

designportfolio

Building the investment case

An analysis of investment case reporting
across the FTSE 350 and AIM 50



The building blocks

An investment case is an integral part of a company's corporate communications. It can help demonstrate the purpose of the business, the market position and any future plans for development. Put simply, the investment case answers the question on every investor's mind:

"Why should I invest?"

The impacts of MiFID II

With changes in the market environment continuously taking place under MiFID II, and a predicted decline in global research spend of 30% by 2020, corporates and IROs are under increased pressure to ensure a transparent view and understanding of the business.

Companies that traditionally relied upon sell-side channels to keep investors informed must now get more savvy with best practice engagement through communication channels such as the corporate website and annual report. This is particularly true for smaller businesses.

As Al Rickard of the National Investor Relations Institute states: "If the number of analysts covering the most popular large-cap companies goes from 40 to 20, that's likely not a problem. But if a mid-cap or small-cap company covered by 4-5 analysts suddenly has only one analyst (or none) covering it, they almost certainly need to look at new options."

Companies with a market value below £150m have seen the average number of analysts covering their companies shrink from 0.8 to 0.6 since the introduction of MiFID II.

(Source: Downing LLP)

“

Increasingly the buy-side is doing its own analysis with less support from the sell-side as a consequence of MiFID II. Signposting the critical drivers and value pillars of a business through an investment case is a key tool in creating helpful content for investors and is becoming best practice for listed companies.”

Neil Shah

Director of Research
Edison Investment Research



Building the investment case

This is where we see an opportunity arise

Companies must ensure that their equity story and latest business developments are communicated effectively and consistently throughout the website to avoid diminishing relationships with investors. On top of that, the annual report must become more concise and decluttered, focusing on only material issues and clearly explaining the strategy of the business. With this in mind, we believe an investment case is more important than ever and should be used as a clear pitch, explaining how shareholders will profit from long-term investment.

The research

Despite the growing importance of investment cases, many corporates are still unsure how to go about presenting their own. In the following pages we hope to shed some light on best practice investment cases with an in-depth look at the FTSE 350 and AIM 50.

We have studied corporate websites, annual reports and investor presentations, gathering key data to demonstrate how these companies are currently addressing their investment case, if at all, and how this has changed over the 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 July 2018, we analysed all 275 of these companies' annual reports, investor presentations and corporate websites from the years 2015, 2016 and 2017, 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.

Findings from the research are discussed in the main body of this whitepaper.



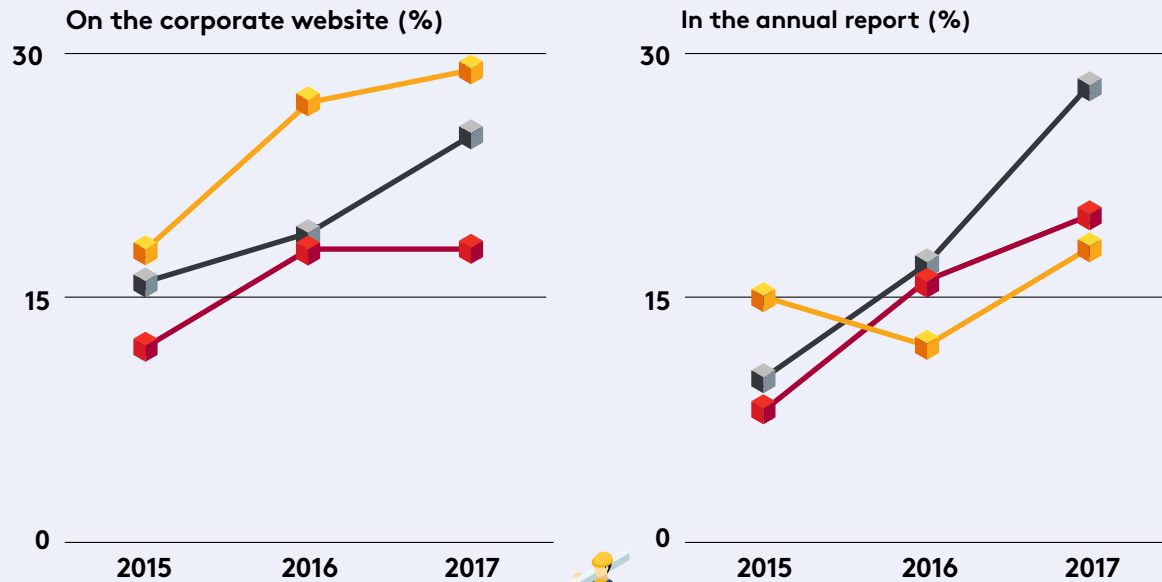
Executive summary

The investment case is at home on the web

As corporates battle with increased regulations and shortening attention spans, providing a concise yet impactful investment case that is easily accessible is becoming an effective response.

The increase in investment cases provided online and in print by the FTSE 100, FTSE 250 and AIM 50 from 2015 to 2017

FTSE 100 FTSE 250 AIM 50



Key findings:

1. Investment cases are on the rise, but the total remains low

Over the last three years, both the market and the corporate reporting world have changed dramatically. Clear communication is now more important than ever and there is an increasing obligation to demonstrate companies' key strengths and differentiators.

The overall trend from 2015 to 2017 shows an increase in the number of investment cases, both online and in the annual report, with an increase of 31 companies for the annual report and 25 for the corporate website.

Despite this increase, the initial takeaway was that there are still not enough companies in the FTSE 350 and AIM 50 that have an investment case. This is something that needs to improve. And by educating corporates on the benefits and opportunities of including a robust investment case in their communication suite, we are sure it can.

Key findings:

2. Corporates are choosing to put their investment cases online

It's more common for companies to have an investment case featured on their corporate website than it is for them to have one in their annual report. In 2017 only a small percentage of companies had an investment case in both the annual report and on the corporate website.

