سـوق أبوظبـي للأوراق الماليـة
Abu Dhabi Securities Exchange

Your Market of Choice

Abu Dhabi Securities Exchange
Investor Relations Guidebook
2022

Empowering the UAE's Economy

adx.ae

What is ADX?

ADX is a market for trading securities; including shares issued by public joint stock companies, bonds issued by governments or corporations, exchange traded funds, and any other financial instruments approved by the UAE Securities and Commodities Authority (SCA).

ADX is part of ADQ, one of the region's largest holding companies with a broad portfolio of major enterprises spanning key sectors of Abu Dhabi's diversified economy.

Abu Dhabi Securities Exchange (ADX) was established on November 15 of the year 2000 by Local Law No. (3) Of 2000, the provisions of which vest the market with a legal entity of autonomous status, independent finance and management. The Law also provides ADX with the necessary supervisory and executive powers to exercise its functions. On 17th March 2020, ADX was converted from a "Public Entity" to a "Public Joint Stock Company PJSC" pursuant to law No. (8) of 2020.
ADX is the second largest market in the Arab region and its strategy of providing stable financial performance with diversified sources of incomes is aligned with the guiding principles of the UAE "Towards the next 50" agenda. The national plan charts out the UAE's strategic development scheme which aims to build a sustainable, diversified and high-value added economy that positively contributes to transition to a new global sustainable development paradigm.

Foreword

ADX is dedicated to providing state-of-the-art services for all its clients, based on the latest technology married to worldwide best practices, and overseen by the highest standards of ethics and regulations.

Of major importance amongst these services is the comprehensive innovation and application of investor relations.

In today's business and investment world, where information can be instantaneous, unhindered by time zones, operating hours or distance, it's vital that knowledge is accurate, unbiased and factual.

Content

Introduction to Investor Relations

What is investor relations?

Investor relations (IR) describes the ongoing communication and activity between a business and the investment community. Within a business, the investor relations department provides investors with an accurate account of company affairs. IR provides the company with essential information about the wider market, while helping private and institutional investors make informed decisions about whether to invest in the company.

IR includes meetings with investors, annual reports, websites, company news-releases and so on. These are all designed to inform stakeholders about the company, to a greater understanding of the business, its financial performance, governance and prospects.

As a worldwide trend over the last decade, Investors Relations has become more professional, and its value as a strategic management tool more evident. The benefits can be clearly observed in lower cost of debt and equity for those companies who place high importance on IR. At the same time, corporate governance has evolved to institute 'best practice', showing management the value of managing relations with its shareholders.

IR is a dialogue, as much about companies explaining their business to the investment community as it is about companies listening to the views and feedback from that very group.

IR departments differ from public relations (PR) departments, and the difference between the two must be stressed. IR gives investors a fair and objective understanding of a company's business strategy, while PR sets out to present a company's product and services in the most favourable light.

Companies normally create their IR departments before going public. During this pre-initial public offering (IPO) phase, IR departments help establish corporate governance, conduct internal financial audits, and begin to communicate with potential IPO investors.

What creates effective investor relations?

Confidence in a company's future performance within the marketplace is based on how effectively it communicates. Accordingly, IR must communicate in a consistent, comprehensive and accurate manner.

By benchmarking these objectives, confidence in company management can grow, leading in turn to more prospects.

Key effective investor relations should:

- Give a distinctive profile among the investment community
- Create a good understanding by the market of the company's future opportunities and growth potential
- Clearly differentiate the company's story from competing investment opportunities
- Demonstrate the strength of management
- Offer trust and confidence in management
- Encourage sell-side analyst coverage
- Broaden the shareholder base
- Improve levels of liquidity in the company's shares
- Offer consistent and fair valuations
- Allow easier and cheaper access to future capital

Effective investor relations is **NOT** about:

- Marketing spin
- Selective disclosure
- A short-term undertaking
- Substitution for poor management
- One-way communication from a company to the market
- Maximising the share price, but seeking a full and fair valuation

Fundamental principles

Best practice investor relations has five fundamental underlying principles, the five Cs:

Effective IR

1 **Commitment** of board of directors and top management to IR

2 **Consistency** talk in good times and bad

3 **Credibility** IROs need to be authoritative spokespersons

4 **Clarity** message, strategy, key points

5 **Conduit** to be a two-way flow of information

Commitment
From the most senior level down, support, commitment and instilling the right culture is essential in building market credibility.

Consistency
Messages need to be consistent to reinforce credibility and optimise effectiveness.

Credibility
Credibility both externally (with the market) and internally (with a company's executive management) is key.

Clarity
Relevant communication should always be ready, to avoid gloss and spin. To act as an authoritative spokesperson for a company, IR needs to have precise, succinct and clear messages.

Conduit
Two-way communication is essential: IR both speaks and listens to the market, minimising any disconnect in information.

Benefits of effective investor relations

Fundamentally, investor relations not only creates an awareness and understanding of a company amongst the investment community, it also helps quoted companies gain access to capital, and achieve liquidity in, and fair valuation for their shares.

