



Special 12-page report

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RESEARCH

Consensus earnings estimates

What do IROs think of consensus estimates?

Do they comment on them, publicly or privately?

How many collate their own consensus?

The global investment community judges stock price performance against analysts' consensus earnings estimates so any small deviations from the consensus can affect valuation dramatically. That's one reason IROs want published consensus estimates to be as accurate as possible.

Based on the responses of more than 600 IR professionals worldwide, this report looks at how they engage with earnings estimates, their monitoring of them and subsequent views on accuracy and importance. It also focuses on companies' production of their own consensus – with or without external help – and the challenges they face in doing so.

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Consensus

Overview

IR Insight's latest global survey of IR professionals asked respondents a number of questions about how IR departments are adjusting to the evolving nature of consensus earnings estimates.

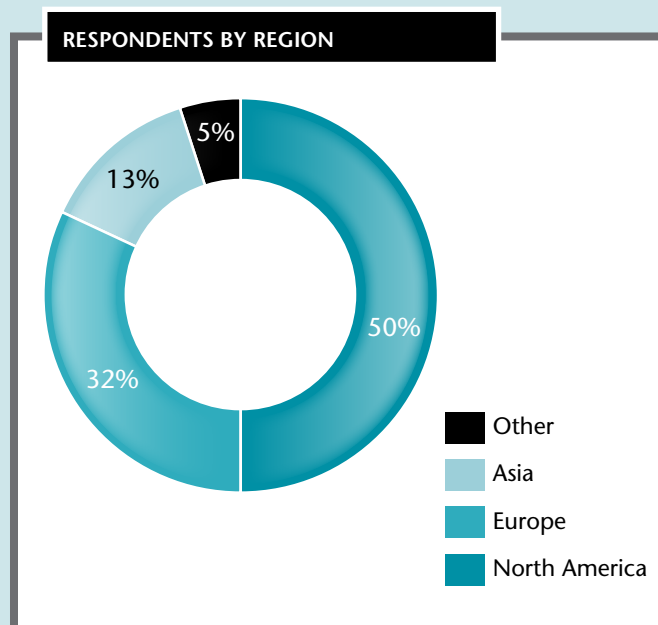
Each analyst whose estimate contributes to the consensus uses his or her own methodology to calculate corporate profits. Most take into account the guidance provided by the company, the latest economic conditions, market trends, company fundamentals and a range of other variables. A successful analyst will evaluate management expertise and credibility but this will be just one ingredient in the forecast, which will be further seasoned by a healthy dose of skepticism.

Despite each analyst who covers the particular company drawing from the same information pool, their estimates can vary greatly. That's not surprising as, in the end, the outlook on a company is a matter of judgment. Indeed, the so-called 'consensus' figure is in fact the average of all estimates provided by analysts covering a company to the financial data companies which make it their business to aggregate

those estimates of companies' earnings and publish them. The published figures may be the product of just a handful of such estimates or of dozens, depending on how many analysts cover the stock and provide their data to the process. Of course larger companies will typically be covered by more analysts than smaller companies, which has an impact on the consensus figures, as the findings of this report demonstrate.

Different business practices and accounting conventions mean consensus earnings estimates have varying priority levels in marketplaces around the globe. But the report shows that investor relations departments generally place increasing importance on consensus earnings estimates, especially in Europe.

Indeed, especially in Europe, it is revealing that many IROs now gather and publish their own consensus estimates in an attempt to challenge the mistakes rife in the estimates already publicly available. This report examines the challenges of creating consensus earnings estimates in-house for those who have already taken that step; and for those who have not, the challenges they perceive and other factors that put them off doing so.



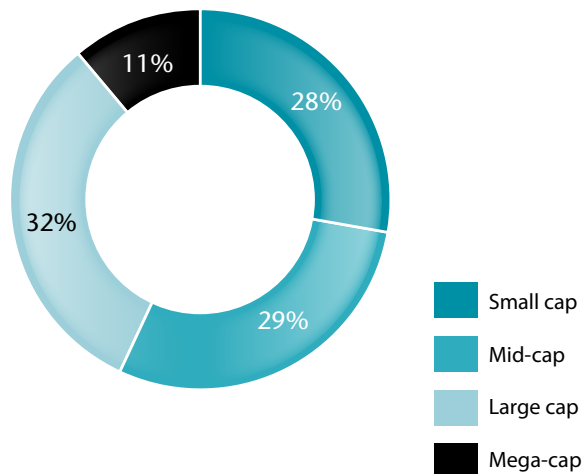
Key findings

Nearly one in three (30 percent) of the respondents to our survey say the relevance of consensus earnings estimates has increased over the past five years. And the vast majority of companies (92 percent) track the published consensus earnings estimates internally. Eighty percent of small-cap companies do so, a figure that rises through the cap sizes to reach 98 percent at mega-caps. There is little difference across the regions on this matter.

Globally, two in five companies (40 percent) produce or commission their own consensus earnings estimates. But they are far more likely to do so in Europe, where 63 percent of IR departments produce their own consensus, than in either North America or Asia (both at 27 percent).

