

designportfolio



# Crafting your investment case

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Master the art of storytelling with our updated guide to investment case reporting across the FTSE 350 and AIM 50.



# The investment case in an evolving market

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2019 saw an overwhelming increase in investment cases across the annual reports and corporate websites of the FTSE 350 and AIM 50 constituents. In our 2018 research titled, [“Building the Investment Case”](#), we delved into the building blocks of the investment case and evaluated trends in best practice. In this update to our research, we explore whether investment case reporting has remained an indispensable component of corporate communications – and in short, it has never been more important.



### The investment case in an evolving market *continued*

In our first whitepaper on the subject, we introduced the investment case in the context of a market grappling with the impacts of the 2018 MiFID II revisions and the resulting loss in sell-side analyst coverage. In its annual IR survey, PR consultancy Citigate Dewe Rogerson reported that UK firms experienced a 52% year-on-year decrease in analyst coverage, with 38% of companies reporting a decline in the quality of coverage. The change in regulation hit small and medium cap companies particularly hard, with the implications of MiFID II continuing to underpin the need for businesses to develop an attractive, clear and concise equity story.

Further transformations to the financial regulatory landscape are occurring against a backdrop of unprecedented change in how businesses and investors engage with the theme of ESG. A growing body of research supports the notion that ESG issues are vital to a successful and sustainable business strategy. This shift from a “shareholder” to a “stakeholder” lens was a key theme at the 50th anniversary of the 2020 World Economic Forum in Davos. In line with these developments, the UK Stewardship Code 2020, which took effect on 1 January 2020, entreats

the investment community to act as agents of long-term value creation leading to sustainable benefits for the economy, the environment and wider society.

IR professionals have seen the value in the investment case as a tool for addressing the perennial question on every investor’s mind: Why should I invest? As a new era of corporate transparency is dawning – an era marked by the intense scrutiny of the benefits of long-term investment – this question must be revised to why should I invest and trust this company to stay invested?

Design Portfolio has conducted a new analysis of the market to understand how the investment case trend is developing in this rapidly evolving market context and to illuminate the latest updates in best practice. The pages that follow will demonstrate how companies are looking beyond the foundational building blocks we set out in our first whitepaper and beginning to bolster their investment case to convey a more compelling story.

52% ↓

year-on-year decrease in analyst coverage reported from UK firms

38% ↓

of companies reported a decline in the quality of analyst coverage

# Research and methodology

Previously, we presented an in-depth look at the critical building blocks of the investment case for corporates that were unsure how to proceed in constructing their own. That report still functions as a baseline introduction to the investment case. The following pages can be read as an extension of our initial whitepaper and endeavours to update and expand upon the research. We hope to provide readers with insight into how the investment case should be refined amid a regulatory environment in flux and in the context of ever-competitive and volatile financial markets. Examples of best practice investment cases across the FTSE 350 and AIM 50 illustrate the changes we have observed. We have studied corporate websites and annual reports to accumulate key data to demonstrate how these companies are currently addressing their investment case, if at all, and how this has changed over two years.

## Methodology

The following research comprises an analysis of 275 companies – the entire FTSE 100, the top and bottom quartiles of the FTSE 250 and the entire AIM 50. As of April 2020, we analysed all 275 of these companies' current annual reports and corporate websites, looking specifically at investment cases. For those companies that did have an investment case, we reviewed key areas including: the number of reasons; the amount of text; and the inclusion of data. We also looked at where the investment case was located; whether it was supported by leadership; whether it included signposts; and, if online, whether it included a video. Key trends observed in the research are discussed in the main body of this latest whitepaper.



# The investment case is growing up

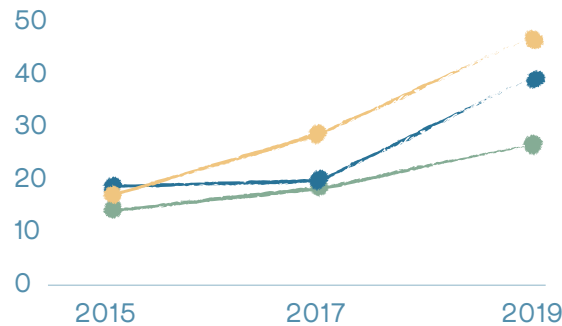
More companies than ever before now provide a clear investment case. Yet the increase in investment cases is not the only trend; a new phase of more sophisticated investment case reporting can be observed across the FTSE 350 and AIM 50 as corporates mature from a focus on creation to communication.

Companies are looking beyond the foundational building blocks we set out in our first whitepaper and are beginning to bolster the investment case to present it as a compelling and integrated focal point of their IR story. This includes refining the content to ensure consistency across platforms and allocating a dedicated page online or in the annual report, rather than housing it as a subsection of other related content.

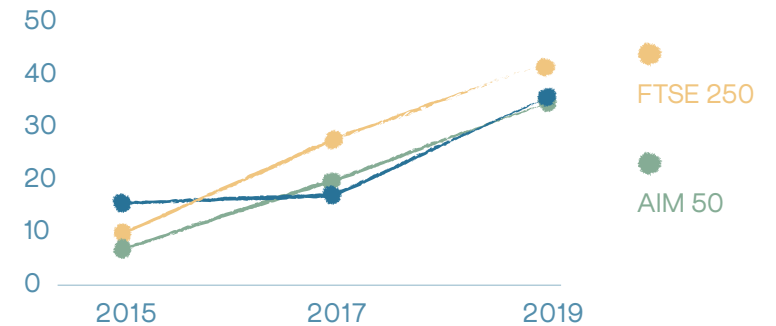
On the following page, we set out five key themes that emerged in this year's research which provide insight into how the investment case is becoming more refined and where there is still opportunity for improvement.