13%

of FTSE 350 companies have an investment case online and in the annual report

12%

of AIM 50 companies have an investment case online and in the annual report

3. There is a lack of consistency between the corporate website, annual report and investor presentation

Out of the companies that did have an investment case on both their corporate website and in their annual report in 2017, only 20 made these consistent. Many companies instead highlighted different reasons to invest on each or used more data on one than the other.

8%

of FTSE 350 companies have a consistent investment case

4%

of AIM 50 companies have a consistent investment case



4. We also found that only 6% of the companies we looked at had an investment case in their most recent investor presentation; however, this was an increase of 2% year on year

Companies with an investment case in the investor presentation

2017 **6%**

2016 **4%**

2015 **2%**



The building blocks

Investment cases can be constructed in a number of different ways, using a variety of engagement tools. We have looked at a handful of these building blocks to get an understanding of the trends for UK-listed companies and have established our own best practice checklist:

1 **Reasons and content**
See the average number of “reasons to invest” given by the FTSE 350 and AIM 50 and what these reasons should cover.

➤ [See p7](#)

2 **Text**
See how much text should be used in the investment case and how this should be presented.

➤ [See p10](#)

3 **Data**
See how to use and present data to support the investment case.

➤ [See p12](#)

4 **Location**
See how the position of the investment case, both in the annual report and on the corporate website, can affect how many people view it.

➤ [See p14](#)

The building blocks



5 Leadership
See how providing a quote from leadership can build an effective investment case and demonstrate accountability.

➤ [See p16](#)

7 Signposting
See how investment cases can be used to drive readers to more information in the report and on the corporate website.

➤ [See p19](#)

6 Videos
See how companies can use video to improve investor engagement and support their investment case.

➤ [See p17](#)

8 Investor presentations
See whether companies in the FTSE 350 and AIM 50 are including an investment case in their investor presentations and whether this is something we can expect to increase.

➤ [See p21](#)

1. Reasons and content

An investment case tends to be made up of several reasons to invest in a company. We looked at the average number from the FTSE 350 and AIM 50 and found that it was common to give around five reasons to invest on the corporate website and six in the annual report.

These reasons can cover many different areas. For example, in 2017, 67% of companies with investment cases in the FTSE 350 and 100% of those in the AIM 50 mentioned their finances as a key reason to invest, discussing their significant cash flow, superior financial performance and high earnings.

The second most popular area for companies to discuss in their investment case was their operations, with 64% of companies mentioning their manufacturing processes, growth opportunities and strategy.

Other popular reasons to invest included the company's current market, their customers, their sustainability commitments and their people.

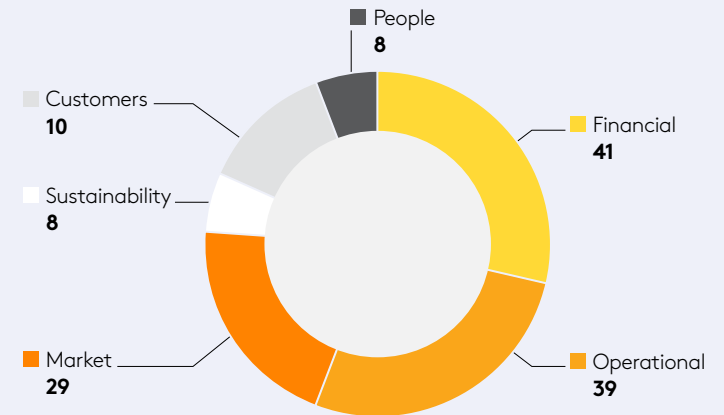
Examples from industry

Looking closely at different industries (specifically, within the FTSE 350), we found that the sector with the most investment cases on both their corporate website and in their annual report was industrial goods.

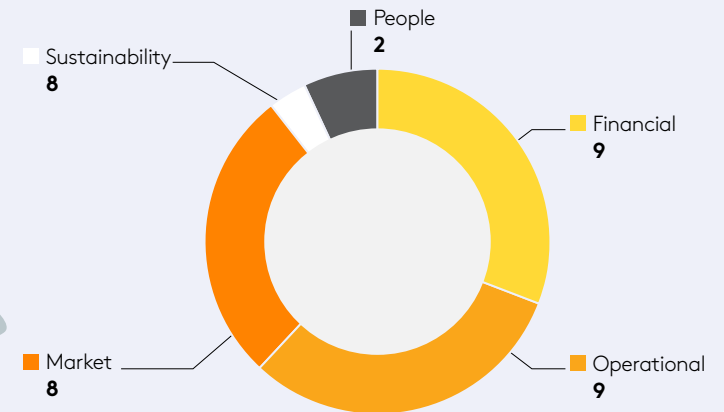
In terms of reasons to invest, we expected these to differ depending on the industry in which the company was operating in. However, this wasn't always the case.

In 2017, 100% of mining/oil and gas companies with investment cases in the FTSE 350 discussed their finances; however, only 20% discussed their sustainability commitments. In a similar fashion, 100% of retail companies with investment cases discussed their operations but, surprisingly, only 25% discussed customer service. This shows that many companies are missing out on key opportunities to discuss current issues in their industries.