Access to capital

The ability and ease to raise capital is often seen as a key indicator of how successful a company's investor relations efforts are. Beginning dialogue and developing relationships with the investment community over time is highly worthwhile to achieve efficient, cost-effective access to capital.

Liquidity

Attracting liquidity – frequency of trading in a company's shares – is a major corporate goal. Continually profiling a company to the investment community creates greater awareness. This exposure, plus the availability of shares, can then assist a company in attracting large numbers of buyers and sellers, with the potential for higher trading of its shares.

Fair valuation

Achieving a fair market valuation is the desired outcome, ultimately reflected in the company's share price, and by managing expectations about the company's current and future performance.

A company should detail its own record of its performance and its strategy, using publicly disclosed information. This also helps the company understand how it is being evaluated, and if the market's perceptions, expectations and understanding are in line with its own.

Getting the balance right

Practicing investor relations does not guarantee access to capital, increased profile, liquidity in its shares or a fair share price.

Other factors - the economic situation, availability of shares, a company's fundamentals and confidence in its management team, competition for investors' money - can impact on how the market perceives, funds and values a company.

The true benefit of IR is that it gives the investment community greater awareness of the company's investment case and commercial activities. That awareness allows shareholders, potential investors and traders to each hold an informed view and take a decision about their involvement with that particular company.

For many quoted companies, the balance is about updating those who already follow or invest in the company, and profiling the company to new audiences.

Investor Relations

Company

Communications

Institutional Investors

- Insurance & life assurance companies
- Unit trusts, investment trusts, Venture Capital Trusts
- Enterprise Investment Scheme Investors
- Pension funds, hedge funds & sovereign wealth funds

Private Investors

- Individual & high net worth investors
- Employees
- Private client stockbrokers
- Personal wealth managers / financial advisors