## Percentage of companies with an investment case broken down by index

On the corporate website (%)



In the annual report (%)



## Percentage of companies with an investment case both online and in the annual report

**22%** (2017: 13%) ↑

of FTSE 350 companies had an investment case online **and** in the annual report in 2019

**18%** (2017: 12%) ↑

of AIM companies had an investment case online **and** in the annual report in 2019

# Five key themes from our research

1

## The investment case has earned more prominent positioning

We are seeing more companies provide dedicated investment case pages in the annual report and online. This demonstrates how the investment case is evolving from a “nice to have” and becoming a fundamental element of corporate reporting.

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2

## ESG is shaping the themes addressed in the investment case

As the evidence grows for the effectiveness of sustainable investment funds and their ability to perform consistently, it is no surprise that companies are beginning to ramp up communication on their ESG capabilities. This trend is easily observable in the investment case: this year we recorded significant jumps in the amount of non-financial information integrated into investment cases across the board, including details on human capital management, customer experience and environmental impacts.

→ See page 8

3

## Better data is being used to support the investment case

Companies are beginning to support investment cases with quantitative data in a shift from simply identifying investment themes, to providing concrete evidence for how these components work and how they have performed – a critical step towards building trust with the investment community.

→ See page 14

4

## Consistency across platforms has increased

Last year we noted this as a key area for improvement as the number of consistent investment cases was disappointingly low. This has been an area of notable improvement across 2019 reporting platforms, suggesting that companies are beginning to focus on ensuring a unified communication campaign across all channels.

→ See page 17

5

## Video has stagnated in online investment case reporting

A greater number of companies are putting an investment case both online and within the annual report and, as mentioned earlier, the investment case is increasingly allocated its own page, giving it greater prominence. However, as the online investment case has been relocated from webpages such as the business model or strategy, it has lost the benefit of accompanying video content. This may explain the reduction in videos in support of the investment case, a trend we hope to see reversed in the future.

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## CHAPTER ONE

# Set the scene

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As an integral reporting tool, it is important for companies to consider where their investment case is located. A dedicated and prominent page for your investment case, across all channels of communication, can have a positive impact on the number of people that view it.



# Prominent and dedicated pages

The increase in the number of dedicated investment case pages shows that companies are recognising the importance of the investment case as an integral reporting tool. This is particularly true for AIM companies, which saw the biggest increase in dedicated pages in the annual report, from 12% in 2017 to 22% in 2019. This positive trend is in line with our expectations from the first whitepaper, where we discussed the impacts of MiFID II and the pressure, particularly on smaller companies, to provide clear and engaging tools for investors to understand their business.

Stakeholders need the investment case to be readily available, easily accessible, and clear and engaging. Whether it simply provides the basics or goes all out with infographics and interactivity, it is important to feature an investment case page that sits prominently in the hierarchy of pages online, and towards the front of the annual report.

But for the companies that don't have a dedicated page, where does it appear?

Other common areas to find the investment case this year included: the at a glance; the business model; and the strategy, and online, the investor relations landing page. We recommend clearly separating the investment case from other content to make it quicker to find and more digestible. However, it is a good idea to include drivers to the investment case on these other pages.



60% ↑

increase in the number of companies with a dedicated investment case page in the annual report

38% ↑

increase in the number of companies with a dedicated investment case page online



## CHAPTER TWO

# Spark their interest

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Demands for greater transparency are increasing as the trend towards ESG investing grows. Investment cases need to evolve to reflect these shifting priorities and companies should harness the opportunity to approach investors' concerns head on.



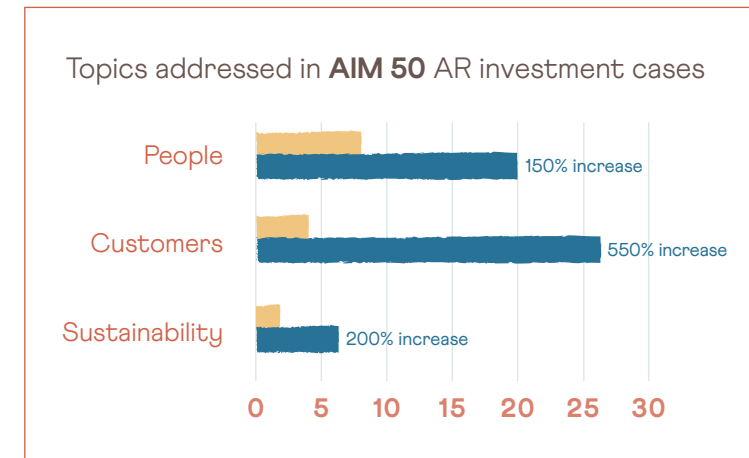
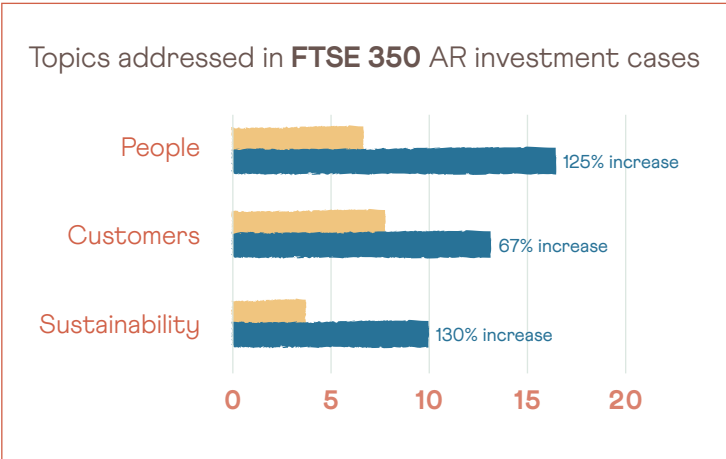
# ESG is shaping thematic content

As investors begin in earnest to examine ESG issues as inextricably linked to sustainable financial returns, companies will face mounting pressure to provide relevant information about their performance in these areas. Larry Fink's January 2020 letter to CEOs says as much: ESG risks are financial risks, and funds will dry up if corporates do not react.