Time restraints appear to be the main challenge to internal production of consensus earnings estimates,

RESPONDENTS BY CAP SIZE



with 37 percent of respondents who produce their own estimates referring to time issues as one of the challenges to doing so. This is followed by the precision of results, which is cited as a concern by a quarter (25 percent) of respondents who nevertheless produce their own estimates.

The main challenge perceived by respondents who do *not* currently produce their own consensus earnings estimates is the overall utility of their production. More than a quarter (26 percent) simply do not see the process as worthwhile. Lack of time and precision of results are also identified as impediments to internal consensus estimate production, at 19 percent and 18 percent of respondents, respectively.

Forty-three percent of IROs globally view poor analyst coverage as the prime cause of inaccurate consensus earnings estimates. This view varies from region to region, with more than half (51 percent) of North American IR professionals and fewer than a third (32 percent) of their European counterparts laying the blame for inaccurate consensus estimates squarely at the feet of the analysts.

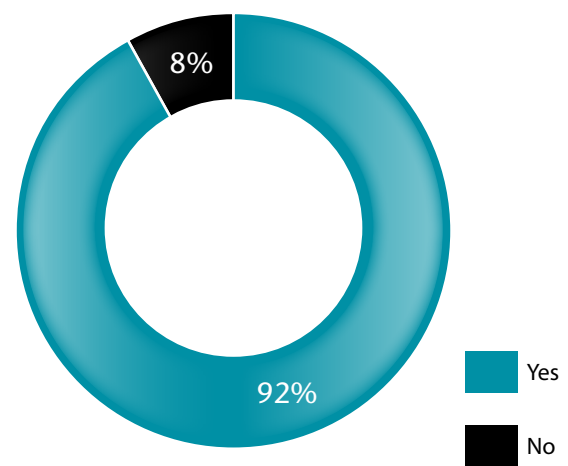
Methodology

This report is based on findings from the *IR Magazine* global IRO survey, conducted in Q4 2012, which is part of a twice-yearly survey of IR professionals. More than 700 respondents took part and a total of 604 of them answered questions that contributed to the findings of this report.

The respondents to this report have been classified by geographical region, market capitalization, analyst coverage and sector. The three main regions being compared are North America, Europe and Asia. The four market capitalization bands are: small cap – less than \$1 bn; mid-cap – \$1 bn to \$5 bn; large cap – \$5 bn to \$30 bn; and mega-cap – more than \$30 bn. All monetary figures throughout this report are quoted in US dollars, unless indicated otherwise.

The nine sectors used in this report on page ix are: basic materials (including chemicals); business services (including transport & logistics); consumer goods & services (including leisure & travel); energy & utilities; financial services; industrials; pharmaceuticals, biotech & healthcare; real estate; and technology, media & telecommunications (TMT).

MONITOR EXTERNAL CONSENSUS EARNINGS ESTIMATES



Section 1: External providers

Despite the clout of the financial data companies that compile consensus earnings estimates, their reliability and accuracy remain doggedly questioned by the companies they cover. From Washington to Beijing, companies that fall within each cap size reveal reservations about the accuracy of results compiled by the major financial data institutions.

Thomson Reuters is the most ubiquitous provider of consensus earnings estimates; it produces estimates on just under two thirds (61 percent) of the companies represented by respondents to the survey. For North American companies, that rises to nearly three quarters (74 percent); for European companies the figure is just 43 percent; and in Asia it's 42 percent.

Thomson's regional focus is reversed in the case of Bloomberg, the other big provider of consensus earnings estimates. It produces estimates on just over two thirds (67 percent) of the Asian companies

represented by survey respondents, and 58 percent of European companies. In North America, however, it covers only a minority of companies, at 48 percent.

Just over one in five (22 percent) companies has an estimate produced on it by external providers other than the big two. Regionally, North America has the highest number (24 percent), marginally higher than Europe (22 percent), with Asia recording the least, at just over one in 10 (14 percent).

External providers' accuracy

When we asked respondents to rate the accuracy of results on a sliding scale of '1 = not at all accurate' to '4 = very accurate' (with '2 = not very accurate' and '3 = accurate'), the results were revealing. The average scores for both Thomson Reuters and Bloomberg fall short of the accurate mark of 3, with Thomson scoring an average of 2.7, fractionally ahead of Bloomberg on 2.6.

