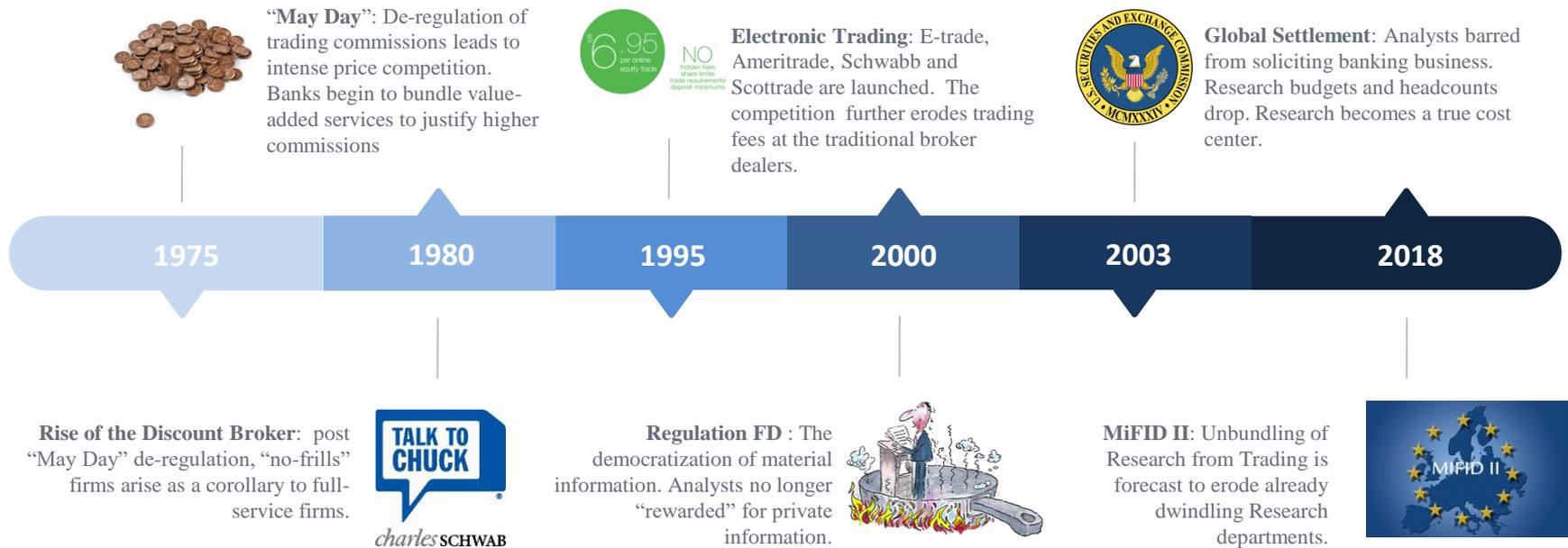




Structural Challenges Impacting Investor Outreach

Regulation Creates Disruption

The continuing regulation changing the Wall Street business model



MiFID II Created a New Paradigm

Banks, asset managers and public companies must all adapt

MiFID II transformed the investment research ecosystem

Sell side firms

- May not bundle research with execution services and must provide clients unbundled costs, separately identifying and charging for execution, research and other services (like corporate access)
- Must put a price on research and charge clients accordingly (i.e. may no longer broadly disseminate); very limited trial period available to gain new clients

Buy side firms

- Must budget for and make explicit payments for research and demonstrate that research has value and that contributes to better investment decisions
- Other services like corporate access and conferences must be from management fees rather than through trading commissions

Public companies

- Research coverage has become more thematic and less focused on company coverage
- Corporate access service has degraded as banks allocate meetings institutions that pay the most commissions

MiFID II Created a New Paradigm

Banks, asset managers and public companies must all adapt

"A industry-wide drop in research revenues of 30% or more over the next three years."
– McKinsey

"Deutsche Bank announces 10,000 layoffs."
– Wall Street Journal

"MiFID Seen Driving 20% Cut in Funds' Outside Research Budget in 2018."
– Bloomberg