Given the growing linkage between financial resources and ESG, it makes sense that the contents of the investment case will evolve to reflect shifting priorities – in fact, the investment case is an excellent platform to approach investors head on and direct them to the information they need to make decisions.

On average, the number of reasons in the investment case has stayed constant at 6, and operational and financial rationales remain most prominent. Nonetheless, our research indicates a modest uptick in the amount of companies choosing to include ESG themes – namely sustainability, people and customer engagement – as key reasons to invest.

By no means has the change been sweeping, but we expect this trend will only continue to gather pace as companies adapt to accommodate the changing investor mentality.



■ 2017 ■ 2019

# What are companies talking about?

## Sustainability

The first round of mandatory Section 172 statements has now been published, and the growing focus on ESG issues in 2019 corporate reporting is no coincidence: a company's relationships with its stakeholders are at the heart of the ESG framework.

As a key component for communicating a clear and consistent narrative, it's no surprise that the investment case saw a commensurate increase in discussion around sustainability. Across annual report and online investment cases, and for almost all indices, sustainability experienced the largest year-on-year increase from 2017 to 2019. The FTSE 100 is leading

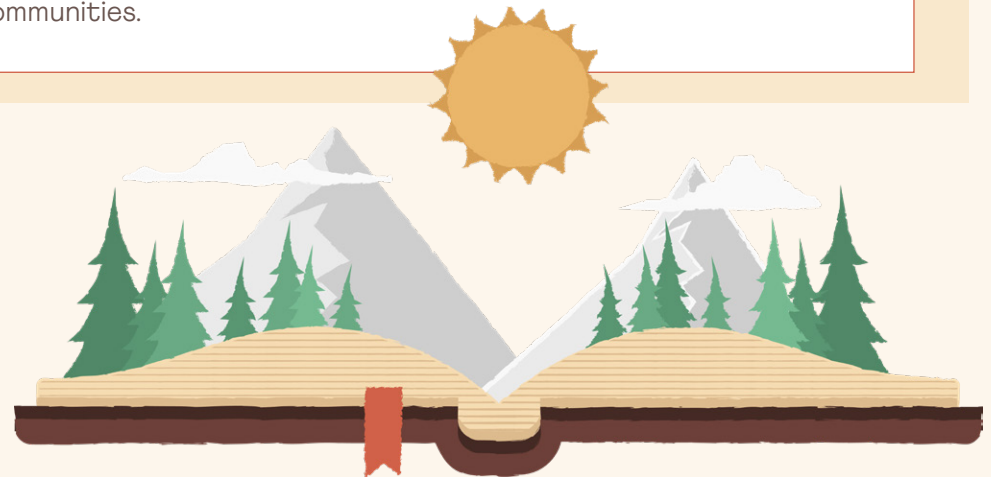
the charge, where the number of companies addressing sustainability in their 2019 annual report investment cases jumped from just 4% to 12%. The AIM 50 still lags behind, with just 6% of companies putting sustainability in their annual report investment cases.

While disappointing, it is unsurprising given that many companies are still scrambling to develop internal frameworks and allocate resources for understanding how to engage with sustainability issues, which range from the effects of climate control and bolstering internal health and safety initiatives, to giving greater consideration to the impact of business activities on local communities.

As ESG becomes better understood, it will be vital that small and mid-cap corporates, in particular, adapt their dialogue with investors to reflect a more responsible approach to the business's role in a capitalist economy. By putting the topic front and centre in the investment case, a growing number of companies are doing just that.

200% ↑

increase in FTSE 100 companies that discussed sustainability in their annual report investment case





# 180% ↑

increase in FTSE 350 companies that discussed people in their online investment case

### What are companies talking about? **continued**

#### People

As a key stakeholder group, the workforce falls under the umbrella of Section 172 disclosure, which will reinvigorate employee engagement as a topic in corporate reporting. Additionally, evidence increasingly suggests that corporates that prioritise employee welfare and promote a positive company culture tend to be more successful.

Investment case reporting is adapting to this shift, and particularly so online: 2019 witnessed an increase from 4% to 12% in FTSE 350 companies that elected to talk about their people. The widening audience for corporate websites, namely new recruits and graduates will also continue to put focus on how a company engages with its workforce.

Shifting sociocultural attitudes suggest that people want to work for socially responsible companies, and investors will be mindful of corporates that can demonstrate this in their recruitment and retainment procedures.

Investment cases that feature people frequently describe management teams as a key asset. Calls for increased transparency and accountability make putting a face to the leadership teams driving a business crucial in establishing trust and credentials, but we expect to see material data on successful employee engagement as the focus moving forward.



### What are companies talking about? *continued*

#### Customers

26% of the AIM 50 addressed customers in their 2019 annual report investment case, up from just 4% in 2017. In contrast, of FTSE 350 companies, only 13% addressed their engagement with customers as a key reason to invest.

Again, this trend is underlined by the impacts of Section 172 and the importance that investors are placing on stakeholder engagement. Particularly among small-cap companies, many of which are still working to establish themselves in the marketplace,

it is a battle between brands. Ensuring positive customer experience is a vital tenet of small-cap success, and therefore an important element of the investment case narrative.

