & CFO (of course); but also with other executive and divisional directors. A study of the Extel rankings and ratings makes it clear that corporates who are the most responsive and proactive to delivering intelligent access, are those best regarded in the market. Russia has somewhat of a reputation (partly unfair, but partly not) for offering very limited access to management. For IR teams, competing on a global stage for international investment dollars, this is like fighting with one arm tied behind your back. The Russian companies excelling in IR are nearly always those who have a more enlightened approach, and there is a lesson here for all.

All data, results and rankings for Russian IR come from the overall Extel Pan-European 2016 survey, which collected sentiment and views from some 19,000 investment professionals across 80 countries worldwide. Whilst the main aggregate and headline results for Extel 2016 were announced on June 8<sup>th</sup>, the specially prepared Russian IR results and rankings were announced at the Russia IR awards in Moscow. Full rankings are on the Extel website -

**[www.extelsurveys.com](http://www.extelsurveys.com)**.

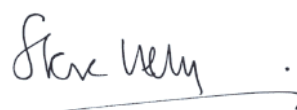
Extel has been conducting professional studies within the institutional investment community for over 40 years, and has run specific surveys measuring investor relations capabilities - on both firms and individuals - since 2001. We now run such studies across

Europe and Asia, and additionally for individual markets such as UK and the Middle East.

This unique global spread gives us extensive information on what companies are doing in investor relations around the world; and just as important, what asset managers and brokerage analysts are looking for in their interaction with companies.

In undertaking Extel Europe, we adopted the same fundamental approach for treating the votes received, and methodology applied, as for all our professional surveys. In terms of investor relations performance, votes were requested separately for firms and company representatives, with participation primarily online at **[www.extelsurveys.com](http://www.extelsurveys.com)**.

Votes were only verified and accepted from legitimate investment professionals investing in or covering pan-European equity market. Looking specifically at the voting for Russian IR, a total of 576 qualifying responses from 82 organizations were included in the results. The 'Methodology and Process' section of this report provides more detailed information. We would like to formally thank all participants for their contributions to the Survey, and of course IR magazine Russia & CIS for their advice, guidance and input throughout the Survey. We look forward to working with IR magazine Russia & CIS and the investment community to continue to measure the impact and development of investor relations in Russia.



**Steve Kelly**  
Managing Director,  
Extel  
July 2016

## THE LEADING FIRMS AND INDIVIDUALS

### **RUSSIA - LARGE CAPS**

#### **LEADING CORPORATE FOR INVESTOR RELATIONS**

Rosneft

#### **BEST INVESTOR RELATIONS PROFESSIONAL**

Andrey Baranov, Rosneft

### **RUSSIA - MID CAPS**

#### **LEADING CORPORATE FOR INVESTOR RELATIONS**

UC Rusal

#### **BEST INVESTOR RELATIONS PROFESSIONAL**

Boris Krasnozhenov, UC Rusal

### **RUSSIA - SMALL CAPS**

#### **LEADING CORPORATE FOR INVESTOR RELATIONS**

Aeroflot

#### **BEST INVESTOR RELATIONS PROFESSIONAL**

Andrey Napolnov, Aeroflot

# METHODOLOGY AND PROCESS

Responses were received from asset management firms or brokerage houses, with the geographic breakout of weighted votes as follows –

FIRMS	%
Europe	19.51
UK	24.39
USA	13.41
Australia & Japan	3.66
Russia	35.37
Rest of the World	3.66

FIRMS	%
Sellside	32.53
Buyside	67.47

All respondents were encouraged to participate at [www.extelsurveys.com](http://www.extelsurveys.com).

Additionally we issued soft copy questionnaires and we received email responses utilizing this soft copy forms. When voting online, participants were asked to rank up to ten companies for overall quality and direction of their IR, and separately rank up to six IR professionals, CEO or CFO. No votes for the same firm or individual were allowed to be cast more than once.

Responses were only accepted from legitimate individuals at brokerage firms or asset managers, and virtually all responses came from individuals on our original target audience list.