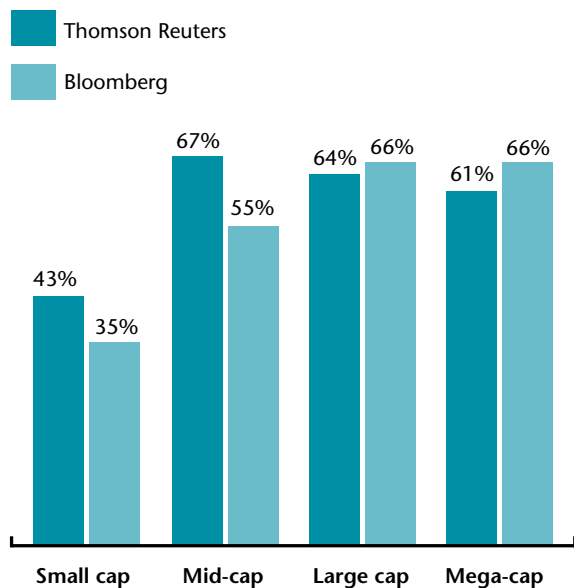
North American companies are generally more positive about the accuracy of the major two consensus earnings estimate providers, giving Thomson Reuters and Bloomberg scores of 2.9 and 2.8, respectively. European respondents are less impressed, giving scores of 2.3 and 2.2. Asian IROs give an average of 2.6 to each provider.

Where respondents to this question contributed the names of external estimates providers other than Bloomberg and Thomson Reuters, two names produced sufficient responses to provide meaningful results. One is FactSet, a predominantly North American provider of financial information and analytics, which emerges with an accuracy rating of 2.8, just ahead of the major two. The other is Vara Research, which scores an accuracy rating of 3.8, just short of the maximum score. This can be explained by the fact the Germany-based consulting company is commissioned by European companies to provide them with consensus figures.

The survey findings underline regional differences in business practice. Just over two thirds (67 percent) of companies responding to our research do not comment on the accuracy of estimates provided on them by Bloomberg, Thomson and others, regardless of how accurate they think they are. But one in four (27 percent) do so privately and a small number (6 percent) do so publicly.

Regionally, North American companies are the least likely (71 percent) to comment, whereas two

CONSENSUS EARNINGS ESTIMATES PRODUCED ON YOUR COMPANY



thirds (66 percent) of Asian companies will refrain from making any comment, followed by European companies at three in five (61 percent). In terms of commenting privately, just under one in three Asian companies (31 percent) will voice their opinion in this way. This is followed by the Europeans at 30 percent and North Americans at 24 percent.

European companies (9 percent) are the most likely to publicly comment on consensus earnings estimates, followed by North American (5 percent) and Asian companies (3 percent). These results – about public as well as private comment – probably reflect heightened regulatory sensitivity in North America.

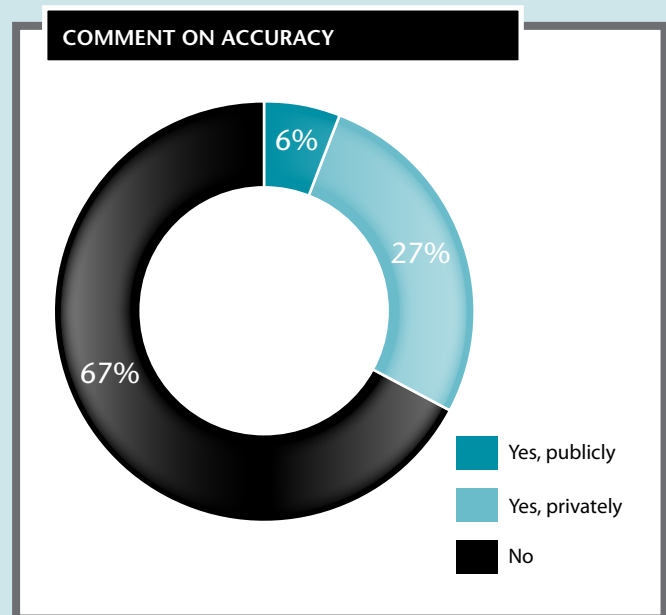
In terms of the different market cap-size bands covered in the survey, three quarters (75 percent) of small-cap companies do not comment on the accuracy of consensus earnings estimates produced on them. Among the mega-caps, 35 percent *will* comment privately but they are the least likely to comment publicly on the accuracy of estimates (3 percent). Mid-cap companies are the most likely to comment publicly (8 percent).

Causes of inaccuracy

We also classified our respondents into regional and cap-size bands to analyze responses to the question of why IR departments believe earnings estimate aggregators arrive at inaccurate figures. From poor coverage by analysts to their lack of knowledge about specific industry sectors, the reasons offered illuminate why investor relations departments remain skeptical about the validity of the estimates proffered by the financial data providers.

The prime reason given for inaccurate consensus earnings estimates in all three of the global marketplaces is the perceived discrepancies in analyst coverage. Next comes poor analyst coverage, which can be defined as analysts not using all the necessary ingredients needed to provide accurate estimates to the aggregators – in other words, not doing their job thoroughly; and, finally and more specifically, it can be a result of them using outdated financial models on which to base their judgment.

In North America, a majority of respondents (51 percent) point out analyst discrepancies as the key issue, followed by just over two in five (42 percent) in Asia and one in three (32 percent) in Europe. Across the market-cap bands, 49 percent of mega-cap companies believe discrepancies in their analyst coverage are the



key reason for inaccurate estimates – and consequently for inaccurate consensus estimates. This is followed by large-cap companies (45 percent), mid-caps (44 percent) and small caps (38 percent).