"MiFID II drives liquidity drought as brokerage research coverage falls."
– Investment Week

"Consensus view is that MiFID II's unbundling requirements are going global."
– International Advisor

"Macquarie lays off analysts as MiFID bites."
– Financial Times

"MiFID II forces fund managers into sharp research cuts."
– Financial Times

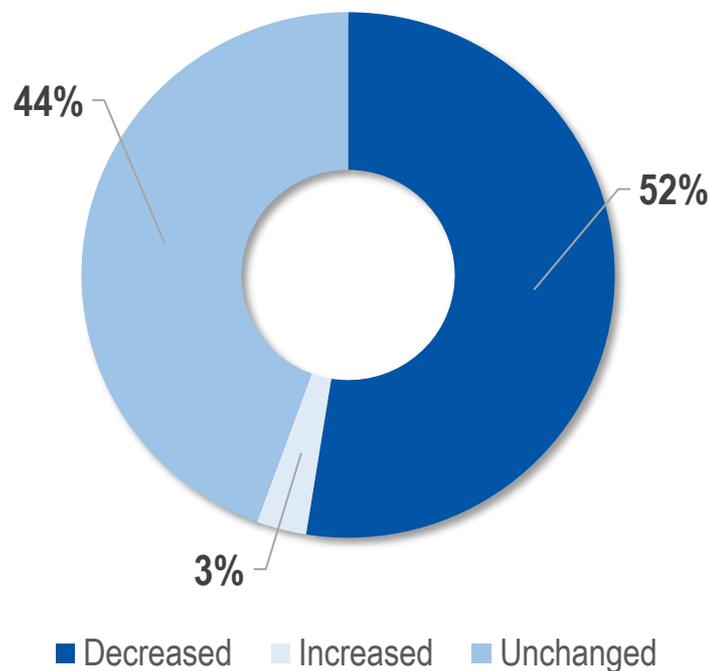
"Asset managers to slash sell side research after MiFID II, survey shows."
– Reuters

"MiFID reforms spur companies seeking investors to bypass brokers."
– Financial Times

Institutional Investors have Deemphasized their Use of the Sell-side

Institutional investors have become less reliant on sell-side research, corporate access and conferences due to budget constraints, regulations and other factors

Change in Value of External Research / Advisory Over the Past 12 Months⁽¹⁾



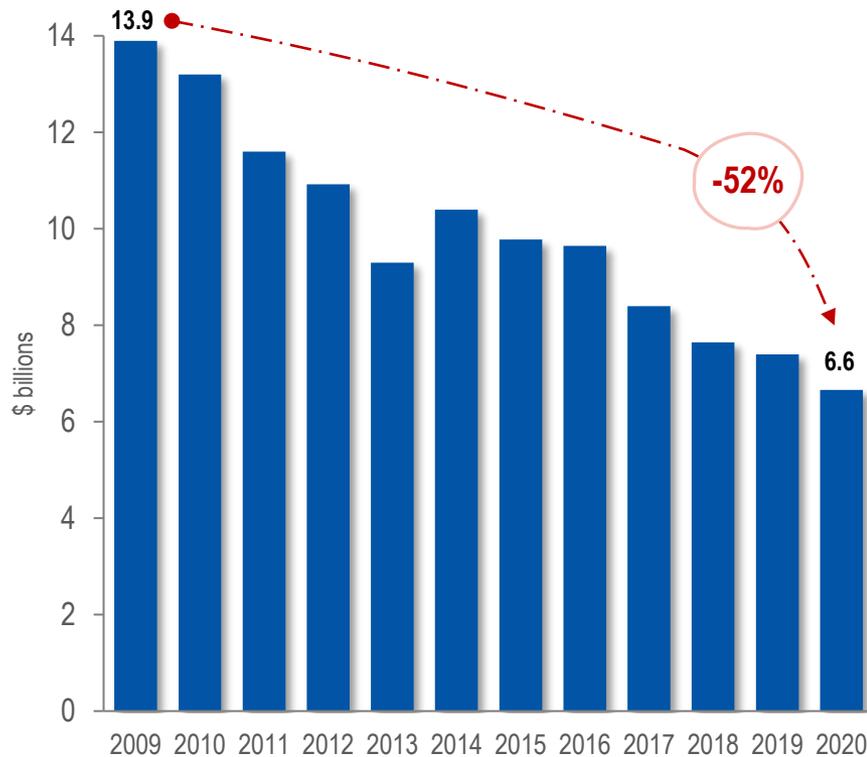
- Many institutional investors have adopted a policy of paying for services they receive from banks rather than charging their investors
- They have deemphasized broker research, corporate access, and conferences in their investment process, slashing their commission budgets by 40-75%
- They have also expanded internal corporate access teams and become very receptive to meeting management teams outside of the broker channel