The FTSE 350's most popular subject areas to cover in the investment case



The AIM 50's most popular subject areas to cover in the investment case



The building blocks

1. Reasons and content

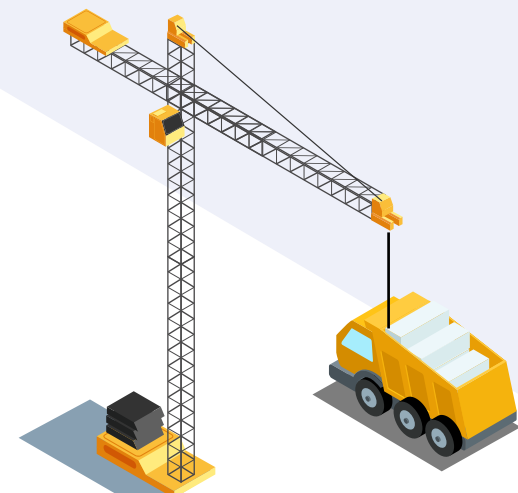
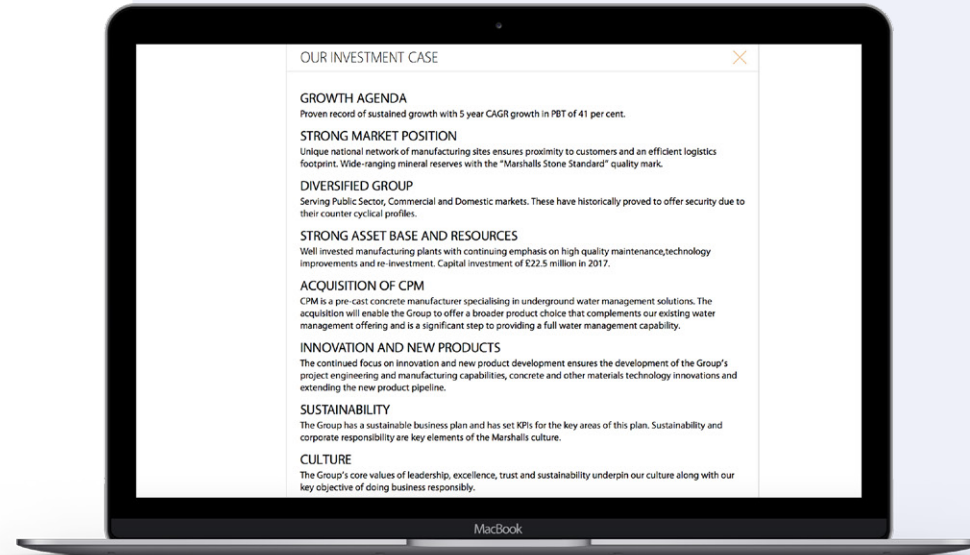
What good looks like:

Example › Marshalls

Marshalls has produced a consistent investment case on both its annual report and corporate website with eight key reasons to invest. This focuses on important areas such as the group's culture and innovation.

[View website](#)

[View annual report](#)

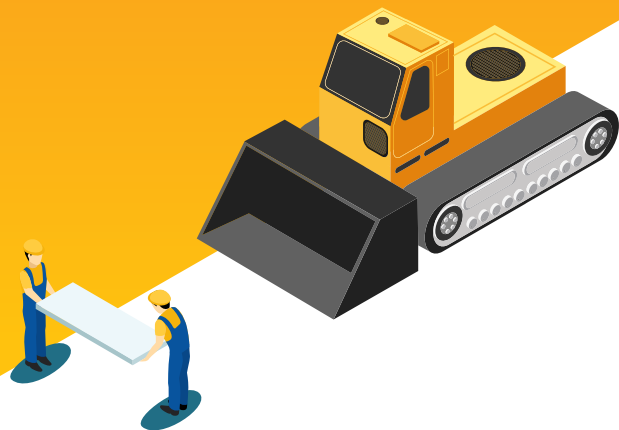


The building blocks

1. Reasons and content

Our top tips:

- We recommend providing at least four reasons to invest across all communication channels.
- These reasons should cover how long-term value is created for wider stakeholders and should be relevant to the industry you are competing in.
- 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.



What good looks like:



Example > Coca-Cola Hellenic

Coca-Cola Hellenic produced an investment case in its 2017 annual report with six reasons to invest. It covered areas such as its diverse product portfolio, the changing markets it operates in and its sustainability processes. Its reasons were backed up with full qualitative data and pull-out statistics, and each reason drove investors to specific and relevant pages in the report for more information.

[View annual report](#)

2. Text

To support the reasons to invest, it is important to have a balance of both qualitative and quantitative data. This can help increase the reliability of information and provide accountability.

From our analysis, we found that companies in the FTSE 350 and AIM 50 provided different levels of qualitative data, with some offering a full paragraph for each of their reasons and others giving no more than a sentence. Companies in the FTSE 350 tended to provide more text than those in the AIM 50, a concerning discovery based on the heavier impact MiFID II could have on smaller company coverage.

We also found that it was common for companies to provide more qualitative data in their annual report than on their corporate website, with a lot of companies opting for a slightly more condensed version of their investment case online.

In 2017, 38 FTSE 350 companies had full text, i.e. a paragraph for each of their reasons to invest, in the annual report, while 39 had full text on their corporate website. In comparison, just seven AIM 50 companies had full text in the annual report and only three had full text on their corporate website.

Our data showed that, overall, the number of companies in the FTSE 350 providing a full paragraph of information under each reason to invest increased by 46% in the annual report and decreased slightly by 5% online between 2016 and 2017. Going forward we predict that the decrease in online reporters providing full qualitative data is unlikely to be a trend based on the growing importance of online communications.