The world is far from understanding what the ongoing consequences of the COVID-19 pandemic will be, but for the FTSE 350 and AIM 50 alike, a company's understanding of its customers' needs is likely to be a growing matter of importance to the investment community.

**550%** ↑

increase in AIM 50 companies that put customers in their annual report investment case

**67%** ↑

increase in FTSE 350 companies that put customers in their annual report investment case

# Best practice example

SMS plc

Annual report 2019

Sustainability sits at the heart of the company's investment case.

Signposting with drivers to sections within the annual report or corporate website helps investors to quickly access the information they need to evaluate sustainability practices.

**01 - Investment case**

## Securing long-term, sustainable value for all stakeholders

SMS is perfectly positioned to maximise the opportunities available from Carbon Reduction (CaRe) assets whilst enhancing shareholder value.

**1**

### At the heart of the zero-carbon and smart energy revolution

In 2019, the UK became the first major economy to pass the net-zero emissions law. Our vision is to be at the heart of the smart energy, low-carbon revolution, and we have built our services around transforming and decarbonising the UK energy system.

For over two decades, SMS has focused on providing CaRe solutions to the UK's largest emissions sectors: power, transport, residential and business, which together emit more than all other sectors combined.

We are also dedicated to reducing our own carbon footprint through effective management of our business estate and fleet.

The next few years will see intense evolution across the energy production and consumption landscape and we are primed to lead the transformation to a more sustainable world.

Refer to our Sustainability Report on pages 34 to 37 for further details.

Smart Metering Systems plc

**2**

### Strong, sustainable dividends with further potential to enhance value

Our existing portfolio of mature assets underpins the Group dividend policy, with additional levers to rebase dividends in the future:

- **Resilient balance sheet:** The infrastructure nature of its underlying cash flows provides SMS with several options to fund its growth: (i) residual long-term cash flows from its existing portfolio; (ii) a revolving credit facility; (iii) further capital optimisation options; and (iv) access to low-cost infrastructure funding. The Group intends to maintain future leverage at prudent levels.
- **Attractive growth opportunities:** SMS has significant growth opportunities to expand ILARR, with an existing order book of c.2 million meter points alone. SMS has also developed a pipeline of opportunities in CaRe assets, with recent independent funding support from an infrastructure fund.
- **Potential to rebase:** By the end of 2019 SMS had generated ILARR of £59.2m through its I&C and domestic smart meter portfolio. These highly sustainable, annuity-style cash flows enable SMS to provide shareholders with long-term sustainable dividends, growing at least in line with RPI, with good cash cover and scrip alternatives. A combination of existing long-term cash flows and growth opportunities to generate additional long-term revenue streams, coupled with attractive funding options, provides several levers to rebase dividends in the future.

**3**

### Robust, integrated delivery platform with well-established industrial partnerships

Since its inception, SMS has invested significant resources in creating an end-to-end integrated delivery platform, underpinned by extensive industrial expertise and:

- **Well-established infrastructure:** SMS has a well-established utility infrastructure through its three core businesses of asset management, asset installation and energy management. Our internally trained engineer workforce provides the Group with significant competitive advantages, enabling the provision of a wide range of services and the development of our asset base.
- **Robust technology platform:** SMS's delivery platform is supported by its own central, cloud-based IT and data platform, which is subject to ongoing development to meet the needs of our customers and the industry. Through the acquisition of Solo Energy, the Group now has access to a software platform, FlexGrid, that will control and integrate the operation of renewable energy assets.
- **Collaborative industrial partnerships:** We are proud of the relationships we have formed with our partners over the past 20 years. This includes energy suppliers, I&C enterprises, local authorities, housing associations, Distribution Network Operators and industrial groups across a variety of sectors including telecoms, utilities, hotels, infrastructure, water metering and technology. These partnerships enable us to identify attractive opportunities well in advance.

This places SMS at the forefront of energy efficiency and carbon reduction strategies, and we are now well positioned to extend our offering to CaRe assets.

**4**

### Highly experienced management team committed to deliver shareholder value

The SMS Board and Executive team have an optimal blend of experiences, including decades of association with the utilities and smart meter industries, experience in managing a nationwide engineering workforce and technological platform, and a solid background in infrastructure finance. This multitude of capabilities enables the Group to successfully navigate through the fast-changing energy landscape whilst continuing to deliver value for all stakeholders.

**c.2 million**  
smart meter order book

**c.£40m**  
ILARR to be added

Annual report and accounts 2019

## CHAPTER THREE

# Be descriptive

Investment cases are continuously being refined and are therefore beginning to work harder as critical communication tools. Quantitative data can help create a more robust and trustworthy investment case, meeting the growing demand from investors for more honest and transparent reporting.



# Backed up and data driven

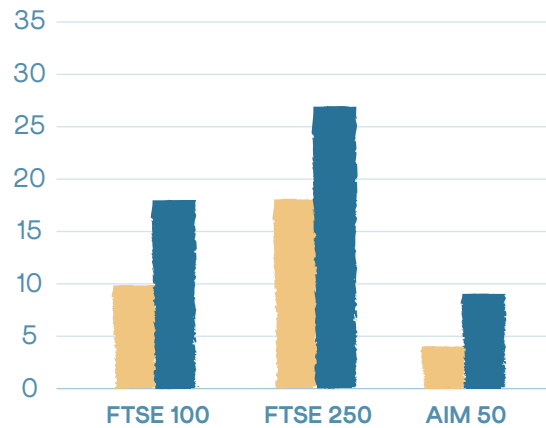
The growth of quantitative data in the investment case supports the theory that investment cases are continuously being refined and are therefore beginning to work harder as critical communication tools. It also highlights a response to the growing demand from investors for more honesty and transparency in corporate reporting. Providing data to back up each point helps create a robust and trustworthy investment case.