All responses were then treated as follows in order to calculate results from each category

- Votes from multiple individuals at the same company were consolidated to form a single submission in all cases where

multiple individuals had voted in the same category

- All votes once consolidated were weighted to score a first place vote as 5 points, 2<sup>nd</sup> place as 4 points and so on to a 5<sup>th</sup> place vote being worth 1 point
- Votes were then additionally weighted

- Brokerage votes weighted based on the brokerage firms' position in the 2015 Extel Pan-European Survey
- Buyside votes weighted on Pan-European (including Emerging Europe) equity assets under management.

The weighting tables are as follows:

## FUND MANAGEMENT (buyside)

EUROPEAN EQUITY AUM	WEIGHTING
US\$ 0-1 Billion	1
US\$ 1-3 Billion	2
US\$ 3-5 Billion	3
US\$ 5-10 Billion	5
US\$ 10-20 Billion	7
US\$ 20-40 Billion	10
US\$ 40-60 Billion	14
US\$ 60-80 Billion	18
US\$ 80-100 Billion	24
US\$ 100 Billion+	30

## BROKERAGE (sellside)

FIRM RANKINGS IN SECTOR	WEIGHTING
1st to 5th	20
6th to 10th	16
11th to 20th	12
21st to 40th	7
41st Plus	3

The particular nature of the Russian equity market, with a number of major companies, with a high profile and significant following, both sellside and buy-side, can present issues when collecting the type of sentiment and IR approval data implicit in these rankings. Added to that is the dominance of the natural resources sectors in the Russian economy, and in the equity market, most notably oil & gas and metals & mining. The abiding fundamental principles in all Extel studies are

- The votes must be from legitimate individuals at legitimate and relevant organizations
- All votes must be checked, verified and then treated with care, to ensure they are both consolidated, and then weighted appropriately
- If these above steps are done, then the votes cannot be adjusted or reviewed. Essentially - they are what they are

Having said that, we remain cognizant of the issues relating to the Russian equity market, as noted above. We have sought, within the limitations of our overall Extel principles, to respond to those issues in two ways

- The breakout of results across large caps, mid caps and small caps stocks – this ensures that not only the largest, most influential companies will be ranked, but

that smaller companies, often operating in different market sectors, can also receive recognition for excellence in investor relations. Rankings for large caps include fifteen biggest companies by market capitalization, mid caps rankings consist of following 20, and the rest are small caps. Market capitalisation as of 11.07.2016; source: Thomson Reuters Datastream.

- A particular focus, in the vote process, and in contacting individuals and firms to request their participation, on sectors outside of oil & gas, and metals & mining. This is to seek to ensure that the preponderance of these two sectors does not exclude companies in other sectors from receiving the opportunity to earn recognition.

Alongside this, we believe, and much experience in our studies worldwide supports this, that the Extel process of separation of nominations for firms as opposed to individuals, and the consolidation of votes from multiple individuals at the same firm into a 'firm vote', contributes significantly to a more equitable vote process, and set of results.

## SECTOR RANKINGS

SECTOR	BEST RUSSIAN COMPANY FOR INVESTOR RELATIONS
BANKS	Sberbank
METALS & MINING	UC Rusal
OIL&GAS	Rosneft
RETAILERS (FOOD)	X5 Retail Group
TRANSPORT	Aeroflot
UTILITIES	Inter RAO

SECTOR	BEST RUSSIAN IR PROFESSIONAL
BANKS	Anastasia Belyanina, Sberbank
CHEMICALS	Irina Evstigneeva, PhosAgro
METALS & MINING	Boris Krasnozhenov, UC Rusal
OIL&GAS	Andrey Baranov, Rosneft
REAL ESTATE	Kirill Bagachenko, Etalon Group
RETAILERS (FOOD)	Maxim Novikov, X5 Retail Group
SPECIALITY & OTHER FINANCE	Sergey Klinkov, Moscow Exchange
TELECOMMUNICATIONS SERVICES	Joshua Tulgan, Mobile TeleSystems OJSC
TRANSPORT	Andrey Napolnov, Aeroflot
UTILITIES	Larisa Sadovnikova, Inter RAO

The rankings for Russian companies and IR professionals across the sectors above are derived from overall data from over 19,000 investment professionals from 2,881 buy-side firms and 270 brokerage houses/research providers in Extel pan-Europe 2016. From experience in the past, the level of participation and rankings for Russian IR are stronger and more complete, than requesting separate rankings only on 'Russia-based' sectors. This is both because the wider remit allows for a wider, more geographically diverse response, and as investors and analysts are therefore encouraged to view Russian IR against an international framework.