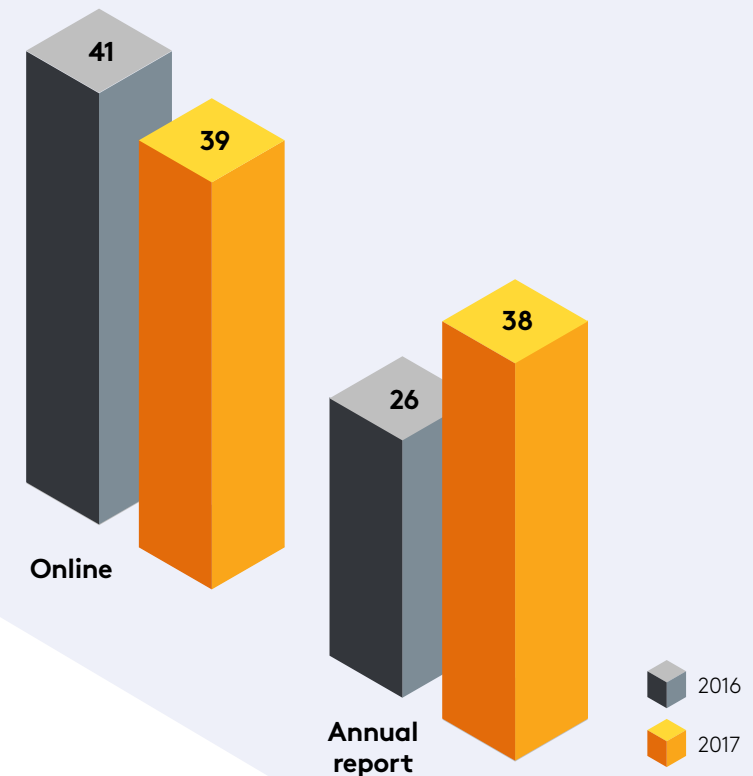
22%

of all FTSE 350 companies provide some level of text to support their reasons to invest

18%

of all AIM 50 companies provide some level of text to support their reasons to invest

The number of FTSE 350 companies providing a full paragraph of text to support each investment reason, online and in the annual report from 2016–2017



The building blocks
2. Text

Our top tips:

- We recommend providing full qualitative data in both the annual report and on the corporate website to maintain consistency and to enhance investors' understanding of the business.
- This text should, however, be kept as engaging as possible and supported by quantitative data and pull-out statistics.

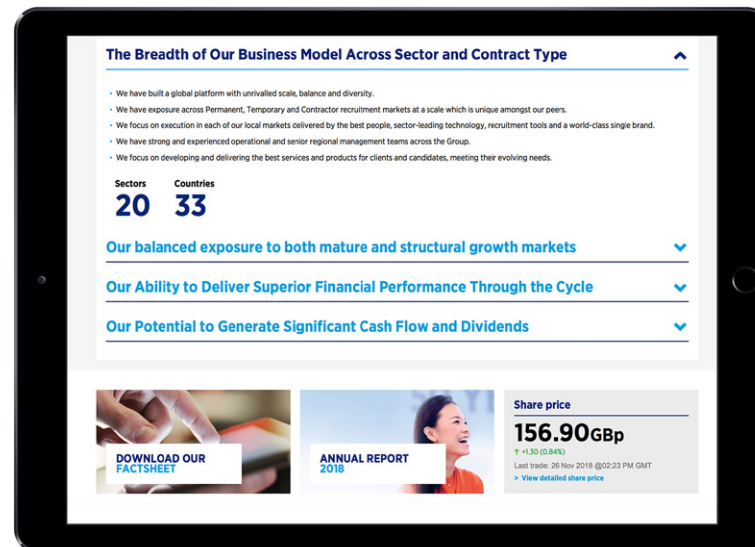


What good looks like:

Example › Hikma Pharmaceuticals

Hikma Pharmaceuticals' 2017 annual report provides six key reasons to invest, with each supported by full qualitative information, as well as engaging quantitative pull-out statistics and charts.

[View annual report](#)



Example › Hays

Hays has an investment case on its corporate website which goes further than simply stating four reasons to invest. All of its reasons have several points to back them up and are accompanied by pull-out statistics, ensuring a balance of both qualitative and quantitative information.

[View website](#)

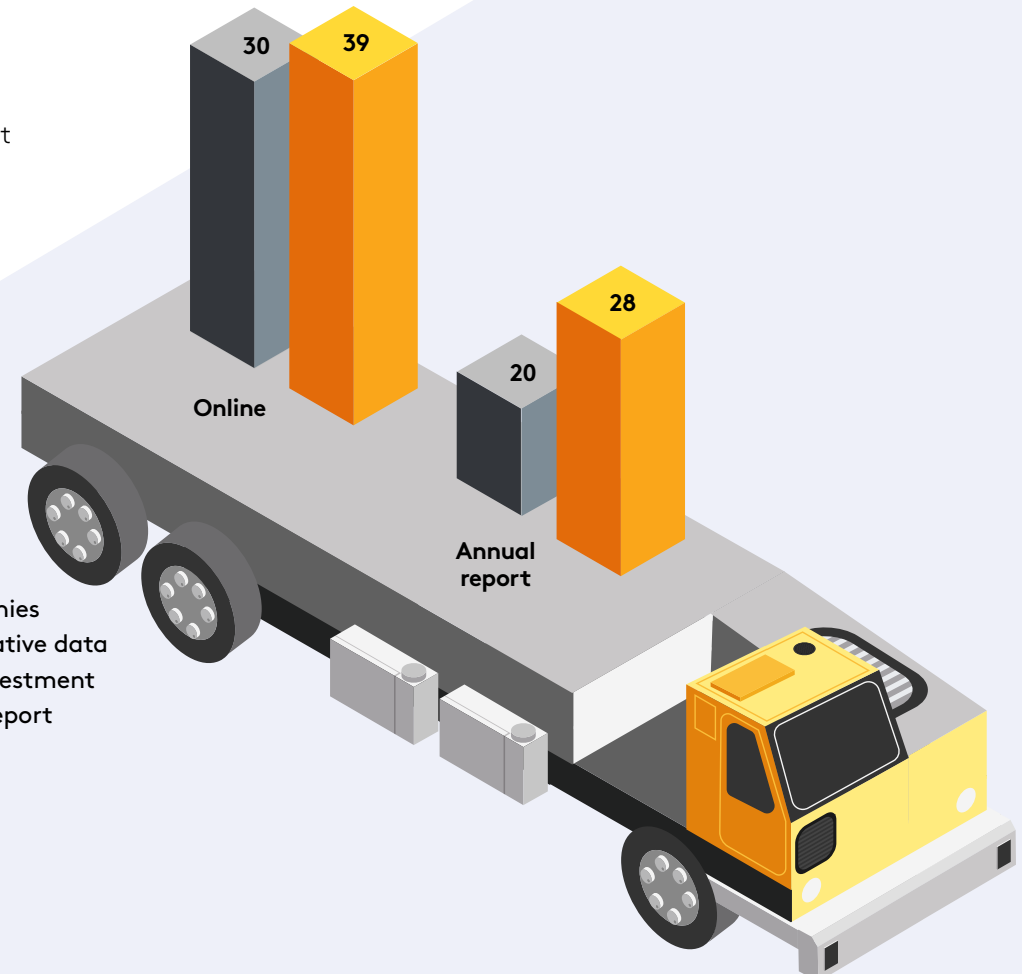
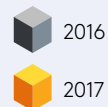
3. Data

Similar to what we found with the text, we also saw varying levels of quantitative data provided by companies in their investment case. Quantitative data can range from a few statistics within the text to pull-out graphs and charts supporting each reason to invest.