Once again, in conducting our research, the biggest increase was seen in the AIM 50 with more data being included both online and in the annual report, particularly in the form of charts.

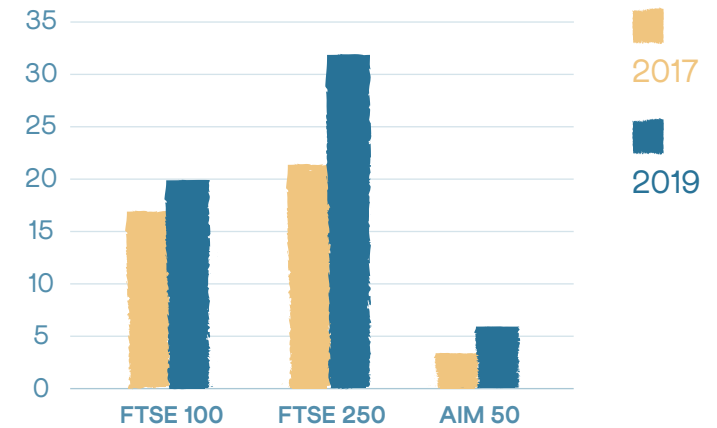
Investors look for data to gain a clearer picture of a business's current position and where they are going in the future.

## Companies using data to support the investment case

On the corporate website (%)



In the annual report (%)



18% ↑

increase **online** across all indices

22% ↑

increase in the **annual report** across all indices



# Best practice examples

## Playtech plc

Annual report 2019

The investment case narrative becomes more credible and engaging through tangible data that underlines the story being conveyed to investors. Playtech's chart comparing its R&D spend to that of its peers provides material proof of its commitment to innovation and capacity to develop cutting-edge technologies.

**Our investment case**  
**Leading the market**  
 Playtech is the leading technology provider to the global Gambling industry, with high operating margins and high cash generation. This strong financial profile creates the ability to further extend our leading market position by investing in R&D, targeted strategic M&A, and generating value and returns for shareholders through dividends and buying back shares.  
 Playtech provides its technology on a B2B basis to the industry's leading retail and online operators, led by major groups and government operators. Playtech often partners with multiple operators in the same market to fulfil the technology requirements such as in the UK where all the top operators use its software. Playtech's B2B contracts are typically long-term. In select markets, Playtech has its technology directly as a B2C operator such as with iGaming in Italy.  
 As a premium segment listed company on the London Stock Exchange's main market with 100% free float, Playtech is a constituent of the FTSE250 Index.

**Our strengths**  
**Unparalleled scale in the gambling industry**  
 Playtech is considered to be one of the leading technology providers in the online-gambling industry and its 20+ years of experience and investment in technology has resulted in unparalleled knowledge and expertise. Playtech's global scale and distribution capabilities with over 500 licenses, operating in over 20 regulated markets and 120 countries means it is ideally positioned to provide its technology to operators in new regulated and emerging markets including in Central & Eastern Europe, South America, Latin America and the US.  
**Regulated markets**  
 >30  
 Playtech annually invests significantly more than its peers in R&D

**Our sector/position**  
**Demand for technology in the gambling sector is accelerating as regulation opens new markets**  
 Playtech's leading B2B technology offering has been driven by a history of innovation. Playtech has consistently invested in R&D to deliver its technological innovation and industry leading products to the gambling industry. Innovation from Playtech including being the pioneer of online-gambling technology and content integration in the gambling industry. The flexibility and agility of our product line-up has enabled us to continue providing the benefits of our investments in the field, via a breadth of customer base according to client preferences and segment, creating significant long-term growth value. Playtech's scale allows it to consistently invest in R&D and provide market-leading expertise of its peers. In the last five years Playtech has made over €500 million of R&D and product market investments, which is significantly more than peers, and ensures Playtech's technology will benefit from cutting-edge technology continually.

**Our business model**  
**Playtech's technology offering can support operators in any market**  
 Regulation can often significantly hinder operators, whereby in certain markets we focus on international operators or support for alternative markets where regulatory restrictions and barriers may be limited. However, our leading market position in the UK provides us with a significant competitive advantage in the market and enables Playtech to provide its technology to operators in any market. Playtech's technology offering can support operators in any market, whether as a B2C provider or under a white label agreement with a local brand.  
 Playtech's technology offering can support operators in any market, whether as a B2C provider or under a white label agreement with a local brand.

**Our impressive financial track record**  
 Playtech has achieved a record of strong financial performance over the last five years. Playtech's revenue has grown by over 100% since 2013, with EBITDA growing by over 150% in the same period. Playtech's operating margin has improved from 20% in 2013 to 28% in 2019. Playtech's cash flow has also improved significantly, with operating cash flow growing by over 100% since 2013. Playtech's strong financial performance is a result of its leading market position, high operating margins, and strong cash generation.  
**Operating cash flow in last five years**  
 >€1.4bn  
 Total Shareholder Returns in last five years >€1bn

**At a glance**  
**A STRONG ROBERT INVESTMENT CASE**  
 We do many things but, put simply, we help commercial and public sector organisations find the right digital infrastructure for their needs, and then we procure it for them. We can also implement that infrastructure as well as deliver a range of ongoing support and managed services.