Analysts

- Sell-side
- Buy-side
- Company sponsored / paid-for research

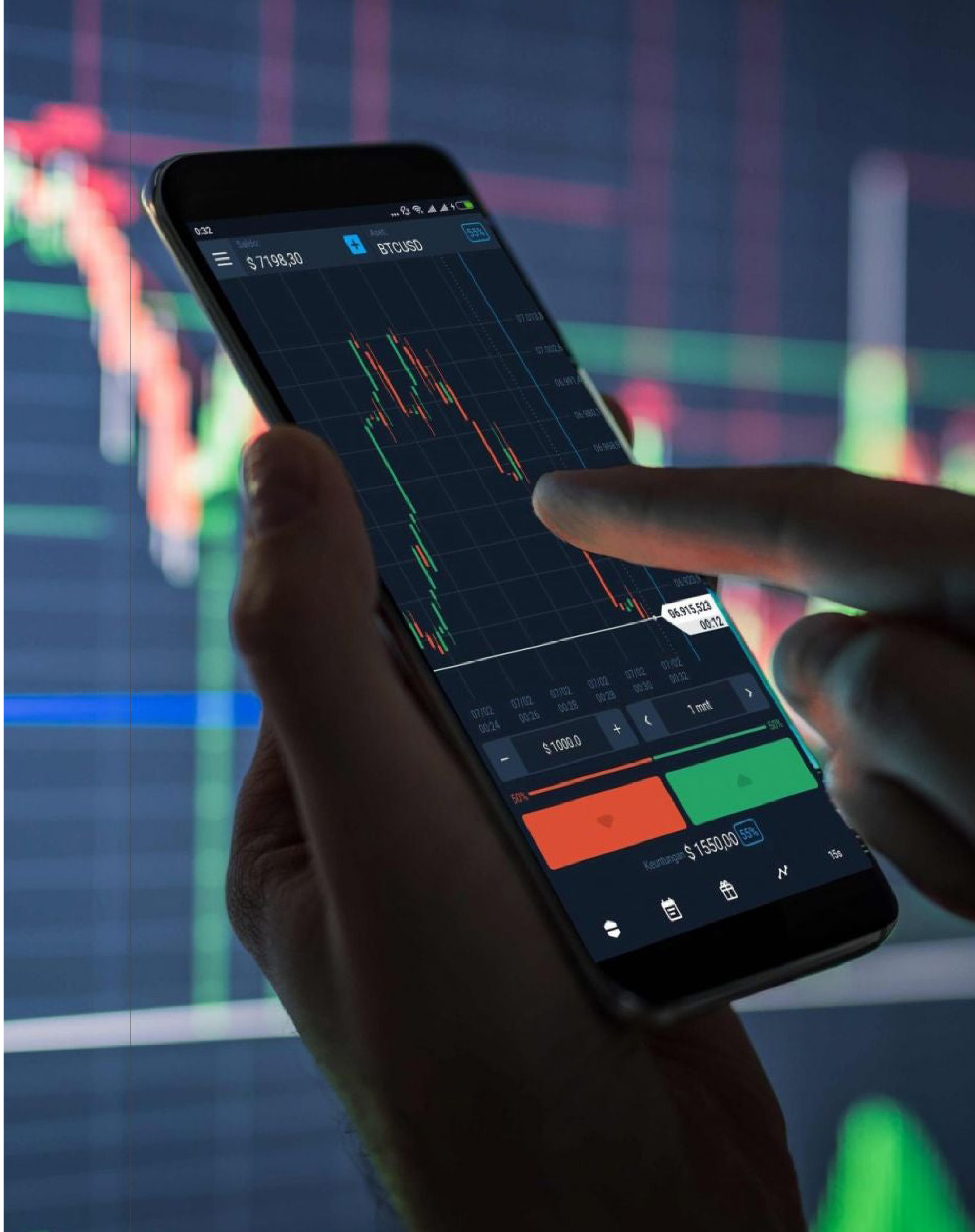
Media

- Print
- Broadcast
- On-line/new media

Return

Access to Capital
Liquidity
Fair Valuation

Output



Managing market expectations

This is a key element of investor relations. Expectations should be set and managed through a clear and consistent dialogue with the markets.

Investors may not have knowledge of the state of a company's business; this can create misconceptions between management and investors.

This is especially important in the case of earnings, but can also relate to other factors, such as net debt levels, shareholder remuneration, corporate strategy and market conditions.

Analysts can also influence how a company is seen in the market: investors will always take information from alternative sources into account, including industry experts and economic data.

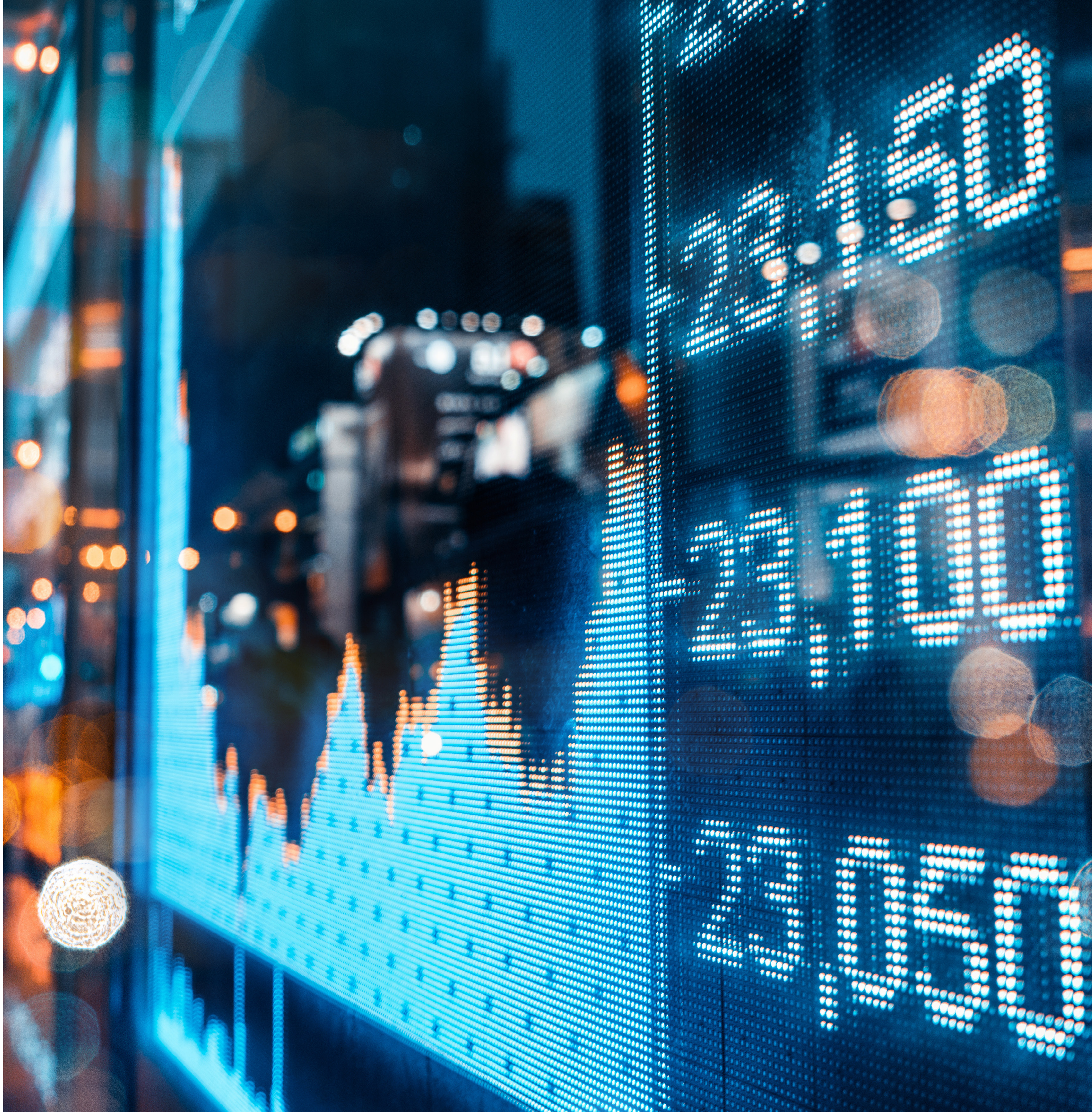
Correctly done, expectation management builds investor confidence and loyalty and lowers uncertainty, contributing to a fair valuation.