Encouragingly the level of quantitative data increased over time from 2016 to 2017. In 2017, 39 FTSE 350 companies with investment cases had some form of quantitative data on their corporate website, a 30% increase from 2016. In the annual report, 28 FTSE 350 companies had quantitative data, a 40% increase from 2016. In comparison, three AIM 50 companies provided quantitative data online in 2017; however, four did so in the annual report, with one company providing graphs and charts to support each investment case.

In 2017, only four FTSE 350 companies (the same as in 2016) provided pull-out graphs and statistics for their investment case on their corporate website. Even fewer – two companies – provided this in their annual report, a decrease from six companies in 2016.

The number of FTSE 350 companies providing some level of quantitative data to support each point of the investment case online and in the annual report from 2016 to 2017



The building blocks
3. Data

Our top tips:

- There is a need to improve the level of quantitative data provided by the FTSE 350 and AIM 50 in their investment cases, both online and in the annual report.
- We recommend providing pull-out graphs or statistics for each reason to invest, on both the corporate website and in the annual report.
- This will help investors gain a clearer picture of the company's current position.

What good looks like:



Example > Polymetal International

Polymetal International has provided an online investment case which features pull-out graphs for each of its reasons to invest, including its capital allocation and its proven track record of delivering on target.

[View website](#)



Example > Vedanta Resources

In its 2017 annual report, Vedanta Resources illustrated its investment case with graphs and charts to demonstrate its growth potential, cash flow, financial profile and track record.

[View annual report](#)

4. Location

The position of the investment case, both online and in the annual report, can have a huge impact on how many people view it. It's therefore really important for companies to consider where their investment case is located and if they should have a dedicated page for it or whether it's better placed with the business model or in the "at a glance" section of the report.

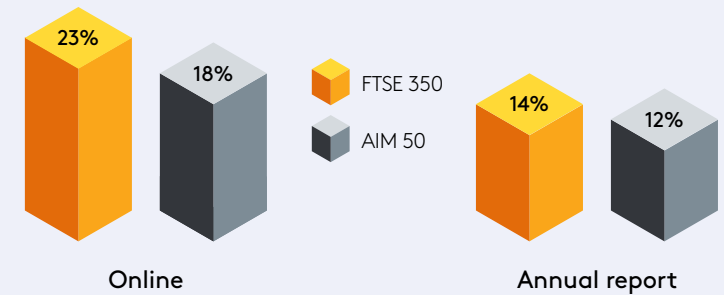
Dedicated investment case pages

What we mean by a dedicated investment case page is an entire page of the report or the corporate website covering the reasons to invest in the company (for example, see easyJet). This is an alternative to the investment case being placed with other information, such as the business model, strategy or "about us".

We found that the number of companies with a dedicated investment case page online and in the annual report had increased from 2016 to 2017. This is a positive trend that shows that companies are beginning to realise the importance of including an accessible investment case in their communications.

For those companies that choose not to create a dedicated investment case page on the corporate website, the most popular page to position it seems to be the "investors" landing page. In the annual report, it tends to be the business model, the "at a glance", strategy, the chairman's statement or sometimes the opening spread.

Companies with a dedicated investment case page in 2017:



Example > easyJet

easyJet has a dedicated investment case page positioned at the front of the annual report on page 2. It has given six key reasons to invest, all supported by engaging qualitative text and pull-out data.

[View annual report](#)



The building blocks

4. Location

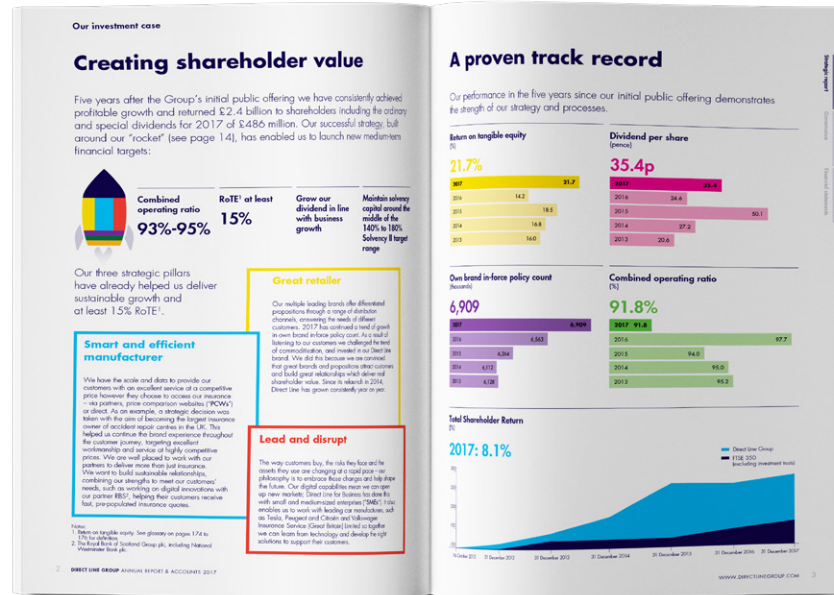
Where in the report?