In partnership with MOEX, Extel conducted an additional survey on IR quality of four companies with recent IPO on Moscow Exchange.

POS.	COMPANY NAME	%
1	United Wagon Company	29.64
2	Europlan PAO	26.58
3	Credit Bank of Moscow	24.53
4	Novorossyisk Grain Plant	19.25



# MARKET TRENDS

Within the Extel 2016 study, we collected an extensive range of data on IR functions and best practice. The following graphics illustrate some of the key components and findings of this research. In all cases the data presents information for Russia compared with data for pan-Europe overall, enabling easy and clear analysis.

All data presented here, and much more besides, is available in the online Extel IR Benchmarks service. This is a unique set of data, giving you a complete view on market sentiment and IR best practices, from the perspective of the opinion formers and market practitioners. All data is based only on Extel information, votes and sentiment gathered from all three sides of the investment community.

An access to full results and data for your country and sector is available at €4,000. If you would like to know more, please contact Mariola Mandla either by email [mariola.mandla@weconvene.com](mailto:mariola.mandla@weconvene.com) or by telephone +44 (0)20 3567 1365

## VALUE OF CORPORATE ACCESS

Companies were asked the extent to which brokers' corporate access services had improved over last twelve months

	Russia	Pan-Europe
1 = Low, 5 = High	Score	Score
Roadshows	2.82	3.02
Conferences	2.56	3.13
Reverse Roadshows	2.63	2.99
Experts/Bespoke Advice	2.82	2.78

## VALUABLE INVESTOR TARGETING SERVICES

Companies were asked how they rated different sources of investor targeting information

	Russia	Pan-Europe
1 = Low, 5 = High	Score	Score
Advice from brokers	3.84	3.77
Your own analysis of stockholder lists	3.91	4.15
Your own IR outreach activities	3.98	3.93
Third party information services	2.82	2.65
Website & Internet	2.09	1.82

## BROKER CONFERENCES

*All numbers are percentages.*

Companies were asked how many broker conferences they attend with following:

WITH CEO/CFO					
	None	1-2	3-5	6-9	Over 9
Russia	33	43.2	23.9	0	0
Pan-Europe	3.2	20.9	44.9	25.9	5.1

WITH IR-ONLY					
	None	1-2	3-5	6-9	Over 9
Russia	4.1	4.1	19.4	35.7	36.7
Pan-Europe	5.8	22.4	37.8	21.9	12.1

WITH DIVISIONAL DIRECTORS					
	None	1-2	3-5	6-9	Over 9
Russia	65	15	20	0	0
Pan-Europe	49.1	30	16.5	4.1	0.2

# EXTEL

Established in 1999, when Thomson Reuters acquired the Extel Survey from the FT Group (part of Pearson). As of 1<sup>st</sup> of July, 2014 Extel is part of WeConvene, a global web-based platform designed to enhance corporate access for the global investment community.

Initially 5 people, the team has expanded over the period 1999-2016 to a current strength of 15.

This expansion has both enabled us to develop the Pan-European Survey to become the leading indicator of investment industry opinion in Europe, and to respond to the demands we have had for additional survey and investment industry research consultancy work.

Our policy is to keep the consultancy team as small and focused as possible, in order that we provide direct service to each of limited number clients.

## ACTIVITIES

- Extel Pan-European survey
- SRI (socially responsible investing) (undertaken in conjunction with UKSIF – the UK industry group for social investing)
- Middle East IR Survey in cooperation with ME-IR
- Extel Asia & Japan
- Consultancy projects on behalf of sellside firms, buy-side houses and quoted companies. We have undertaken a range of specific assignments over the last 10 years for organizations in all three of these

areas. As is usual with this work, client names and the nature of the work remain confidential. They include a major US investment bank, several European investment banks, two UK-based FM institutions and quoted companies in insurance, pharmaceuticals, real estate and transport.

# CONTACTS

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