(1) Source: Greenwich Associates 2020 U.S. Equity Investors Survey

The Result is an Equities Business in Structural Decline

The sell-side is adapting to the changing landscape by rationalizing resources and catering to the needs of its hedge fund customers that represent 80% of revenues

U.S. Equities Bundled Commissions by Year⁽¹⁾



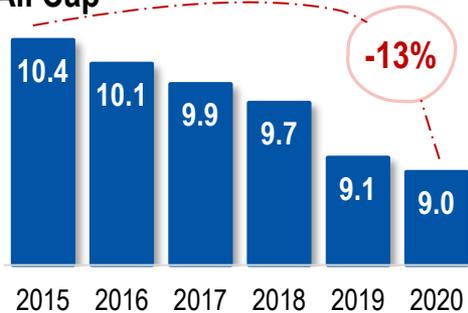
- Banks have reprioritized their allocation of resources to reflect the relative revenue contribution of hedge funds (80%) versus long-only investors (20%)
- Research departments have been restructured, resulting staff reductions and the replacement of senior analysts with junior analysts
- Non-deal roadshow, conference meetings and analyst access is heavily weighted towards hedge funds

(1) Source: Greenwich Associates 2020 U.S. Equity Investors Survey; based on reported buy side spend as of 12 months ended in Q1 of each year displayed

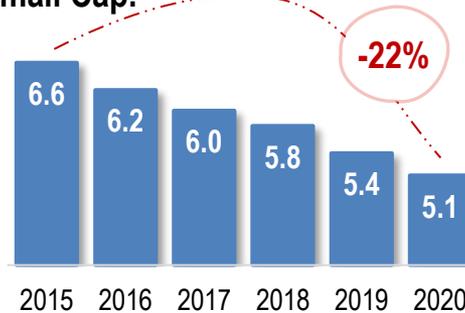
Research Coverage has been Steadily Decreasing⁽¹⁾

The average number of analysts covering companies has decreased by 13% since 2015; small and smid cap companies have been disproportionately impacted

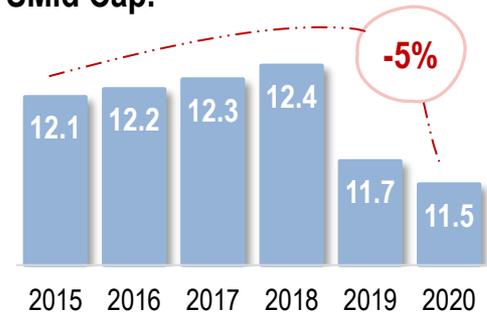
All Cap



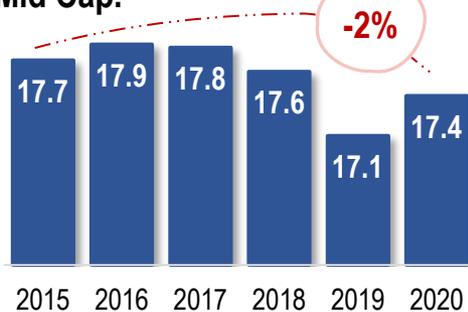
Small Cap.