Looking at the annual report, we found that only 34% of the FTSE 350 companies with investment cases in 2017 had positioned their investment case towards the front of the report (from pages 1–6), a decrease compared to 2016, when 36% positioned their investment case at the front of the report. Many companies instead opt to position their investment case further back after the business model and strategy.

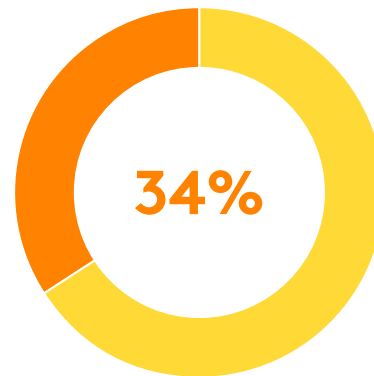
A much higher proportion of companies in the AIM 50 chose to position their investment case at the front of the report, with 70% doing so in 2017 and 63% in 2016.



What good looks like:



FTSE 350 companies with an investment case positioned towards the front of the annual report in 2017



Our top tips:

- We recommend providing a dedicated investment case page on both the corporate website and in the annual report.
- In the annual report, the most effective position for the investment case is near the front, therefore making it one of the first pages investors see and giving them a quick understanding of the business and a summary of why they should invest.

Example › Direct Line

Direct Line provides an investment case situated at the front of its 2017 annual report on page 2, ensuring it is one of the first pages investors see. It also provides full text and engaging pull-out data.

[View annual report](#)

5. Leadership

One way to provide a personal touch and ensure accountability is by providing a quote from either the CEO or the chairman supporting the company's investment case. From our analysis, we found that this is still a fairly uncommon approach, with only 10% of the FTSE 350 doing this online and 13% doing it in their annual report in 2017.



What good looks like:



Our top tips:

- Despite it being an uncommon approach, we would recommend using a quote from the CEO or the chairman to support the investment case on the corporate website and annual report, as this will demonstrate confident leadership and accountability.
- Using a video of an interview with the CEO or the chairman on the corporate website can be useful to provide more of a personal touch.

Example > Royal Bank of Scotland

On its online investment case page, Royal Bank of Scotland has provided a quote from its CEO addressing the progress it has made throughout the year and the value it has created for its shareholders.

[View website](#)

6. Video

With the number of online investment cases on the rise, there is huge potential for video. Video is a great way to bring a company's story to life – in a study by HubSpot, 59% of executives said that they would much rather watch a video than read text on the same topic, and it has been shown to increase session time too, indicating that video is able to generate a greater interest in company content.

When it comes to investment cases, videos can be used to increase investor engagement, from supporting each reason to invest, to simply providing an overview of what the company does.

In 2017, seven companies from the FTSE 350 used a video to support their online investment case, compared to just one in 2016. One company even used different videos to address each one of their four reasons to invest. The AIM 50, on the other hand, did not appear to utilise video content over this period of time.

Video is certainly an exciting way of promoting content such as the investment case and something we expect to see increase over time.

29%

increase in number of companies using a video to address their investment case from 2016 to 2017



The building blocks

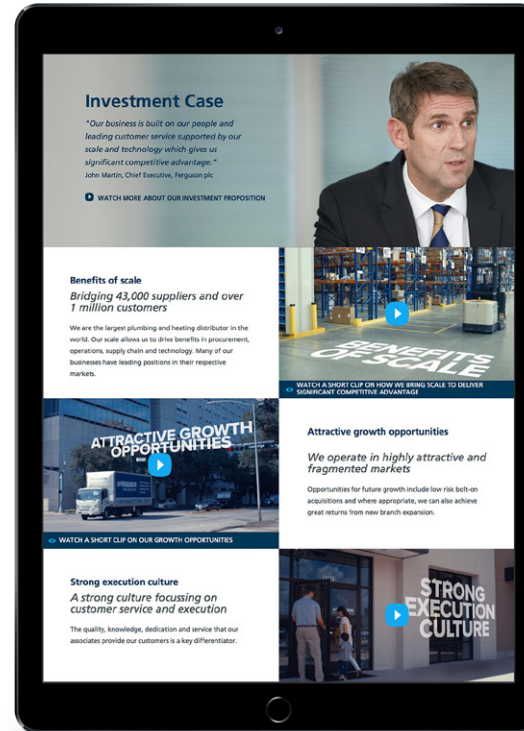
6. Video

Our top tips:

- To optimise content and make it more instant and engaging, we recommend that video is included within the online investment case.
- A video can be used to support each reason to invest or could simply give an overview of who the company is and what it does.



What good looks like:



Example > Ocado

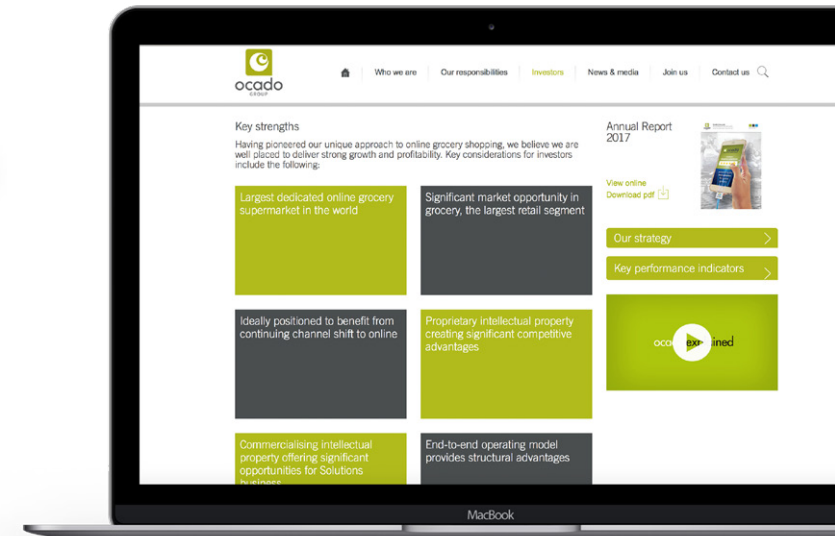
Ocado features a video on its investment case which explains what the company does and how it was formed.