Mishandling expectations may not only negatively affect the stock price, but also create long-lasting investor scepticism. The credibility implications for management mean that recovering lost ground can be a multi-year process, making it more difficult for a company to raise future capital.

Control of information flow

Investor relations uses the financial calendar to engage with the market and identify opportunities to strengthen relationships.

So that the market can have an informed view of a company, information needs to be as open and transparent as possible, without jeopardising the company's operations by mishandling commercially sensitive information.



Development of investor relations strategy and programmes

Key objectives that need to be identified, may include but are not limited to:

- Articulation of the company's investment story and/or change in company strategy
- Rectifying any potential market misunderstandings
- Raising the company's profile, including that of senior management
- Differentiation versus peers
- Development of the shareholder base
- Broadening sell-side analyst coverage

Regulatory compliance

Successful investor relations requires a full understanding of the regulatory requirements within the country or countries where the company has listed securities and operations.

These requirements can generally be divided into seven main categories encompassing:

- Market misconduct
- Listing rules
- Offer of securities and continuing obligations
- Companies law
- Disclosure
- Reporting
- Corporate governance

As well as indicating regulatory requirements, IR should also make clear the penalties for misconduct that breaches these requirements.

Allocation of resources

Team sizes in investor relations are typically made up of a minimum of three people, although this will vary according to company size and location.

They should come from a variety of professional backgrounds, including:

- Fund management
- Investment banking
- Sell-side research
- Accountancy/financial controller/treasury
- Corporate communications

Key Audiences for Investor Relations

Institutional investors

Capital Markets

In most developed countries, capital markets are dominated by institutional investors. These include pension funds, mutual funds and insurance companies.

The most common investment vehicles are pension funds, followed by mutual and insurance funds.

Other types of funds are private wealth funds, sovereign wealth funds and alternative asset managers, such as private equity and hedge funds.

There are two types of investors, active or passive. Active investors base their decisions on analysis and judgement, seeking to outperform the market by being under or overweight in sectors and stocks.

Passive investors (index or tracker investors) hope to match the performance of an equity index. By maintaining a portfolio of stocks that comprise the index in the same proportion as the index weighting, they can keep trading costs to a minimum.

Passive investing, especially in exchange traded funds (ETFs), is increasing in popularity, since fees for active managers are often perceived not to justify the investment returns.

Various types of active investors

Income investors: they hold stocks with a dividend yield generally higher than that of the market. As well as being secure, they forecast to grow at least in line with inflation over the medium term. Higher yield companies tend to be larger, established, and mainly in industries, such as utilities and insurance.

Value investors: they hold stocks they believe are valued at a discount to their historic levels, the market or the company's intrinsic value. These are often stocks the majority of investors do not choose. With longer-term investment horizons than their growth counterparts, they wait for value and price to converge.

Growth investors: they base their selections on the growth prospects of a company's earnings, companies that display positive earnings and/or return on equity (ROE) momentum, in industries with attractive long-term growth dynamics. They will pay above market average multiples for a stock they believe can continue to deliver rising economic returns.

Retail investors: these tend to be long-term investors, supporting the company's current management. In some markets, retail trading is a significant percentage of market turnover.

Although often large in number, retail investors may hold a relatively small proportion of share capital. Less sophisticated than institutional investors, contact tends to be more administrative, such as the date of an annual general meeting, dividend entitlement, and so on.

Depending on the company's size and available resources, the company may give a named individual responsibility for retail investors, who may also be directed to a specific section of the IR website, such as shareholder affairs.

Analysts

Research analysts usually work for investment banks and brokerages, although independent research boutiques are increasingly popular. They advise clients of their firms on the investment quality of listed companies, publishing reports with forecasts for company earnings, setting targets for share price performance and issuing recommendations on whether investors should buy the shares.

Their analysis can be influential with both investors and the media, either speeding up or slowing share price movements. Their views can shape perceptions of the company, either positively or negatively.

Their recommendations influence market expectations of share price performance, but if forecasts vary widely, the market may become uncertain about the fair valuation of a stock. This may cause a discount on the share price and greater volatility.

A typical report will focus on:

- A detailed analysis of a company's competitive advantages
- Information on management expertise and operations
- Stock valuation against a peer group and its industry
- An earnings model, giving the assumptions used to create the forecast
- A conclusion and recommendation whether the stock is likely to outperform the relevant market or sector

While useful to supply experienced knowledge, IR avoids over-reliance on such sources.

Media

Maintaining regular contact with the appropriate media (financial publications and journalists, as well as via social media and podcasts) allows investors to keep informed about news and developments in the marketplace.

Websites and social media also enable this. In addition, changes in regulations and assessments of individual companies can be updated through the media.

