PAN-EUROPEAN IR CONFERENCE

Brussels - 11 & 12 June 2012

BVFA ABAF THE BELGIAN ASSOCIATION OF FINANCIAL ANALYSTS

EFFAS THE EUROPEAN FEDERATION OF FINANCIAL ANALYSTS SOCIETIES

Enhancing information transparency

By Hans Buysse

Chairman ABAF-BVFA,
EFFAS & XBRL EMC Member

What does ABAF-BVFA stand for?

The main goal of ABAF – BVFA is threefold:

- Raise the financial analysis standards
- Improve the quality, appropriateness and correctness of the information supplied to investors
- Monitor the code of practice for its members
- Train the members in the rapidly changing current environment

- Founded June 18 1959
- 298 members but part of EFFAS with > 15.000 members
- Members enhance transparency of information through study of financial markets, companies, actions and bonds, portfolio management; corporate finance, credit analysis, analysis for the financial management of corporations, account controlling, finance teaching, …
- Awards for Best Financial Information for the 52th time
- Courses since 1982, now together with Vlerick and Solvay.
- New speakers evenings organised: Applying IFRS in Equity Analysis and Valuation by Dennis Jullens, European Head, UBS Valuation & Accounting Research, June 7th 2012. More to come.

Our goals?

- We are not alone on this planet.
- Companies large and small have asked us to provide them with ways to enhance the transparency of information. We do this
  - through the Award, vertical and horizontal analysis, elaborated platform with historic analysis
  - through our joint efforts with FSMA,NBB, EFFAS, ECMI, EFRAG, XBRL, CBN.
- Adapt training to an international level
- There is so much more to financial analysis than … financial analysis (ESG, Integr.Rep.)

What does the market think?

"Is the financial analyst still useful? Does he provide us with sufficient information? Do we want him to be in Brussels? Or is London good enough?"

- Does the analyst make information more transparent? Yes, oeff…
- Should quarterly reporting be more elaborated? Yes, says the investor
- Should the Government interfere with banks? No
- Are UK analysts better than Belgian ones? No
- Do you expect a price target from your analyst? Oh yes!
- Does he think this is a good idea? Not really
- Have analysts been too positive? Yes
- Do we like/need modern means of communication? Yes please
- Have analysts changed their habits since the crisis? (h)A bit…

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The Award Procedure?

- Spring
  - Preliminary Selection of companies, based on available analyst resources (voluntary commitment)
  - Questionnaire (factual questions) sent to companies
- Summer
  - Screening process
- Autumn
  - Rankings … Award