[View website](#)

Example > Ferguson

On its corporate website, Ferguson has used a video to address each of its four reasons to invest. It has also included a video in the banner, introduced by its CEO, which collectively runs through all of these reasons in one.

[View website](#)

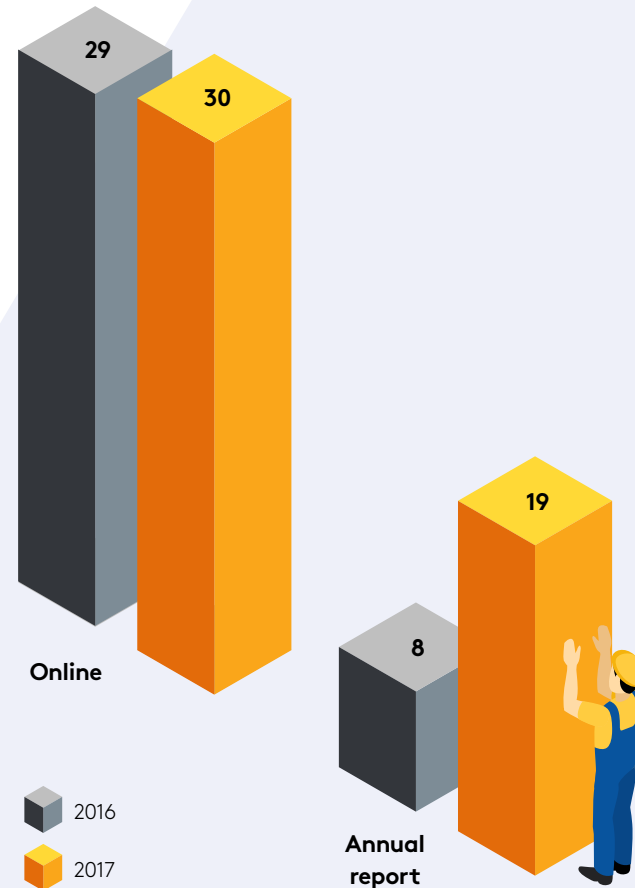


7. Signposting

It's important that an investment case connects shareholders to further information from other areas of the report or website. This can help investors learn more about an area of the business or a particular reason to invest.

49% of the FTSE 350 and AIM 50 companies with an investment case online in 2017 had links to other sections of the website, most commonly their strategy, business model and financial information.

35% of those with an investment case in their annual report provided page drivers to other sections of the report, including the strategy, KPIs and market review.



This chart shows an increase in FTSE 350 companies providing signposting in their investment cases from 2016 to 2017 both on the corporate website and in the annual report

The industrial services and goods sector has the most online investment cases using signposting with **30%** of the sector using them.

The financial services sector is the most likely to use signposting in annual report investment cases with **16%** of the sector using them.

The building blocks
7. Signposting

Our top tips:

- We recommend providing page drivers and links to as much relevant information as possible, on both the corporate website and in the annual report.
- This will help create a clearer picture of the company and demonstrate the business' holistic nature.



What good looks like:



Example > Taylor Wimpey

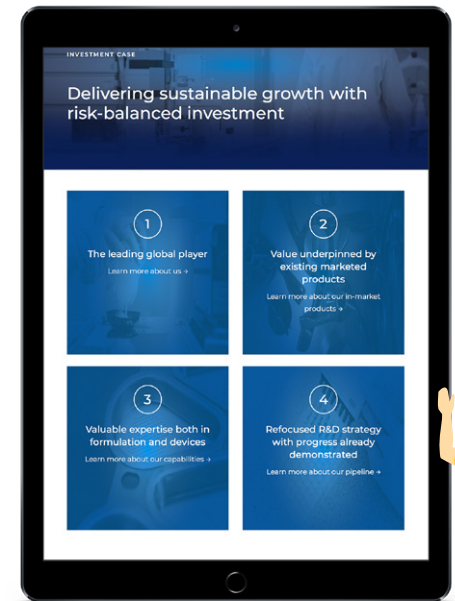
In its annual report, Taylor Wimpey provides four key reasons to invest, with each reason driving to another section, allowing investors to find more relevant information.

[View annual report](#)

Example > Vectura

On its corporate website, Vectura has produced an investment case which links to other areas of the website, where investors can learn more about its products, capabilities and financials.

[View website](#)



8. Investor presentations

Very few companies in the FTSE 350 and AIM 50 have included an investment case in their most recent presentation. However, the number of companies is increasing year on year for both indices. This is a trend we are likely to continue seeing.

In 2017, of the FTSE 350 companies that did have an investment case in their most recent investor presentation, only three had one that was consistent with their corporate website and none of them had one that was consistent with their annual report.

Only one of the AIM 50 companies chose to make their investment case consistent with their corporate website and annual report.



Percentage of companies that have an investment case in their investor presentation

	FTSE 100	FTSE 250	AIM 50
2017	6%	5%	8%
2016	4%	3%	4%
2015	1%	2%	2%

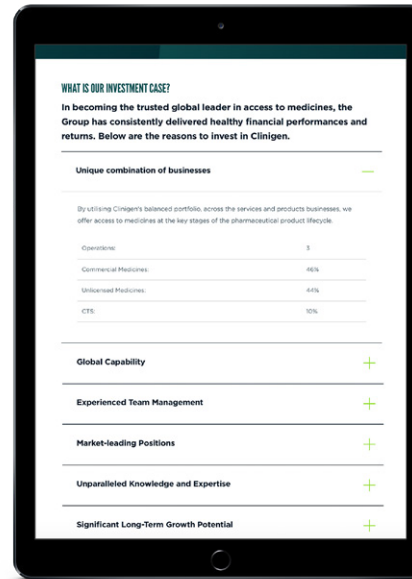
The building blocks
8. Investor presentations

Our top tips:

- Investor presentations are an important source of company information for those deciding whether or not to invest. Investor presentations should include the company structure, business model and strategy and, in addition, should comprise a set of clear strengths and differentiators, to explain why investors should choose them.
- We recommend including an investment case in all investor presentations and making this consistent with the annual report and corporate website to improve connectivity in your communications.