Industry knowledge

Overall, for 22 percent of respondents, a lack of knowledge of the industry sector is the second-highest factor identified as contributing to inaccurate estimates. In Asia this is 40 percent, followed by 26 percent in Europe and 17 percent in North America. Twenty-one percent of both large-cap and mega-cap companies feel this is the cause of inaccurate consensus earnings estimates, and 17 percent of mid-cap companies echo this response.

Small-cap companies – perhaps less burdened by discrepancies in analyst coverage thanks to the smaller pools of analysts covering their stock – feel a lack of industry knowledge is the chief reason for inaccurate estimates (27 percent).

Failing to keep up with evolving company data and disclosure is another category where patterns emerge. In Europe, 28 percent believe outdated data is a key reason for inaccurate earnings estimates, whereas in North America and Asia this figure is just 12 percent. In the cap-size bands, mega-cap companies (23 percent) are the most likely to point the finger at out-of-date information, with mid-cap companies the least likely, at 14 percent.

Section 2: Internal production

The perception of the relevance of consensus earnings estimates across the global market is shifting. Overall, 30 percent of IROs consider this area to have increased in relevance over the past five years; 11 percent say its relevance has decreased over the same period.

Asian companies have the strongest conviction that consensus earnings estimates are growing in importance (39 percent), closely followed by European companies (36 percent). North American companies are less convinced, with just over one in five (22 percent) making this claim.

As far as the relevance of consensus earnings estimates remaining steady over the past five years goes, North American IROs are the most conservative here, with nearly two in three (64 percent) seeing no change in relevance over the period. The perspective of Asian companies is the most dynamic, with a majority of companies (52 percent) seeing a change of some significance in the relevance of consensus earnings estimates.

Internal consensus earnings estimates

Overall, two in five companies (40 percent) currently produce or commission their own consensus earnings estimates. Of these, the vast majority (86 percent) produce estimates using their own in-house system, with the remainder outsourcing the task to an external service provider. Among the remaining 60 percent of companies that do *not* produce or commission their own estimates, only 4 percent plan to do so at some point in the future.

On a regional basis, it's clear European companies are by far the most likely (63 percent) to produce their own consensus earnings estimates, with North American and Asian companies both significantly less likely (27 percent) to do so. Across the different cap-size bands, half the mega-cap companies (50 percent) produce their own estimates. This figure is nearly matched by

large-cap companies (46 percent) and mid-cap companies (42 percent), but it falls to just over one in four small-caps (28 percent).

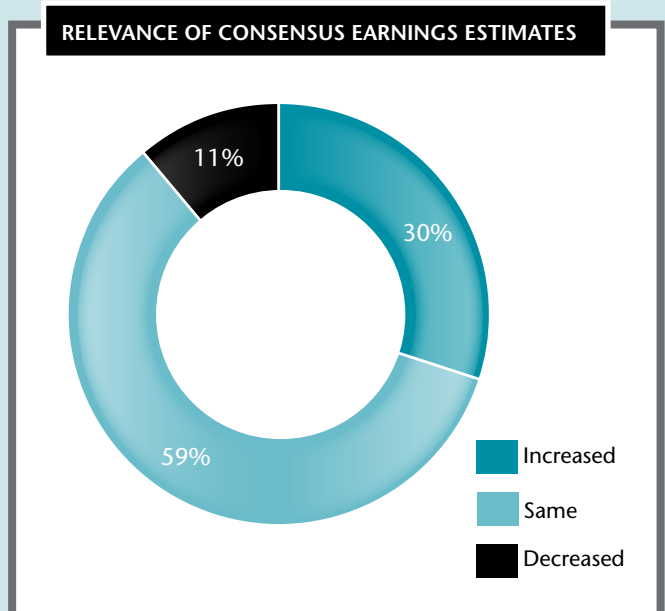
Challenges to internal estimate production

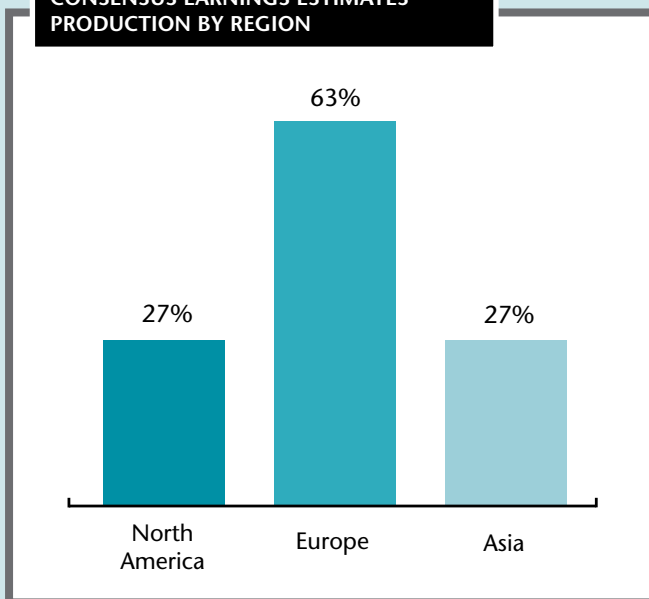
In order to understand the difficulties inherent in gathering earnings estimates and producing a consensus estimate in-house, we asked respondents to identify the obstacles they must overcome to do this; and if they *don't* do it, what the perceived challenges are deterring them from doing so.