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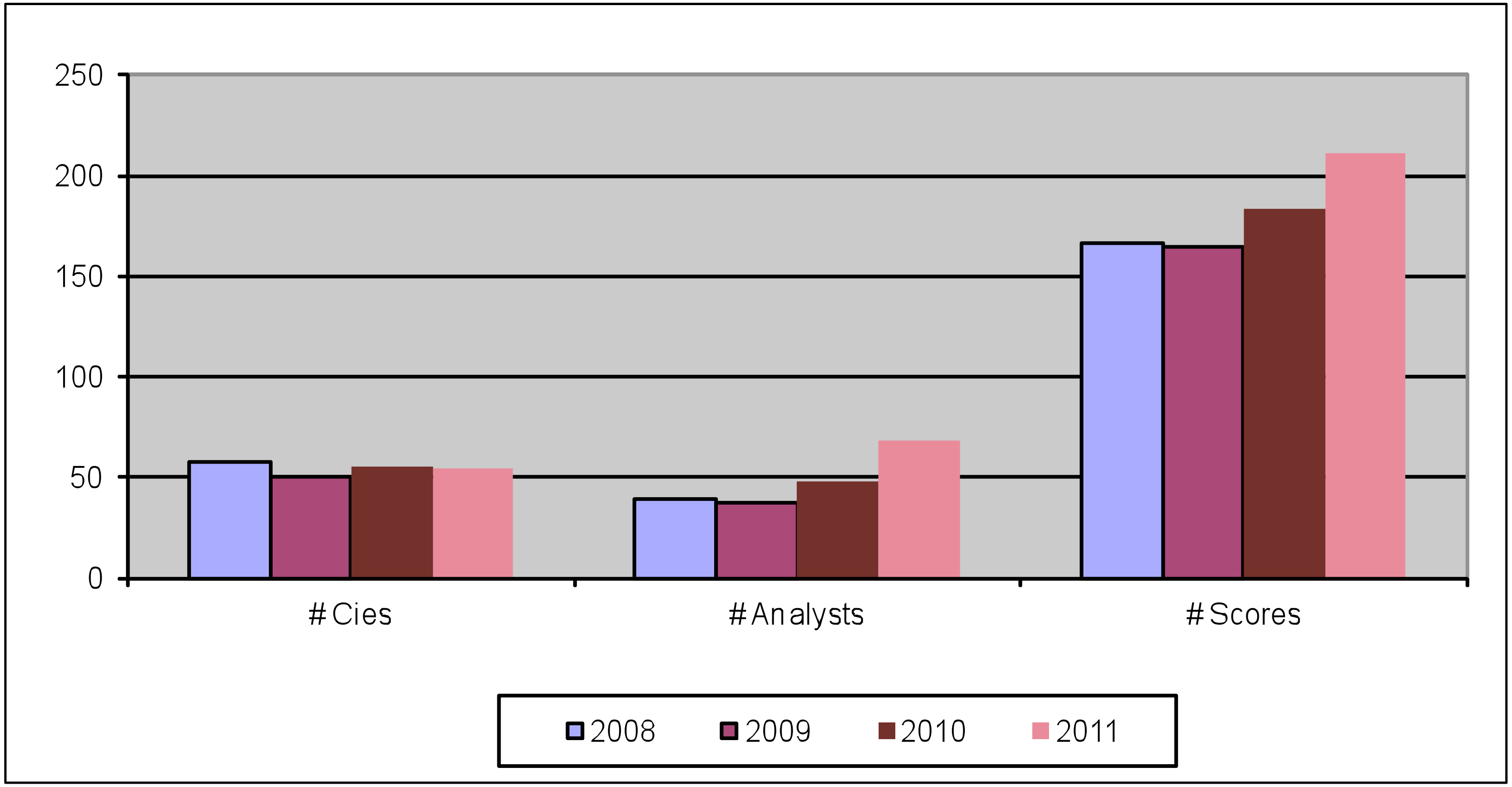
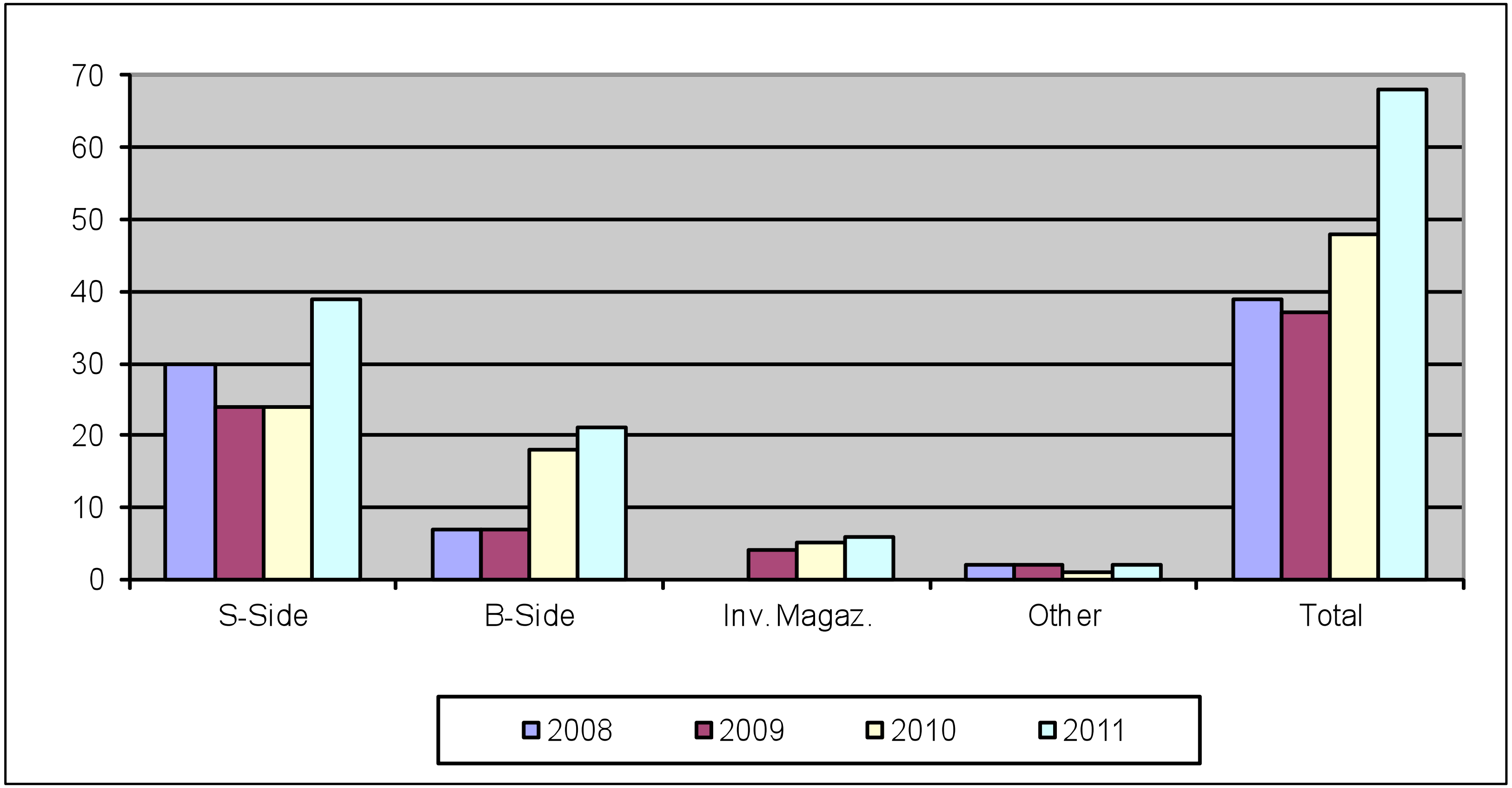
The Award Procedure?