A company's nominated spokesperson/s must be properly briefed, and where possible, accompanied by a representative from the IR department or press office. Naturally, anyone authorised to deal with the media should undergo media training.

Websites

A company's IR website is an accessible platform for most investors, allowing interaction between a company and market participants. It should not only be easy to navigate, but should provide up-to-date information about the company and the case for investment.

In spite of social media and other online channels, corporate websites continue as a first port of call; many companies prioritise website upgrades over other platforms, such as IR apps.

Building the Investor Relations Programme

Creating the argument for investment

It's worth remembering that every investment case competes against other investment opportunities for investor time, interest and focus.

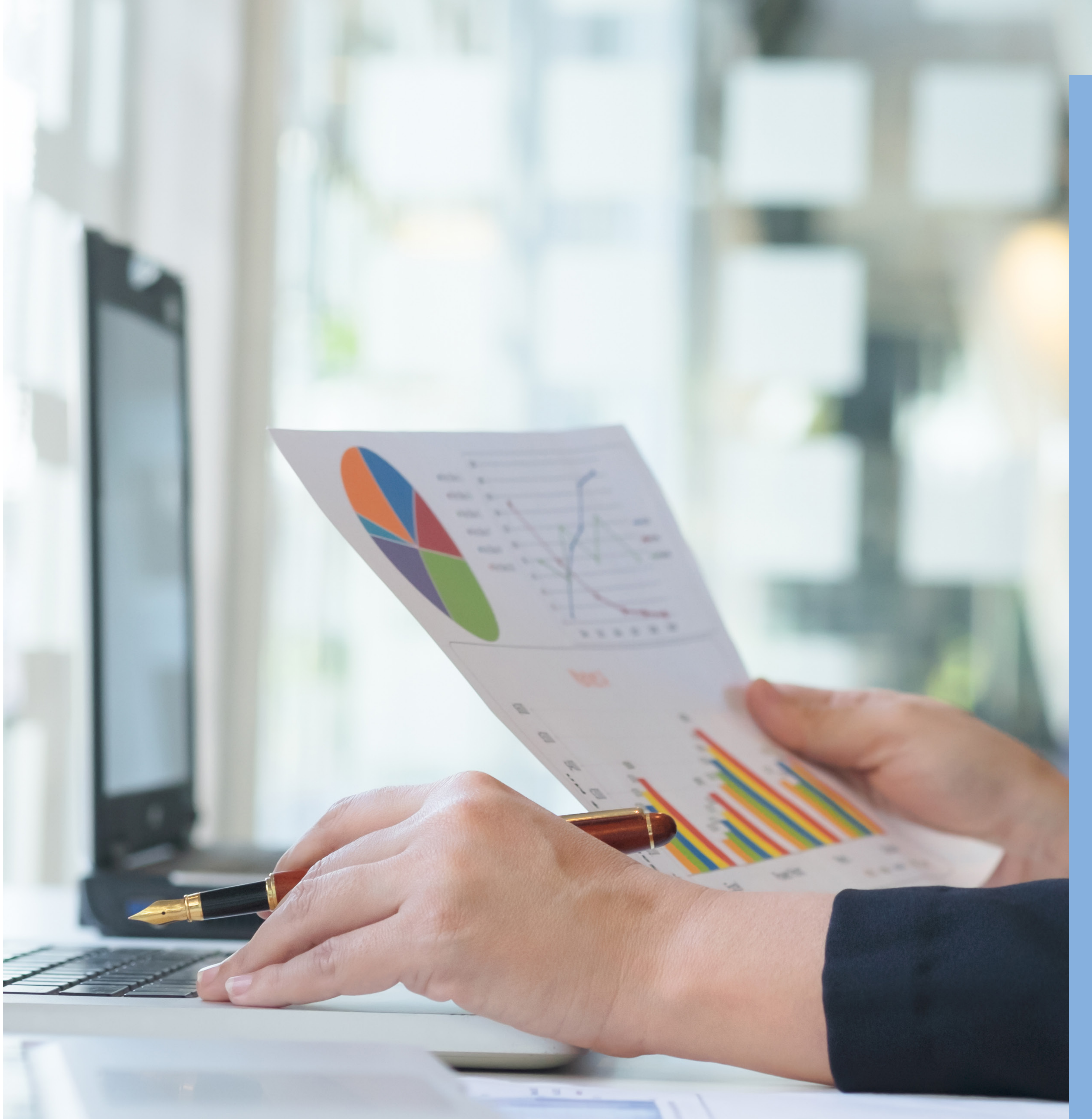
When presenting or speaking to investors, companies have a relatively brief opportunity to explain the investment case – what the company does and why it is an attractive investment. Both macro and micro economic factors should be addressed.