The biggest obstacle to in-house consensus production across all regions and the majority of the cap-size bands is time-management. In North America, two in five of our respondents (42 percent) list time-management as their greatest challenge. In Europe and Asia, time is also the biggest issue (36 percent and 34 percent, respectively).

With respect to the cap-size bands, just under half of the large-cap companies (46 percent) say time is the biggest challenge they face. This falls to just under two in five mid-cap companies (38 percent), and to just over one in four small-cap companies (26 percent). Although time as an issue in internal consensus estimate production rises through the cap sizes, with the very big firms it becomes less of a concern: just one third (33 percent) of mega-cap companies identify it as their main challenge.

Precision of results for companies producing their



**CONSENSUS EARNINGS ESTIMATES
PRODUCTION BY REGION**


own consensus earnings estimates is highlighted as the second-biggest challenge in all three regions. Across the different cap-size bands, mid-cap companies are most concerned (33 percent) by the precision of results. Slightly above a quarter of small-cap companies (28 percent), closely followed by mega-cap companies at 24 percent, feel precision of results is a key issue. Just under one in five large-cap companies feel this is a major obstacle.

The greatest challenge to mega-cap companies – likely to have the highest number of analysts covering their stock – is analyst problems (38 percent). With the small-cap companies generally having the smallest pool of analysts, analyst problems are ranked significantly lower down the list of challenges (11 percent).

The perceived challenges to internal production of consensus earnings estimates by IROs in companies that do *not* currently produce their own vary across region and market cap. In Europe the precision of the results likely to be produced by in-house consensus estimates is the biggest deterrent (31 percent). This figure falls to just over one in four in Asia (26 percent) and to 13 percent in North America.

North American companies that do not produce their own consensus earnings estimates list a lack of usefulness as the chief deterrent (36 percent). Just over one in four Asian companies (26 percent) echo this view, while just over one in 10 European companies (11 percent) list this as the main deterrent.

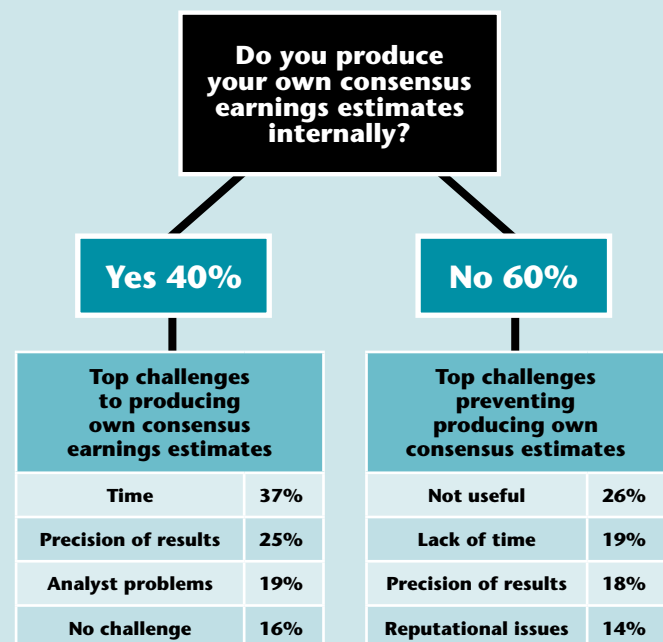
Half (50 percent) of all mega-cap companies that do not produce their own consensus estimates choose not to because they do not feel it would be productive. As one North American TMT sector IRO puts it: ‘We guide. The Street estimates.’

European companies that do not produce their own estimates blame a lack of resources as their second-biggest deterrent (21 percent), whereas only 6 percent of North American respondents and 9 percent in Asia list this reason.

One notable issue the research highlights is the apparent unease in North America – among those that do *not* produce their own consensus earnings estimates – toward doing so for reputational reasons. Sixteen percent of North American respondents rate this issue as the biggest deterrent, dwarfing the 4 percent in both Europe and Asia.

This pattern also emerges within the market cap-size bands, with nearly one in five small-cap companies (18 percent), 15 percent of mid-cap companies, a small number (7 percent) of large caps and none of the mega-cap companies stating reputational reasons as the chief deterrent to producing their own consensus estimates.

One North American IRO from a small-cap industrial company explains his firm’s situation: ‘We do not want to create the perception that we are endorsing or discarding research estimates.’



