

What it Takes to be Heard by the *Capital Markets*

The Impact of Corporate Media Exposure on DAX
Analysts' Perceptions and Stock Market Valuations



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Media exposure spotlights a company and its actors. Whether news articles or commentary pieces promote or demote a stock, whether their content questions or supports credibility and trust – media coverage has an influence on the financial community day by day:

“Media reports can influence share prices and can also influence opinions”

Sell-side analyst, Germany

Companies should try to leverage this influence by specifically including financial analysts in the target group of their media strategy and by responding to their needs. This way you can have additional influence on the valuation of your company: in a study conducted by FGS Global, sell-side analysts that cover DAX40 companies provided insights into what they pay attention to and to what end they use media reports. Here's how to make analyst-focused media relations work.

“It is true that certain media reports can have a price-influencing effect that should not necessarily be from a fundamental point of view”

Sell-side analyst, Germany

“Following media coverage is absolutely integral to what we do. We spend lots of time reading media of all sorts, really”

Sell-side analyst, United Kingdom

1 — Focus on essential media and make additional use of hidden gem-outlets

Having a strategy on what to say and when is as important as where to say it. Knowing and making use of both essential media channels and niche outlets will help raise and maintain a presence for relevant audiences. It is no surprise that there is no way around Bloomberg, Reuters or FactSet. Of the analysts surveyed in the study, 100% read newswires on a daily basis. Likewise, tier one business media are deeply embedded in the daily media usage routines of the sell-side. The Financial Times, Handelsblatt and Börsen-Zeitung are the prime standards to reach analysts covering DAX40 companies. If you want to set an agenda via media, this is where you do it.

However, some other outlets may not jump to mind instantly, but offer opportunities for positioning: nearly as important as tier-one media, 59% of the interviewed analysts rely on trade press coverage, especially when investigating an entire industry. Also, certain magazines, e.g. the German manager magazin, hold an international reputation for uncovering scoops, reporting on rumors and leaks as well as providing insightful commentary.

2 — Set the tone and own the conversation

Position executive management and your company as thought leaders in the perception of stakeholders to support your company's strategy. Analysts are open-minded when using media for research. When consuming news, they often look for what's new without knowing exactly what they might find.

“For me, [media consumption is] a search for ideas in the morning”

Sell-side analyst, Germany

Setting the tone and owning the media conversation by placing own topics works especially well when the subject is an area of expertise in which the audience has little or no experience. Take advantage of this opportunity by finding your niche with new, refreshing topics and your own proactive agenda.

“Media coverage is important when a new factor comes into play, the one for which there is no experience, no blueprint”

Sell-side analyst, Germany

“If a company is exposed to a special risk or has a damaged reputation, or there are particular blemishes, which can also be of a media nature, then we can map them. A tarnished credibility, a reputation is of course also a certain factor in calculating a beta”

Sell-side analyst, France

“In other words, the media reflect what the market thinks. So that's incredibly important. That is a function that no one else has”

Sell-side analyst, Germany

3 — As stakeholders move, keep their human interaction in mind

There is a third party in the media-based relationship building with analysts: journalists. Reporters and analysts exchange information and opinions “all the time” (Sell-side analyst, United States). This intra-stakeholder dynamic results in two key stakeholder groups mutually influencing the perception of the company outside of your reach. Always take this into account when interacting with either group.

In addition, it is important to keep in mind: apart from rational decision-making, repeatedly reading or hearing positive or negative headlines, even if only subconsciously, can change analysts’ perception of a company.

Be aware that these subconscious media impressions can lead to conscious changes in valuation models, which then result in the “fair value” being adjusted accordingly:

“Two identical companies, also regarding the Numbers & Figures: One has a good PR and IR and the other has a lousy PR and IR. In my opinion, there should be a valuation discount or a valuation gap between these two companies”

Sell-side analyst, Germany

4 — Calm the storm but use the tailwind

Media coverage of corporate news acts as an amplifier of trends in analysts’ views. The media display of a company is unlikely to be the sole trigger of large-scale changes in opinion. Still, the sell-side describes that reports often further strengthen pre-existing notions. How corporate statements or guidance are perceived depends on the level of credibility and trust in the company’s management, which in turn is related to their handling of issues covered by the media. Therefore, address critical scenarios proactively and offer explanations as well as solutions to manage expectations. This helps stop what could become a self-perpetuating negative spiral. In the same way, positive media momentum should be leveraged by initiating speaking opportunities and providing timely strategic impulses.

“If you have the feeling that a report isn’t totally unfounded, that they don’t have their place under control, you have less confidence in the company’s forecasts. Then, I might not believe or trust the management”

Sell-side analyst, Germany

“I think retail investors might be more influenced by media perception than institutional investors. And retail investors, in particular in technology stocks, are increasingly important when it comes to actual stock price and valuations of companies”

Sell-side analyst, United Kingdom

“You’ll look at the financials of the company, the news around the company, and you’re definitely using media as part of your explanation on valuation differences”

Sell-side analyst, United States

5 — Don't stress your efforts on social media – but use it where it counts

While the vast majority of the financial community does not focus too much on social media in equity research, online networks can be used effectively for corporate communications with different goals. Looking at Investor Relations, social media should be at least considered a hygiene factor. It is necessary to publish the quarterly results on the corporate social accounts. Beyond that, using well-positioned executives' accounts can help the market better understand your equity story. In doing so, frontrunners pave the way for state-of-the-art financial and IR communications.

Social media is already even more relevant in the context of Corporate Communications as a whole. Channels such as LinkedIn are essential to position the C-suite, seek stakeholder-dialogue and shape the corporate perception. These channels serve as platforms to showcase expertise, demonstrate thought-leadership or create marketing buzz across audiences. And, all of this matters for analysts as well as the broader public.

“On social media, I tend to look at what industry experts and management teams are saying”

Sell-side analyst, United States

“If a company is completely on the defensive in the media, then equity analysts should be aware of this. And then, as an equity analyst, you will also have a hard time finding a good opinion on this company”

Sell-side analyst, Germany

“Of course, [negative coverage] has the latent potential to lead to more critical questions being asked of the company during the interview, because you naturally want to get a feeling for it. Is there something to it or not?”

Sell-side analyst, Germany

Summing up:

Use a strategic approach to create beneficial media exposure and make your voice heard by analysts

It is fair to say that hard numbers matter most for analysts. However, there is also no doubt about the importance of media in the daily lives of analysts. Sell-side analysts look at news coverage which then shapes their own perceptions and ideas. The study conducted by FGS concludes that media coverage has a remarkable impact on valuation and share price performance as it significantly enriches and colors the narrative surrounding the bare numbers:

“It’s somehow indispensable to keep this view on [media commentary] and to move away from the numbers, away from the analytics more towards storytelling

Sell-side analyst, Germany

Proactively create and shape this narrative around your numbers to engage all stakeholder groups. With extensive market experience and an interdisciplinary team, FGS Global can provide support in all of these areas.

“I think that if you have a continuing amount of highly negative commentary, if it’s backed up by true facts, it’ll create change. It’ll definitely create a lower valuation on a company. That coverage will have other things, say management changes, occur too. In the last 10 years, company board members are definitely more responsive to public opinion in the media”

Sell-side analyst, United States

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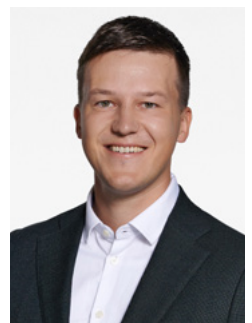
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About FGS Global

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