**1 A dedicated and passionate team**  
 We believe that if people enjoy what they do, and care about the company they work for they will do better. Our culture is the vital ingredient to realising our ultimate goal to provide outstanding service to customers.  
 1,330 Number of employees at 31 July 2019  
 92% Employee engagement

**2 Proven customer excellence**  
 We provide much the same technology as our competitors. What makes us different is the passion and dedication of our people to the service they provide.  
 96% Customer satisfaction

**3 Market-leading growth and financial strength**  
 We have delivered 14 consecutive years of gross marginal income and profit growth, all of which has been organic. The business has no debt and a strong track record of cash generation.  
 £79.3m Net cash at 31 July 2019

**4 A technology offering that is both broad and deep**  
 We advise, design, procure, implement and manage technology for businesses and public sector organisations, ranging across software licensing, workplace technology, networking, security, cloud and databases.  
 We work with all of the leading global technology manufacturers to provide our customers with the broadest possible choice of solutions to suit their needs.  
 17% Increase in gross profit per customer

**5 Strong partner relationships**  
 We partner with hundreds of different software and hardware vendors to bring the latest and broadest range of technology to our customers, as well as numerous specialist service providers to augment the capabilities of our growing in-house teams.  
 200+ Number of vendors and partners

## Softcat plc Annual report 2019

Pull-out stats provide quick, punchy reference points to draw the reader's eye. Softcat includes a relevant figure to support each of its reasons to invest, giving narrative structure and substance to its investment case spread.

## CHAPTER FOUR

# Develop your plot

To convey a cohesive communication strategy, companies should include a consistent investment case across all of their main communication channels. A streamlined and consistent investment case elevates the quality of the message and delivers a sense of reliability.



# Consistency across platforms

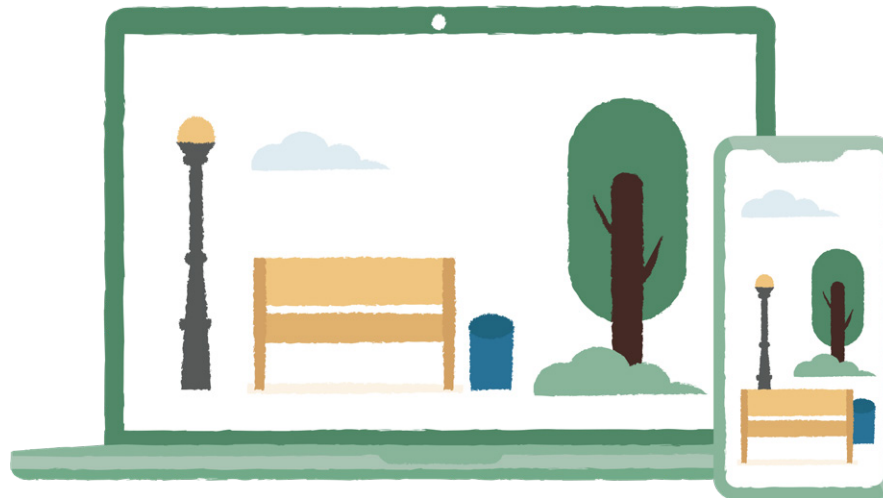
Consistency across communication channels elevates the quality of a company's corporate communication strategy and ensures that there are no conflicting messages. It conveys a sense of reliability – a key characteristic that investors want to see.

In 2017, just 8% of FTSE 350 companies made their investment case consistent between the corporate website and annual report, with just 4% of AIM 50 companies making these consistent. The gains are modest, but 2019 did witness an overall increase in consistency among the FTSE 350, where there was an increase of 28%.

Putting forward a cohesive communication strategy across the various IR platforms can be a challenge, especially given the growing number of departments that contribute to the ever more complicated corporate reporting process. Nonetheless, the uptick in consistency shows that as the investment case trend picks up pace, companies are streamlining that content across their corporate websites and annual reports.

28% ↑

increase in the number of FTSE 350 companies that are making their investment cases consistent between the corporate website and annual report



# Best practice example

## Primary Health Properties plc

Annual report 2019 and corporate website

### Investment case

#### Five reasons to invest in PHP

PHP is a strong business creating progressive returns for shareholders by investing in healthcare real estate let on long term leases, backed by a secure underlying covenant where the majority of rental income is funded directly or indirectly by a government body.

**Low risk, long term and non-cyclical market**

- Development opportunities emerging in the UK
- Opportunities in Ireland, priced attractively
- Majority of rents in both jurisdictions funded by government for long lease terms

**Strong, high quality and growing cash flow**

- Positive yield gap between acquisition yield and funding costs
- Effectively upward-only or indexed rent reviews
- Simple cost structure enhances earnings
- Continued improvements to the rental growth outlook

**Efficient management and reduction in cost of funds**

- EPRAs cost ratio amongst the lowest in the sector
- Underlying investment characteristics make PHP attractive to investors
- Average cost of debt reduced by 50bp to 3.5%
- £4 million p.a. cost-saving synergies arising from the merger with MedixX

**Rent roll funded by government bodies**

**90%**  
(2018: 91%)

**Rental growth**

**+£1.9m or 1.5%**  
(2018: +£1.3m or 1.8%)

**EPRAs cost ratio**

**12.0%**  
(2018: 14.3%)

**Sector demand factors dictate continued development of healthcare premises**

- Healthcare demand increasing due to populations growing, ageing and suffering from more instances of chronic illness
- Unwavering political support in the UK and Ireland and promotion of integrated primary care

**Stable, increasing returns**

- Growing shareholder return through dividend and capital appreciation
- Dividend fully covered by earnings
- Strong yield characteristics and low volatility
- 23 consecutive years of dividend growth

**PHP's portfolio serves**

**5.3m patients**  
or 8.0% of UK population

**Dividend per share**

**5.6p**  
(+3.7% over 2018)

Primary Health Properties PLC Annual Report 2019 03

Home > Investors > Investment case Share

PHP is a strong business creating progressive returns for shareholders by investing in healthcare real estate let on long term leases, backed by a secure underlying covenant where the majority of rental income is funded directly or indirectly by a government body.