Section 3: Sell-side analyst coverage

So far, this report has assessed how trends in attitudes to consensus earnings estimates vary across geographical region and company size. It has also been recognized that larger companies tend to have more sell-side analysts covering them. By definition, the amount of analyst coverage is a factor in consensus earnings estimates. It is likely, therefore, that the level of analyst coverage a company has will affect IROs' attitudes to consensus estimates.

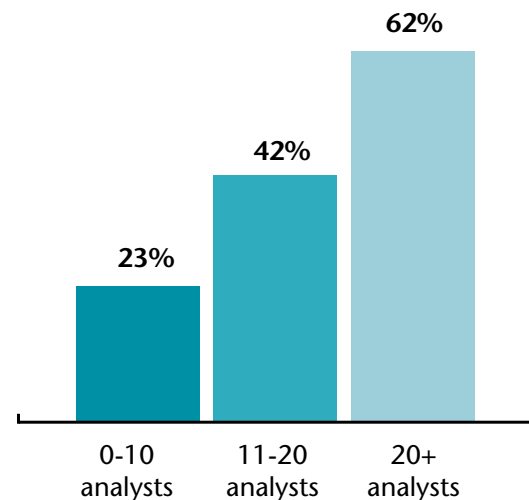
In order to assess the impact sell-side analyst coverage has on the approach of IROs to consensus earnings estimates, survey respondents have been separated into three categories: respondents with 10 or fewer analysts covering them, respondents with 11-20 analysts covering them, and respondents with more than 20 analysts.

The percentage of companies tracking consensus earnings estimates increases with analyst coverage, from 85 percent for companies with less than 10 analysts to 98 percent of companies with more than 20 analysts; the fact that those with a lower level of analyst coverage may not track consensus earnings estimates could be down to such estimates not existing for them to track.

Among IR professionals with 10 or fewer analysts covering their company, just 45 percent register being covered by Thomson Reuters and 40 percent by Bloomberg. Bloomberg's focus in consensus earnings estimates tends to increase with analyst coverage, with the company producing a consensus estimates report on 69 percent of respondents who have more than 20 analysts covering them.

One area where level of analyst coverage has little effect is how IROs view the accuracy of consensus earnings estimates. No matter how many estimates are produced, nor how wide the pool of analysts' estimates from which the consensus is drawn, the general view of their accuracy remains the same. The only difference is that IROs with more than 10 analysts

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covering their company are more likely to comment on accuracy, both privately and publicly, than those with 10 or fewer covering them.

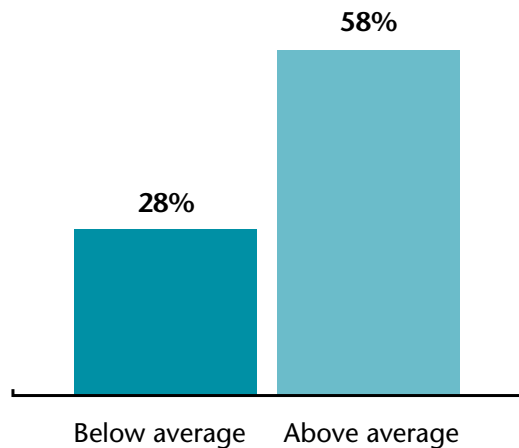
Relevance of consensus estimates

On the issue of whether IROs view the relevance of consensus earnings estimates to have increased, decreased or stayed the same over the past five years, the trend to view an increase in relevance increases with analyst coverage. All three categories have more respondents identifying an increase in relevance than a decrease; where differences do occur, it is in the gap between those seeing an increase and those seeing a decline in relevance.

Among IROs with 10 or fewer analysts, that difference is 11 percentage points, while for IROs with 11-20 analysts covering their company there is a 17-percentage point difference. This trend is most prevalent, however, among IROs with more than 20 analysts, where there is a difference of 31 percentage points between those who identify an increase (39 percent) and those who view a decrease (8 percent).

The production by companies of their own consensus earnings estimates is the area where the level of analysts' coverage is shown to have the most consistent effect. Twenty-three percent of companies with 10 or fewer analysts produce their own consensus estimates. This figure rises steadily to 42 percent of companies in the 11-20 analysts bracket, and

PRODUCE OWN CONSENSUS ESTIMATES – BELOW-AVERAGE VS ABOVE AVERAGE ANALYST COVERAGE



to 62 percent of companies that have more than 20 analysts covering them.

Below-average and above-average coverage

The link between analyst coverage levels and consensus earnings estimates practices cannot be fully established while other major factors wield an influence. The general rule that larger companies are likely to have more analysts covering them has already been identified. This poses the question of whether the cause of the trends identified in this section is actually the influence of cap size.

To truly establish the influence of analyst coverage

levels on consensus earnings estimate trends, it is first necessary to remove the influence of company size. The *IR Magazine Global Practice Report 2012* has data for the average number of sell-side analysts for each market cap. These are 7.5 for small cap, 14.9 for mid-cap, 22.1 for large cap and 29.5 for mega-cap.

The *IR Magazine* global IR survey is constructed to allow for the data to be separated into two sets: companies with *below-average* analyst coverage for their cap size and companies with *above-average* analyst coverage for their cap size. Comparing these two eliminates the influence of market-cap size.