- 54 Companies (=) 68 analysts (+) 211 scores (+)



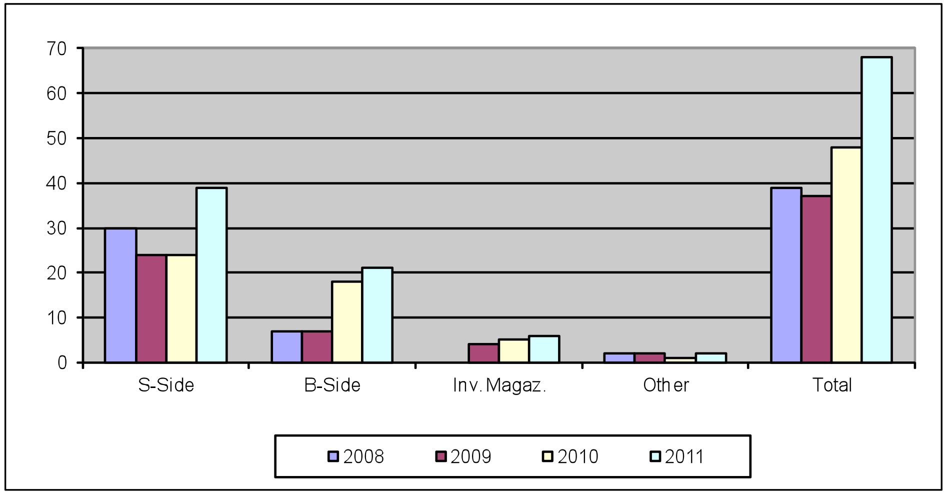
The Award Procedure?

- 68 analysts : 39 sell side including 15 FR/NL



The Award Procedure?