**01 Low risk, long term, non-cyclical market**

- Development opportunities emerging in the UK
- Opportunities in Ireland, priced very attractively
- Majority of rents in both jurisdictions funded by government for long lease terms

**90%**  
Rent roll funded by government bodies (2018: 91%)

**02 Strong, high quality and growing cash flow**

- Positive yield gap between acquisition yield and funding costs
- Effectively upward-only or indexed rent reviews
- Simple cost structure enhances earnings

**+£1.9m or 1.5%**  
Rental growth (2018: +£1.3m or 1.8%)

**03 Efficient management and reduction in cost of funds**

- EPRAs cost ratio amongst the lowest in the sector
- Underlying investment characteristics make PHP attractive to investors

**12.0%**  
EPRAs cost ratio (2018: 14.3%)

**04 Sector demand factors dictate continued development of healthcare premises**

- Healthcare demand increasing due to ageing population
- Unwavering political support in the UK and Ireland and promotion of integrated care

**5.3m patients**  
PHP's portfolio serves 5.3m patients or 8.0% of UK population

**05 Stable, increasing returns**

- Growing shareholder return through dividend increase and capital appreciation
- Dividend fully covered by earnings
- Strong yield characteristics, low volatility

**5.6p**  
Dividend per share (+3.7% over 2018)

**Contact us**

If you would like to speak to a member of the team please get in touch.

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Primary Health Properties includes a strong and consistent investment case page in its annual report and on its corporate website.



# Best practice example

## Go-Ahead Group

Annual report 2019 and corporate website

Six key reasons to invest are provided in the Go-Ahead annual report and emphasised again within the IR section of its corporate website.



**Why Go-Ahead?**

**We are one of the UK's leading public transport providers with a compelling investment case...**

- 1 Stable cash generative UK bus business**
  - Well established regional bus operator with a focus on urban areas with prospects for growth
  - Largest bus operator in London with strategically located depots providing competitive advantage
  - Efficient operations supported by consistent investment in high quality fleet
  - Good cash generation in our regional and London bus business
- 2 Value adding UK rail expertise**
  - Leading change and transformation as the operator of the UK's bus and rail franchises
  - Track record of UK rail franchises contributing to Group profits and cashflows
  - Low levels of capital deployment

**Why Go-Ahead? continued**

- 3 Growing international operations**
  - Clear and disciplined strategy for low risk international diversification
  - Ten international contracts won to date in five countries
  - Strong pipeline of opportunities in targeted markets
  - Target to deliver 15-20% of Group operating profits from international activities by 2022
- 4 Devolved customer focused management and engaged colleagues**
  - Devolved local management teams embedded in their local communities to optimise performance and service
  - Award winning customer service with an industry leading regional bus customer satisfaction score
  - Playing a key role in the communities we serve by supporting local economies enabling access to work, education, leisure and retail
  - Our inclusive culture empowers our people to be accountable for delivering excellent customer service
- 5 Focus on sustainability and innovation**
  - Addressing key to economic dynamics impacting public transport
  - Continued innovation and development of technology to make passenger transport safer and more efficient
  - Committed to reducing our impact on climate change and improving the environmental and social quality of our business
  - Focus on recruiting a sustainable and responsible business
- 6 Strong financial profile**
  - Robust balance sheet with low levels of debt
  - Disciplined approach to capital allocation and re-investment
  - Committed to paying an active dividend, having never reduced it

**Stable cash generative UK bus business**

- Well established regional bus operator with a focus on urban areas with prospects for growth
- Largest bus operator in London with strategically located depots providing competitive advantage
- Efficient operations supported by consistent investment in high quality fleet
- Good cash generation in both regional and London bus businesses

**£433m** regional bus revenue (2018: £383.7)

**£569.2m** London bus revenue (2018: £550.5)

**Extensive UK rail expertise**

- Leading change and transformation as the operator of the UK's bus and rail franchises
- Track record of UK rail franchises contributing to Group profits and cashflows
- Low levels of capital deployment

**£2,804.9m** rail revenue (2018: £2,527.3)

**Growing international operations**

- Clear and disciplined strategy for low risk international diversification
- Ten international contracts won to date in five countries
- Strong pipeline of opportunities in targeted markets
- Target to deliver 15-20% of Group operating profits from international activities by 2022