Having more analysts covering your company than your peers means you are more likely to track consensus earnings estimates – 96 percent compared with 88 percent of companies that don't have more coverage than their peers – and to view their importance as increasing. Having more analysts than your peers also leads to a greater likelihood of consensus estimates being produced on your company and a greater chance of your commenting on the accuracy of those estimates. While these trends are clearly identifiable, however, they do not demonstrate a major difference between the two datasets.

Where there *is* a major difference, however, is on the question of whether companies produce their own consensus earnings estimates. Just 28 percent of companies with below-average analyst coverage produce their own consensus estimates. This figure more than doubles to 58 percent for companies with higher-than-average analyst coverage, thus firmly establishing the link between greater analyst coverage and internal consensus earnings production.

CONSENSUS EARNINGS ESTIMATES BY SECTOR

The survey responses do not show any one sector having consistently greater or less engagement with the issue of consensus earnings estimates than the others. But the responses, when analyzed by sector, *do* produce some noteworthy findings.

Only the energy sector has fewer than nine in 10 (86 percent) monitoring consensus earnings estimates. Bloomberg produces estimates for 79 percent of real estate company respondents, but only 42 percent in pharmaceuticals, biotech & healthcare. The accuracy ratings for Thomson Reuters' and Bloomberg's estimates both range between 2.4 and 2.8. Real estate is the only sector where the majority, either publicly or privately, comment on the accuracy of externally produced estimates.

Business services have the most static view of the relevance of consensus earnings estimates, with 16 percent noting an increase over the past five years, 14 percent a decrease and 70 percent detecting no change at all. At the other end of the scale, the pharmaceuticals, biotech & healthcare sector shows a difference of 33 percentage points between those who see an increase and those who see a decrease over the same period (41 percent and 8 percent, respectively).

This difference translates directly into the level of production of in-house consensus estimates. Pharmaceuticals, biotech & healthcare has the largest percentage of respondents who produce their own consensus earnings estimates (49 percent), while the business services sector has the lowest level (34 percent).

Expert view: The value of consensus

By Steve Webb and Nick Webster

Understanding and monitoring market expectations for their company's performance is one of the key tasks for an IRO, and it is growing in importance and complexity. IR professionals are on the frontline of a company's duty to keep investors and the markets informed if and when performance and market expectations diverge – so it's not just a key task; it is a legal requirement. But doing it well (or not so well) can also have reputational consequences, and that's what's behind the growing interest in the subject.

The global economic backdrop has changed, bringing with it uncertainty and stress to many countries and business sectors – with inevitable consequences for companies' performance and growth prospects. In this context, changes in performance and market expectations have become more marked and more frequent, requiring companies to keep an

'Market consensus has long been an important metric to stock valuation... But the evolving regulatory environment means regular consensus updates are particularly vital'

ever-closer eye on both. At the same time, equity markets – as well as many stocks – have become more volatile on the back of much lower-than-normal trading volumes. In this environment, even minor performance shortfalls against expectations can result in sharp share price adjustments, again encouraging corporates to monitor consensus with more diligence and precision than in the past.

The changing nature of equity research is a factor. Sell-side analysts' reports focus to a greater extent these days on where their estimates lie relative to consensus, providing justification for their stance on their stocks. When company news is released, it is now routinely judged against consensus expectations as much as it is against individual broker performance forecasts. Some of this may reflect the fact that less fundamental research is being done on equities given the shrinking of resources deployed by banks and brokers in this area in recent years. It is perhaps ironic that this is taking place at a time when there is an even greater focus on sell-side forecasts.

Regulation, particularly in Europe, has also played a role. For example, UK companies referencing board expectations of performance now present a problem as these could easily be construed as profit forecasts, which would have to be substantiated in detail and reported on in a bid situation or in circumstances where new equity issuance occurs – again, driving the focus on consensus.

The US, however, regularly sees more quantitative guidance for sales and EPS data issued by corporates (ie, a range of EPS expectation) reducing the onus on consensus, although it still remains important to know where the consensus lies within the range.

What are companies doing about it?

Most IROs gauge market expectations with reference to an average of sell-side analyst expectations: a market consensus. As indicated in this report, however, IROs perceive there to be a weakness in the traditional consensus aggregators' approach. Among other reasons, this is because they mainly focus on statutory line items, their data isn't always based on

like-for-like inputs across sell-side forecasts (because analysts do not employ identical models nor focus on the same adjusted figures) and they don't always take immediate account of coverage changes among banks and brokers. As a result, companies have had to look for more precise, more tailored and more granular data as the basis for looking at consensus.

Inevitably, a substantial and increasing proportion of IR teams compile and monitor market consensus internally and, with research suggesting the growing importance of consensus, it is likely more will do so in the future. 'By making the change to collate analysts' forecasts internally we are able to do it in a format that is relevant to our business and the key performance drivers we communicate, as well as in a format that is consistent across all analysts,' points out Catherine James, head of investor relations at Diageo.