- 211 scores : 3.9 scores/ company (>min 3)



Company	Number of reviews
AB INBEV	4
ACKERMANS VHAAREN	4
AEDIFICA	2
AGEAS	5
AGFA-GEVAERT	3
ALFACAM	4
ARSEUS	4
BARCO	6
BEFIMMO	3
BEKAERT	4
BELGACOM	4
CFE	4
CMB	4
COFINIMMO	3
COLRUYT	3
DECEUNINCK	4
DELHAIZE	4
DEVGEN	4
DEXIA	3
D'IETEREN	4
ELIA	4
EURONAV	4
EVS	5

The Award Procedure?

BAF survey 201 overview

BAF survey 201

- Survey includes four major aspects of financial Information and Communication:
  - **Annual Report** **100 pts**
  - **Press Releases** **100 pts**
  - **Investor Relations** **200 pts**
  - **Website** **100 pts**

  Should we open a new category on ESG or Integrated Reporting?

- All questions are rated on a **5 point scaling scale**:

Very poor	Poor	Good	Very good	Excellent
1	2	3	4	5

- Followed by a **text box to clarify the given score per major aspect**

- For some questions
  - **Guidelines** are added. These guidelines set some hurdle rates or make it clearer what kind of specific information we wanted to be evaluated.
  - A 6th answer option is provided '**not applicable**'

Score Card Overview

- Get highest and average scores ...

	Company score	Theoretical max.	Highest score	Benchmarks Average Overall	Average M&S	Average Bel20
OVERALL		500	412,0	332,1	318,3	357,4
1. ANNUAL REPORT		**100**	**78,7**	**63,7**	**61,3**	**68,1**
2. PRESS RELEASES		**100**	**87,5**	**63,8**	**59,8**	**71,0**
3. INVESTOR RELATIONS		**200**	**176,0**	**139,2**	**134,7**	**147,5**
4. WEBSITE		**100**	**81,5**	**65,4**	**62,6**	**70,7**
SECONDARY CLASSIFICATION						
Info regarding the past		125	101,8	80,3	76,6	87,1
Info regarding the present		285	244,2	197,2	189,6	211,4
Info regarding the future		90	72,0	54,5	52,2	58,9

This company was reviewed by x analysts

Score Card Overview

- Global overviews as well ...
- Specific rankings ...
- Comments on demand ...

		AB INBEV	ACKERMANS VHAAREN	AEDIFICA	AGEAS	AGFA-GEVAERT	ALFACAM	ARSEUS	BARCO
1	1. ANNUAL REPORT	75,5	73,0	73,0	63,6	58,3	44,8	57,5	65,3
1,1	**1.1 Key figures & ratios**	7,0	9,0	6,0	5,2	7,0	2,8	6,5	7,0
	1.1.1. Key figures & ratios	4,0	4,0	5,0	4,2	4,0	1,8	3,5	4,0
	1.1.2. Years of history	3,0	5,0	1,0	1,0	3,0	1,0	3,0	3,0
1,2	**1.2 Products & Services and Segments**	9,0	8,0	9,0	5,6	5,3	4,0	6,5	6,0
	1.2. Info on products/services & segments	9,0	8,0	9,0	5,6	5,3	4,0	6,5	6,0
1,3	**1.3 Competitive position**	8,0	5,5	6,0	5,2	5,3	3,0	5,0	5,0
	1.3. Info on the competitive position	8,0	5,5	6,0	5,2	5,3	3,0	5,0	5,0
1,4	**1.4 Strategy**	11,5	13,0	13,0	12,4	8,7	7,0	12,5	14,0
	1.4.1. Info on strategy	7,0	7,0	8,0	6,4	4,7	4,0	6,0	7,0
	1.4.2. Medium to long term objectives	4,5	6,0	5,0	6,0	4,0	3,0	6,5	7,0
1,5	**1.5 Financial section**	25,5	24,0	24,0	20,8	20,0	19,0	15,0	20,3
	1.5.1. Quality financial statements	8,5	8,0	8,0	7,2	6,7	6,0	3,0	7,0
	1.5.2. Quality of the notes	17,0	16,0	16,0	13,6	13,3	13,0	12,0	13,3
	...								
5	OVERALL	382,6	356,7	391,5	361,4	317,0	223,0	331,9	331,9
	...								
	Info regarding the past	98,5	92,2	95,5	85,0	78,0	55,3	75,5	80,7
	Info regarding the present	224,3	209,0	229,0	214,0	197,0	134,3	201,4	192,3
	Info regarding the future	59,8	55,5	67,0	62,4	42,0	33,5	55,0	58,9