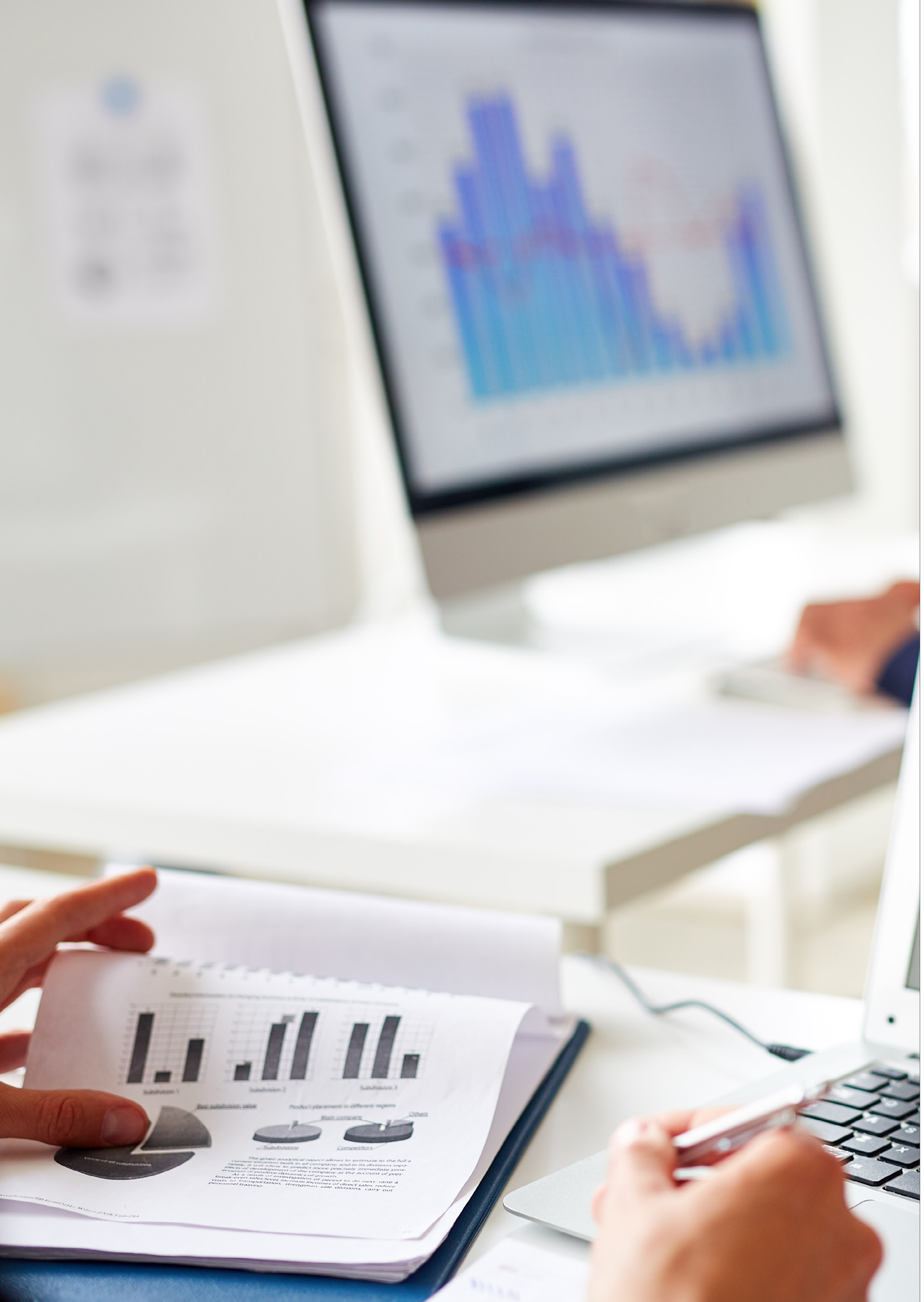
Given the time constraints of presenting to investors, it's crucial that messages are simple, clear and well-presented: what the company does and why it is an attractive investment.

This requires a detailed and comprehensive analysis of the corporate business model and markets, its key strengths and weaknesses, and how best to communicate these to investors. This is often best done using external professionals who can argue dispassionately.

A SWOT (strengths, weaknesses, opportunities, threats) analysis can be a useful starting point. Input from existing advisors, such as banks, lawyers and auditors can also add value.

This analysis should be translated into core messages that highlight the case for investment, and the reasons. These messages can change or adapt over time to take into account the views of investors and the media.





Investor presentations

Investor meetings, workshops and roadshows

These form an important and regular part of informing investors of opportunities, new developments and services. The aim is to increase the knowledge base of current and potential investors, thereby enabling them to make informed decisions.

Investor meetings

In all investor meetings, the importance of being flexible in tailoring the meeting format and content to the audience cannot be stressed enough. Encouraging questions at the start of the meeting help get prompt feedback, about the level of detail required and so on.

One-on-one meetings

Existing or potential investors may ask for a face-to-face meeting, for greater elaboration and detail on how their specific needs and requirements may be met. Where possible, their wishes should be met, whether in the company's offices, their offices or at another venue.

Workshops

ADX can provide workshops on a wide variety of IR topics, from the importance of effective website management to issues of sustainability disclosure or regulatory compliance.