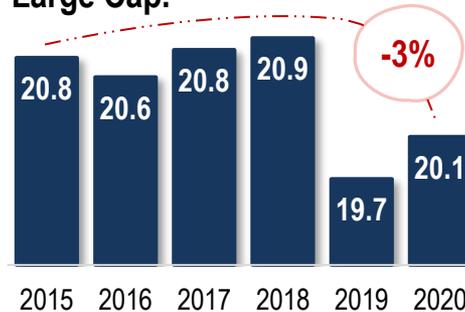
SMid Cap.



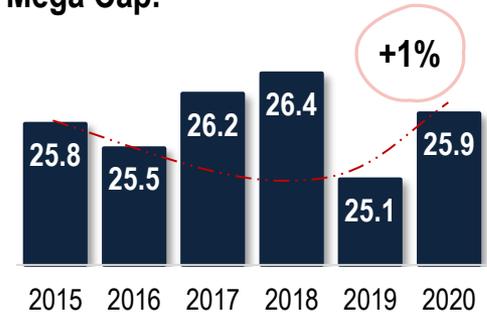
Mid Cap.



Large Cap.



Mega Cap.



(1) Source: FactSet Research Systems; Rose & Company research

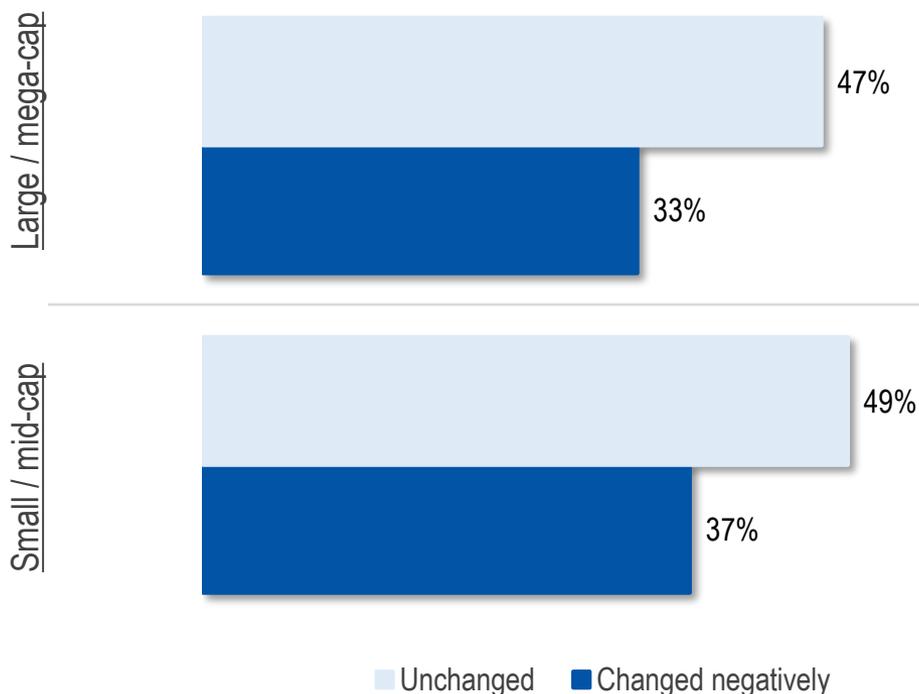
Note: Excludes sectors with disproportionate levels of investment banking activity like healthcare and technology where the average number of analysts has increased by 3% and 9%, respectively

Note: Market capitalization ranges are as follows: Small (\$0 - 2.5bn); Smid (\$2.5bn - \$10.0bn); Mid (\$10.0bn - \$25.0bn); Large (\$25.0bn - \$50.0bn); Mega (\$50.0bn +)

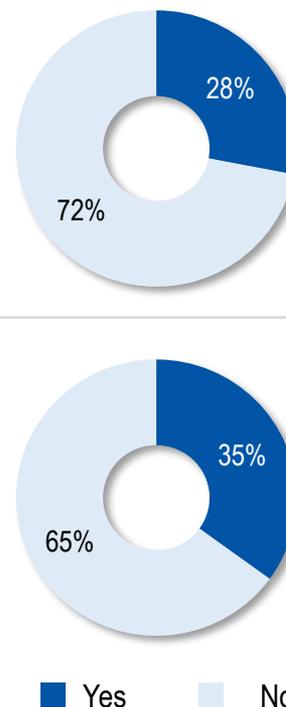
Public Companies are Feeling the Impact of these Changes