Company	Score	Rank
BELGACOM	412,0	1
HANSEN TRANSMISSIONS	402,0	2
TELENET	400,4	3
AEDIFICA	391,5	4
MOBISTAR	387,0	5
COFINIMMO	386,7	6
AB INBEV	382,6	7
GIMV	382,5	8
QUEST	375,6	9
UMICORE	373,9	10
DELHAIZE	369,3	11
EVS	366,3	12
KINEPOLIS	363,7	13
AGEAS	361,4	14
ELIA	357,4	15
D'IETEREN	357,3	16
ACKERMANS V.HAAREN	356,7	17
NYRSTAR	354,2	18
SOLVAY	349,8	19
GBL	347,8	20
VAN DE VELDE	347,0	21
SIPEF	343,0	22
UCB	342,7	23
KBC	341,1	24
ZETES	340,2	25
COLRUYT	338,7	26
TRANSICS	336,7	27
RECTICEL	334,2	28
BEKAERT	332,9	29
ARSEUS	331,9	30
BARCO	331,9	31
TESSENDERLO	331,0	32
BEFIMMO	330,7	33
THROMBOGENICS	328,7	34
MELEXIS	325,5	35
AGFA-GEVAERT	317,0	36

Annual Report Score card

- Evolution: 54.6 -> 57.6 -> 63.7 / 100

	Company score	Theoretical max.	Highest score	Benchmarks		
				Average Overall	Average M&S	Average Bel20
1. ANNUAL REPORT		100	78,7	63,7	61,3	68,1
1.1 Key figures & ratios		**10**	**9,0**	**6,4**	**6,1**	**7,0**
1.1.1. Key figures & ratios		5	5,0	3,6	3,5	3,8
1.1.2. Years of history		5	5,0	2,8	2,6	3,2
1.2 Products & Services and Segments		**10**	**9,0**	**6,7**	**6,4**	**7,3**
1.3 Competitive position		**10**	**8,0**	**5,2**	**5,0**	**5,5**
1.4 Strategy		**20**	**16,0**	**11,6**	**11,1**	**12,5**
1.4.1. Info on strategy		10	8,7	6,5	6,3	6,8
1.4.2. Medium to long term objectives		10	8,0	5,1	4,9	5,7
1.5 Financial section		**30**	**27,0**	**20,6**	**19,9**	**22,1**
1.5.1. Quality financial statements		10	9,0	6,8	6,6	7,3
1.5.2. Quality of the notes		20	18,7	13,8	13,3	14,7
Eg info on intangible assets		5	4,7	3,4	3,3	3,5
Eg info on financial debt		5	4,8	3,5	3,3	3,8
Eg info on pension deficit		5	4,8	3,2	3,0	3,6
Eg info on financial instruments		5	4,7	3,4	3,3	3,7
1.6 Risks		**10**	**9,3**	**6,5**	**6,4**	**6,8**
1.7 Other (relevant) info		**10**	**8,0**	**6,6**	**6,4**	**7,0**
Useful and good quality items						
Key Events		100%	100%	48%	44%	55%
Message to the shareholders		100%	100%	59%	61%	54%
Group structure		100%	100%	33%	33%	34%
Info on shareholders		100%	100%	26%	25%	28%
Info on share price		100%	50%	6%	8%	4%
Info on stock options		100%	75%	20%	20%	20%
Corporate Governance		100%	100%	19%	12%	30%
Info on sustainability		100%	100%	14%	11%	21%
Lexicon		100%	75%	9%	6%	13%

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Annual Report Score card

- Key Figures & Ratios
  - Don’t hide them; show a LT view (7 … 10 years)
  - What is material?
  - Include # shares and per-share numbers, also:
    - EV components, Net Debt, non-recurring (cost) elements,
    - Credit ratings and ratios (+ definitions)