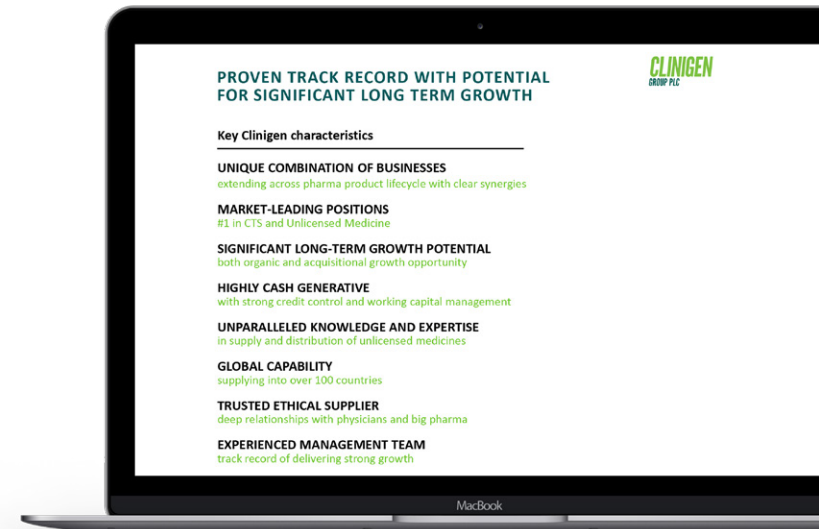
What good looks like:



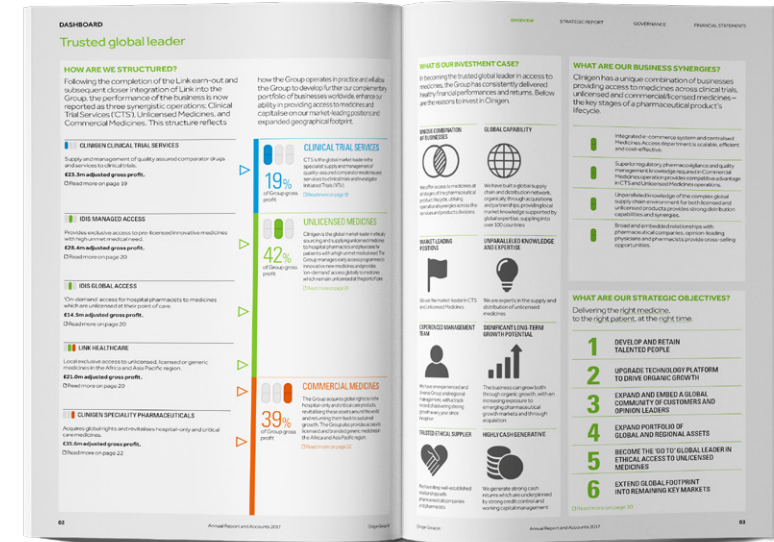
[View website](#)

Example > Clinigen

Clinigen has made its investment cases on its corporate website, annual report and investor presentation all consistent with one another.



[View presentation](#)



[View annual report](#)



Building the investment case

The knock-on effect of MiFID II is additional contracts in the research industry, meaning that companies may find that they are no longer receiving the breadth or quality of sell-side coverage that they are accustomed to. It is for this reason that clearly differentiating your business and communicating your equity story is becoming a fundamental element of building trust and fuelling investor confidence.

History has shown us that star analysts produced research that was rewarded by a higher proportion of equity trading business in the sector. Effectively, the sell-side was doing much of the work needed in articulating the investment case and promoting it to investors around the world.

Now companies must assume greater responsibility. More and more companies are responding to this by ensuring that they present a robust investment case in their reporting, whilst holding capital markets events and becoming more proactive in investor targeting.



Investment case checklist

Here, we have summarised how to construct a best practice investment case using the following building blocks:

- Include an investment case in all of your main methods of communication, i.e. your annual report, corporate website and investor presentation, and ensure that these are all consistent with one another.
- 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.
- Provide at least five reasons to invest, covering topics that are relevant to your industry and purpose.
- 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.
- Support your investment case with a quote from either the CEO or the chairman.
- Consider using video to support your investment case on the corporate website.
- Provide relevant links and page drivers for investors to find out more information.

About Design Portfolio

Design Portfolio is a 60-member team of communication specialists. We are strategic advisors, creative thinkers, technology innovators, and compelling story-tellers. We are trusted partners to our clients.

We help companies of all sizes and all stages of growth to see themselves clearly, so they can tell their unique story effectively to the world. We advise on strategic direction, create persuasive narratives and memorable brands, and ensure that each client's story is told consistently through:

- Corporate reporting
- Corporate websites
- Corporate branding
- Investor presentations
- Multimedia
- Internal communications

Authors

Julie Wilford
Managing Director

Eleonora Puglisi
Research and Strategy Consultant

Daniel Redman
Research and Strategy Director

Senna Mather
Research and Strategy Executive

Get in touch

Oonagh Byrne
Client Development Director
+44 (0) 20 7536 2022
oonagh.byrne@design-portfolio.co.uk

For our other recent whitepapers, visit design-portfolio.co.uk/blog



Online
design-portfolio.co.uk



Twitter
[@WeAre_DP](https://twitter.com/WeAre_DP)



LinkedIn
Design Portfolio



Instagram
[design_portfolio_](https://www.instagram.com/design_portfolio_)

designportfolio