Workshops such as these are part of the Exchange's ongoing initiatives to encourage listed companies to adhere to sustainability standards. In the future, ADX will organise more events, interactive workshops, and lectures on a wide variety of subjects. ADX is currently working on developing optional environmental, social, governance, and sustainability ESG guidelines to be applied by listed companies.

Roadshows

No two roadshow meetings are identical, however, an investor meeting during a roadshow typically lasts 40-45 minutes. A presentation should last for a maximum of 20-25 minutes, with the rest of time for questions and answers. The presentation should briefly outline what the company does, and then explain why it is an attractive investment opportunity.

Investor targeting

In addition to cultivating existing shareholders, roadshows should aim to expand the shareholder base.

Existing investors should be kept up-to-date with corporate developments: potential investors, particularly those who are holders of comparable companies, should also be systematically targeted.

A single institutional investor may have several relevant fund managers, each managing a pool of capital; professional advisors should be able to advise on maximising the impact of institutional access.

Financial Calendar Activities

Perception Studies

Companies should regularly obtain an objective view of the market's level of knowledge and perceptions of the company. These include its operational and financial performance, strategy, management, governance, IR efforts and future prospects.

This useful benchmarking tool measures current IR effectiveness, and evaluates whether messages are understood by target investor/analyst groups.

Outside IR consultants usually conduct this on behalf of companies. External feedback offers investors and analysts an independent, non-attributable way to share their views with management. This makes it easier to obtain frank market views about the company from analysts and investors.

Feedback studies conducted throughout the financial year include:

- Short quarterly pre-results research (approx. 6-8 participants)
- Post results feedback (approx. 8-12 participants)
- Post event/investor roadshow research with the buy-side (10-20 participants)
- An annual in-depth perception study to track progress of the IR programme (up to 40 participants including buy and sell-side plus key media)

Quarterly results
By providing quarterly results, IR lets investors to keep track of their portfolio in a timely way, allowing for swift responses to corporate developments.

Preliminary presentations clarifying the company financial status, strategies, and future expectations, should be published at least once annually, provided that they are updated after each disclosure of financial results (quarterly, half-annually).

Annual reports
The annual report remains an important part of shareholder and stakeholder communications mix. Many companies view it as the document that brings together all their key messages throughout the year. Its key objectives are to:

- Educate and inform current and potential shareholders
- Outline strategy and report on its implementation
- Report on performance during the period under review, in the context of the company's strategy and markets
- Explain risks and factors that might influence that performance
- Provide direction and clarity on corporate governance issues
- Explain how governance decisions are related to performance and strategy
- Fulfil legal and regulatory responsibilities
- Build their corporate reputation with a wider group of stakeholders

Annual general meetings
These are an important part of keeping investors, the media and other interested parties informed about the progress of the company, and allow for wide-reaching discussion and debate about corporate issues.

Crisis management
A committee of senior employees should be formed to respond to any possible crisis. The committee should have a strategy to communicate with investors and the media about the practical steps the company takes to handle the crisis. An official spokesperson should undertake this process in the name of the company and reveal it on the company website.

Relevant Rules & Regulations

ADX provides listed companies with comprehensive information and advice on Abu Dhabi's compulsory regulations.

ADX guidance in this regard are SCA Guidance is mentioned in Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide.

Companies are obliged to appoint an employee to manage all aspects of investor relations.

Such an employee will have a command of both spoken and written Arabic and English, and possess a university degree, as well as practical experience in business, accounting, or investors public relations.