- Products / Services / Markets:
  - Explain and show what you do
  - Inform about markets positions (leader, challenger …)

- Strategy & LT objectives:
  - Often too general. Show (potential) investors that you have a vision, a (good) strategy, and a plan to reach your objectives
  - Quantify your objectives

Press Releases Score card

- Evolution: 54.6 -> 56.3 -> 63.8 / 100

	Company score	Theoretical max.	Highest score	Benchmarks Average Overall	Average M&S	Average Bel20
2. PRESS RELEASES		100	87,5	63,8	59,8	71,0
2.1 FY/HY results: Numbers		**20**	**19,0**	**14,2**	**13,6**	**15,3**
2.1.1. Is set of numbers complete?		10	10,0	7,4	7,1	7,9
2.1.2. Is there YoY comparison?		10	9,5	6,8	6,4	7,4
2.2 FY/HY results: Comments		**30**	**26,0**	**18,9**	**18,2**	**20,4**
2.2.1. Changes in topline numbers		10	9,5	6,3	6,1	6,6
2.2.2. Quality of comments		10	8,0	6,3	6,1	6,8
2.2.3. Info on segments/operating assets		10	9,0	6,3	6,0	7,0
2.3 FY/HY results: Guidance		**10**	**8,0**	**5,6**	**5,4**	**6,2**
2.4 FY/HY results: Publication delays		**20**	**20,0**	**12,9**	**11,4**	**15,7**
2.4.1. Time to publish full year results		10	10,0	6,6	6,2	7,3
2.4.2. Time to publish half year results		10	10,0	6,3	5,2	8,4
2.5 Quarterly results		**10**	**10,0**	**6,0**	**5,5**	**6,7**
2.6 Other		**10**	**9,0**	**6,2**	**5,8**	**6,8**

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Press Releases Score card

- Numbers:
  - Add non-recurring numbers
  - Add H1 and H2 numbers to FY report
- YoY changes:
  - Breakdown change in sales: consolidation scope, forex, volumes, prices, product mix
  - Break down change in NAV (investment companies): market value (listed), valuation methodology (unlisted)

Invester Relations Score card

- Evolution: 114.3 -> 125.3 -> 139.2 / 200

	Company score	Theoretical max.	Highest score	Benchmarks Average Overall	Average M&S	Average Bel20
3. INVESTOR RELATIONS		200	176,0	139,2	134,7	147,5
3.1 Availability		20	20,0	15,4	15,0	16,1
3.2 Reactivity		20	20,0	15,1	14,6	15,9
3.3 Consistency		20	20,0	14,3	13,5	15,7
3.4 Reliability		20	20,0	14,7	13,8	16,2
3.5 Access to senior management		20	20,0	14,4	14,8	13,9
3.6 Date alert		20	18,7	14,1	13,4	15,4
3.7 Analyst meetings & Conf. calls		20	20,0	14,2	13,9	14,8
3.8 Insight business model & activities		20	18,7	13,0	12,8	13,3
3.9 Updates on strategy		20	18,0	11,8	11,1	13,0
3.10 Guidance		20	18,0	12,2	11,6	13,3

Investor Relations Score card

- Guidance / Consistency / Availability
  - More difficult to benchmark. Lower scores for banks.
  - Advantage for less cyclical companies?
- Reactivity / Reliability / Access mgmt.
  - Personal appreciation
  - Access to sr. management easier in smaller companies
- Date Alert Service
  - Not a subscription service but a great support for analysts
- An. Meetings / Field trips / Roadshows
  - Excellent opportunity to highlight strategy (change) or specific division or aspect of the business and ...
  - ... meet (operational) management

Invester Relations market cross check

- 69% of institutional investors find IR a sufficient counterparty replacing CEO for financial communication. IR is part of the finance department and report to the CFO. Sometimes they are linked to the communications department and report to the CEO or to HRM department; which is a good approach.
- 73% finds that new media play an important role. Contact and information sharing is moving a lot quicker. Points of contact with the company and the IR manager have increased as well as the speed of response. But the number of Belgian Investor Relation Managers has not increased …
- The IR approach in Belgium as far as team, reporting speed, knowledge is as good as the IR teams in other countries. This is also confirmed by the financial analyst community. 46% of the population would like to see more IR managers in the management committee of quoted companies,