Varied approaches

Current practice is very varied among companies but, due to the growing market focus on consensus and the increased appetite within IR teams to monitor and understand consensus movement with more regularity and precision, there is an emerging trend – particularly in Europe – toward more consistent protocols so that consensus is gathered and collated in a systematic manner. One factor in this more structured approach is likely to be the increasingly intensive regulatory oversight.

Clive Black, head of research at Shore Capital, makes this point: 'Market consensus has long been an important metric to stock valuations from the perspectives of the shareholder, the broker and the company behind the stock. But the evolving regulatory environment means rigorous, structured and regular consensus updates are particularly vital.'

Similarly, growing numbers of companies and IROs see the merit of disseminating the consensus data they gather themselves. Of course, this is largely because transparency is in itself a good discipline but also, importantly, because they understand the value the sell side places in a robust – often quite detailed in terms of line items – company-specific consensus.

This extends to the increasingly common use of corporate websites for disclosure of internally generated consensus data. Until recently, corporate websites featuring market consensus data in any form were uncommon and, where they did occur, there was a strong emphasis on using links to the aggregator

consensus information. This is now changing, with more companies gathering and also issuing their own consensus data on their own websites (with appropriate disclaimers).

This trend is to make better market consensus information for companies more widely available, improving transparency and providing a level playing field, particularly for the investor and other key stakeholder communities as well as the sell side.

'By making the change to collate analysts' forecasts internally we are able to do it in a format that is relevant to our business and consistent across all analysts'

What does the future hold?

At present, most companies use their IR teams to collect consensus, but this involves a significant amount of work and time – and sometimes not a little risk – as recent examples of spreadsheets containing sensitive data going astray during the manual assembly of such data demonstrate.

Consequently, IR teams are now looking either to outsource the process or to use third-party internal tools. Understandably, they want to simplify and speed up the gathering, both for themselves and for the analysts who submit data from their models. There is the further attraction of an audit trail and the potential to add value to the data analysis.

The trend toward companies and IR professionals taking more responsibility for understanding and monitoring market consensus is intensifying, for a wide range of reasons. The increased demand for precision, as well as greater disclosure and transparency, as the importance of a robustly prepared consensus grows, will continue.

It is also likely that, particularly in the UK and continental Europe, the regulatory scrutiny of consensus, given its growing importance and profile, will also mean consensus will continue to be a topic high on the IRO's agenda.

Steve Webb is a three-time winner of IR Magazine's best IR professional in Europe award, and Nick Webster is the founder of Vuma Consensus.

Sponsor's statement



Vuma is the consensus solution: it sets a new standard for how companies monitor market expectations of their performance. As this research report shows, the whole area of consensus earnings estimates is becoming a key focus for IR professionals and their companies. It is also an area subject to dynamic change.

IROs are no longer content to be passive observers of the consensus earnings estimates produced by the traditional aggregators of analysts' numbers. Rather, they are actively monitoring them, and in some cases starting to collate and publish their own. For an IRO, it is crucial not to surprise the market, and the best way to avoid that is to ensure the market has up-to-date and accurate information.

As a result, IROs are looking for tools and systems that contribute to putting the process onto a more professional basis. Few of the options available to IROs actually reduce the complexity and work involved in generating and monitoring consensus – which is why we developed Vuma. Vuma's web-based platform allows your team to quickly and easily gather analysts' forecasts, in a reporting template of your choice, while maintaining that key analyst relationship.

The bespoke system gives you complete flexibility and control: you set the financial reporting template, the financial periods (quarters, half-years and full years) important to your company and you define the

frequency and timing of when you gather data. All data is automatically logged and securely held for the corporate, providing an audit trail as well as a basis for our analytics package to allow you to quickly and easily identify movements, outliers and trends.

Vuma can also be used to manage and share your sell-side interactions, with our analyst address book and activity log. The secure system is tablet-friendly, allowing you quick and easy access on the move, and the tiered login options allow you to distribute and share the information within your company and among analysts.

That's why more than 20 leading global corporations, most of them with award-winning IR teams, operating in several market jurisdictions, and with an aggregate market value of more than €510 bn (\$663 bn) are already using the system – just two years after it was launched.

Please contact nick.webster@vuma.com or steve.webb@vuma.com for more information.

ABOUT IR INSIGHT

IR Insight is the research arm of *IR Magazine*, the leading voice in global investor relations. We regularly engage with the IR community and the investment community through extensive studies, surveys and detailed interviews with corporate IR professionals, investors and analysts. The results of our rolling surveys of investor relations professionals located in every major business center across the world provide us with an unrivaled global perspective on the latest IR trends and industry best practices.

Our research publications include in-depth investor perception studies, which we produce in conjunction with *IR Magazine's* highly regarded annual awards in the US, Canada, Europe, Asia and Brazil. Each year, in each of these markets, we ask thousands of buy-side analysts, sell-side analysts and portfolio managers the same question: which company has the best IR?