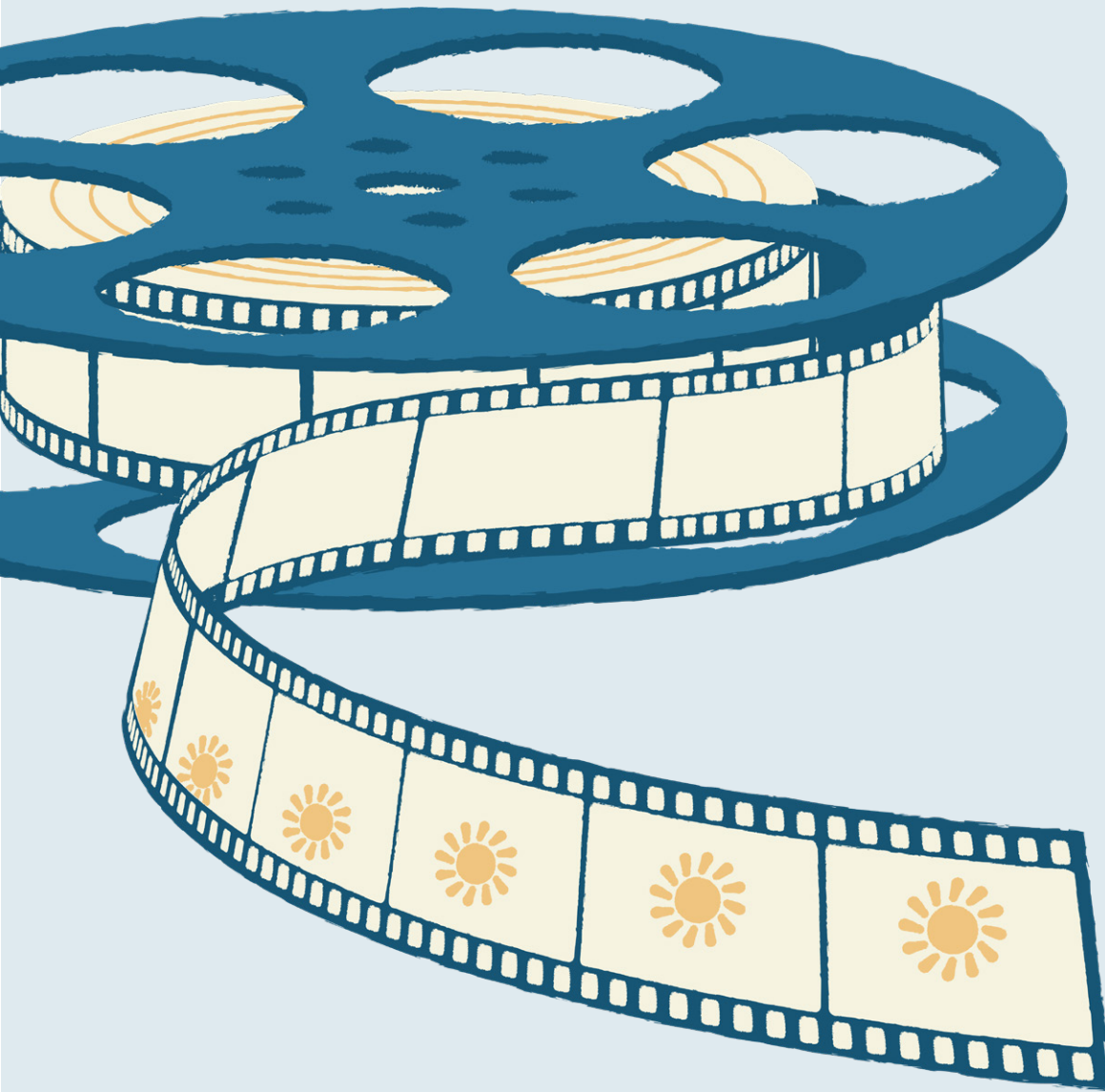
**10** new international contracts to date

**+£400m** annualised revenue secured on international contracts

**Devolved customer focused management and engaged colleagues**

- Autonomous local management teams embedded in their local communities to optimise performance and service
- Award winning customer service with an industry leading regional bus customer satisfaction score
- Playing a key role in the communities we serve by supporting local economies enabling access to work, education, leisure and retail
- Our inclusive culture empowers our people to be accountable for delivering excellent customer service

**40%** highest ever passenger satisfaction score



## CHAPTER FIVE

# Add a twist at the end

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Video provides a good opportunity to improve investor engagement by bringing a company's story to life. With investors increasingly opting to watch a video rather than read text on the same topic, supporting an investment case in this way can generate greater interest in the content.

## Video: a missed opportunity

A 46% increase in the number of investment cases appearing on corporate websites reiterates the growing emphasis on online reporting and presenting a dynamic corporate website to a burgeoning audience of stakeholders. However, the use of video in support of the investment case remained broadly unchanged, dropping from seven companies in 2018 to only five in 2020. This stagnation could be explained by a 28% increase in companies that have chosen to allocate the investment case its own page rather than bundling it with other content; videos may simply be migrating to other homes within the corporate website.

As companies become more confident in utilising video as a platform to complement different components of their corporate communications, the investment case provides an excellent opportunity to produce compelling video content.

46% ↑

increase in the number of investment cases appearing on corporate websites

28% ↑

increase in companies that have chosen to allocate the investment case its own page



# Best practice example

## British Land plc

Corporate website

British Land includes one overall investment case video at the top of the page and then provides several shorter videos with members of its leadership team to support specific reasons to invest.





# The rules still apply: investment case checklist

The investment case may be evolving, but the rules we laid out in our first whitepaper still hold true when it comes to the foundational building blocks. Below, we have summarised how to construct a best practice investment case:

Provide at least five reasons to invest, covering topics that are relevant to your industry and purpose.

Consider using video to support your investment case on the corporate website.

Include a consistent investment case in all of your main methods of communication, i.e. your annual report, corporate website and investor presentation.

Provide full paragraphs of text for each reason but ensure this is kept engaging with pull-out statistics and graphs.

Provide a dedicated and prominent page for your investment case on all channels of communication.

When building your investment case, consider the kind of investors you are looking to attract and how the investment case can be tailored to them.

Support your investment case with a quote from either the CEO or the chairman.

Provide relevant links and page drivers for investors to find out more information.

# How we can help

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We provide content, creative and channel guidance for companies of all sizes so they can tell their unique story effectively to their stakeholders. We advise on strategic direction, create persuasive narratives and memorable brands, and ensure that each client's story is told consistently.

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