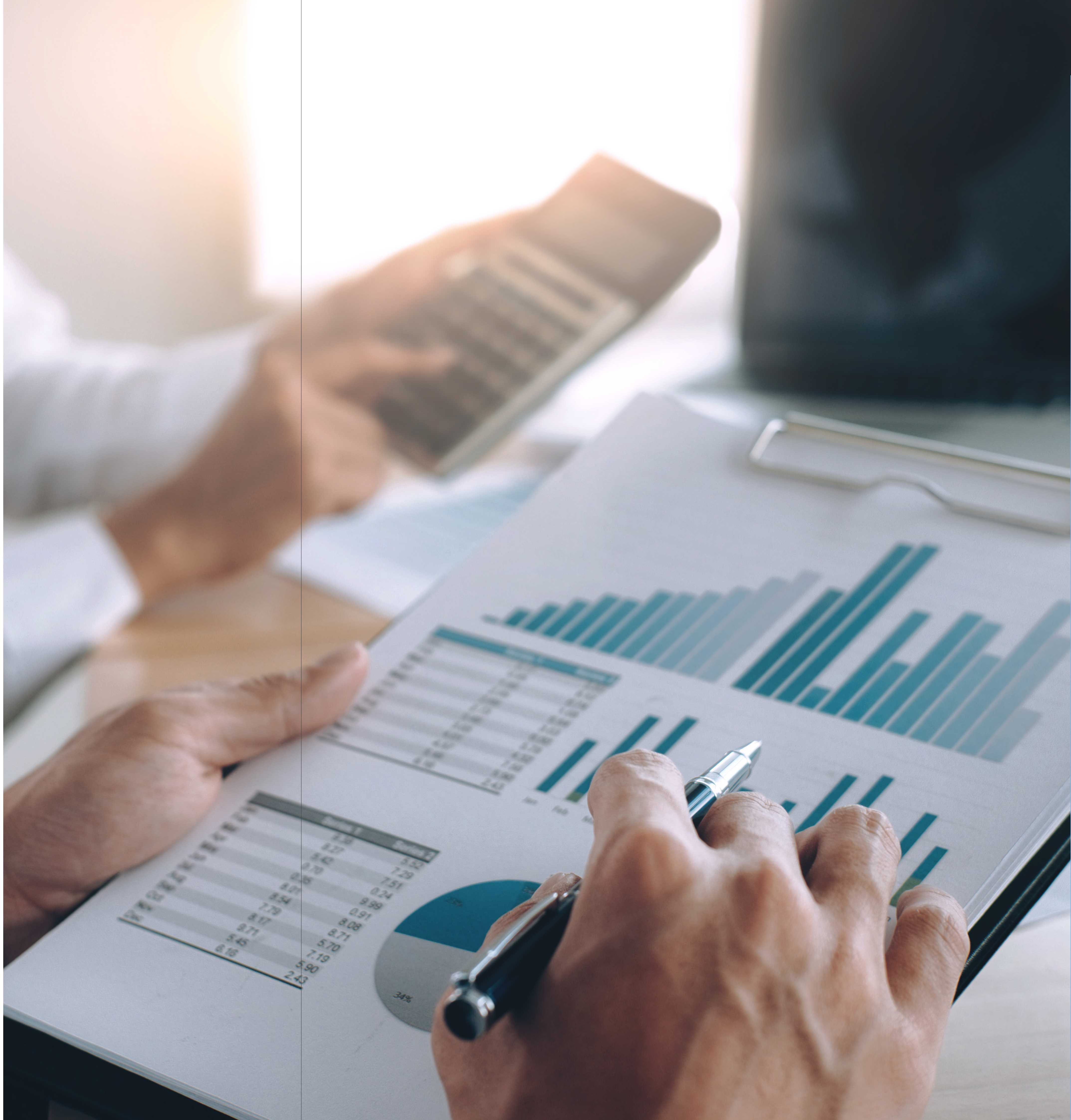
They should be familiar with all relevant legal and legislative requirements, and have a full knowledge of the company's activities and potential opportunities.

They should have the ability to use various means of communication and possess the skills to communicate with investors in securities.

They must be able to deliver technical and financial information that may require a specialist to clarify and simplify to investors.

They must create a webpage for investors relations on the company website, regularly updating and maintaining it to comply with international standards.

This webpage must include data like telephone numbers and email addresses to enable communication with the Investors Relations Department.



In addition, it should contain all the reports relevant to financial results, whether archived or published, statements of the financial year (including dates of publication of financial results statements), minutes of the general assembly meetings, and any other important events.

The company website should publish information and data disclosed to the regulatory authorities, markets or the public.

This includes news, events, developments, and material information about the company, and several years of annual and interim financial statements and reports of the Board.

Governance reports should be included, together with shareholding structure and percentages of ownership.

The website should regularly update general information on the company's activities, business strategies, vision, and future plans.

It should feature information on the price of the company shares in terms of closing price, opening price, highest and lowest prices throughout the year, different share values, and some financial indicators.

The website should provide information about shareholders' pending dividends and the mechanism to collect these dividends.

Finally, the website should give contact information of investor relations employees, and a mechanism of submit opinions, comments, and inquiries.

The company should install the required procedures for providing all the data and information for the IR employee. This includes Board decisions once issued as well as periodic and annual financial statements upon approval by the Board. This enables the IR employee to carry out their duties in full.

ADX enables all required functions as per rules and regulations. Specialist advisors are always at hand to provide you with more detailed information about any aspect of investor relations.

Creating an effective IR website

It is important that all IR communication is clear, easy to access and read, and is kept up to date. These 'best practice' elements help achieve that goal.

1. Your website should always be current with the latest information, with all sections regularly updated
2. Your content should be placed directly on the website, rather than in .pdf or .docx files that require downloading or opened separately;
3. Ensure that all links work, and that documents open correctly, and are easily downloadable
4. Your website should be designed so that it is mobile-friendly, and compatible with the latest versions of the major internet browsers;
5. A visible ticker bar should show your current stock price;
6. Ensure that your reports section is well-organized and simple to use;
7. Create and maintain a financial data archive;
8. Offer brief summaries for news and reports sections;
9. Create simple download pages with good historical and filter options;
10. Develop interactive tools for financial data;
11. Provide financial statements and data for download in Excel format;
12. Ensure users are able to directly copy important and error-sensitive content such as financial data;
13. Upload latest webcasts and conference calls, ideally in conjunction with presentations; Provide an investment calculator for retail investors;
14. Use social networks as IR communication tools;
15. Provide email addresses rather than contact forms, and ensure that these are kept up to date
16. Avoid redirecting users to external sites unless they are obvious ones, such as social media links.

Please feel free to contact ADX specialist advisors
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