Web Site Score card

- Evolution: 66.2 -> 69.2 -> 65.4 / 100

	Company score	Theoretical max.	Highest score	Benchmarks Average Overall	Average M&S	Average Bel20
4. WEBSITE		**100**	**81,5**	**65,4**	**62,6**	**70,7**
4.1 Operational information		**25**	**20,3**	**15,7**	**15,3**	**16,5**
4.1.1. Info on history		10	8,5	6,3	6,2	6,5
4.1.2. Info on services, products, markets		10	9,0	6,9	6,7	7,2
4.1.3. Links to other relevant websites		5	3,8	2,6	2,4	2,9
4.2 Financial information		**30**	**26,5**	**19,0**	**17,5**	**21,7**
4.2.1. Archive annual rep./press releases		10	10,0	7,6	7,5	7,9
4.2.2. Archive recent presentations		10	9,5	6,2	5,3	7,7
4.2.3. Info on financial debt		10	8,0	5,2	4,7	6,2
4.3 Investor relations		**20**	**18,0**	**13,9**	**13,4**	**14,8**
4.3.1. Contact details of IR		5	4,8	3,5	3,4	3,9
4.3.2. Subscription service		5	4,8	3,5	3,4	3,8
4.3.3. Financial calendar		10	9,5	6,8	6,6	7,2
4.4 Varia		**10**	**8,3**	**6,7**	**6,4**	**7,1**
4.4.1. Info on shareholder structure		5	4,3	3,3	3,2	3,5
4.4.2. Info on corporate governance		5	4,5	3,4	3,2	3,6
4.5 Organisation & navigation comfort		**15**	**14,3**	**10,2**	**10,0**	**10,6**

Web Site Score card

- Operational Info:
  - Reference source of (basic) information on history, products/ services, strategy
- Financial Info:
  - Not only archive, but also latest investor presentations
  - Subscription service (press releases) is must have
  - Corporate Governance:
  - Shareholding, more transparency stock options needed
- Financial Calendar: min 12 months ahead
- Navigation comfort up to date

The Future …

- Part of the investors is no longer to be found in the Benelux or Paris, but in the UK or the US. So US private and institutional investors need appropriate communication. Companies operating in Western Europe get shareholdings from UK institutional funds.
- Information standards have become global. Global and uniform information is a must, though local add-ons are indispensible. "Glocal" is the word.
- Accounting rules have been globalised. The US is no longer focusing on USGAAP alone but does look at IFRS as well. Analysts and Investor Relations Professionals need to be able to use and explain those systems to the private and institutional investors. Nothing too complicated, but the principles such as IAS 39, IFRS 9, XBRL change frequently and some sectors need further specialization.
- Training is a must, for analysts and IR want to provide better, clearer and more transparent information to investors that get smarter. 28% of the analysts state that the investors have better backgrounds and knowledge than they used to have. Investors want to be better informed about topics such as acquisition goodwill, financial debt, pension liabilities (59% of the population)

The Future … since the crisis

- 77% of private investors changed its investment priorities into other sectors, other products and they invest less. Only 2% did not change…
- 53% of the IR Community claims that contacts with investors has considerably increased over the last 3 years because of the crisis but also because of the new standardized media.
- Financial Analysts notice that quoted companies provide them a lot more with strategic information since the crisis. Integrated reporting is moving. Companies spend a lot of time in explaining how they cope with the crisis and how their strategy evolves.
- Most companies give more information with the volatility that has moved structurally to a higher level. We should re-discuss the quarterly report contents.
- Risk assessment and communication have become nr 1 on legal, financial, operational, environmental and strategic risks. Corporate Governance is a commodity, social impact, sustainability, enterprise wide risk management and reputational risk are rocketing.
- We can only welcome this evolution. It might be more work, but it makes the market more efficient and more stable over the long run.