Investor Relations Officers indicate that their research coverage and quality of investor access has been negatively impacted

Has your research coverage changed?⁽¹⁾



Has the quality of your investor access changed?⁽¹⁾

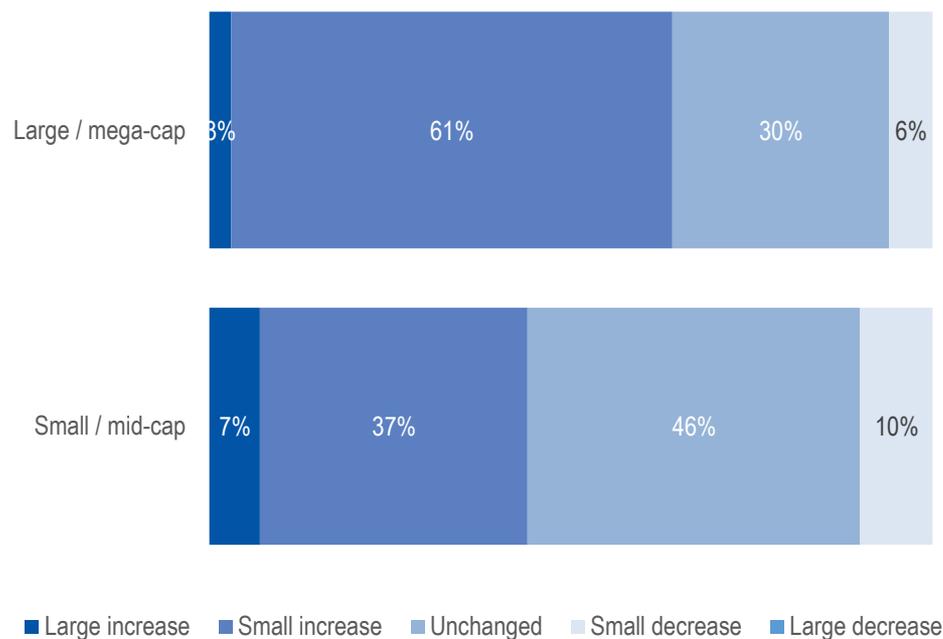


(1) Source: IR Magazine Survey; September 2019

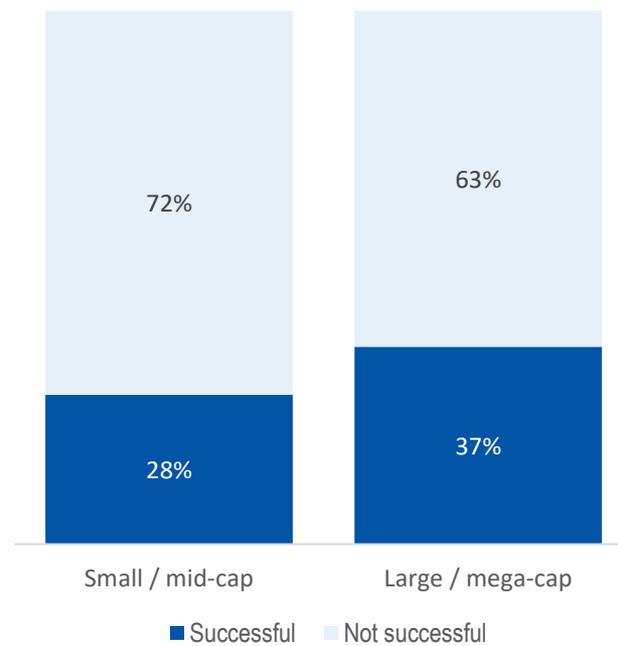
Companies are Increasingly Targeting Investors Directly

Although only three out of ten IROs think their efforts have been successful⁽¹⁾

Companies are increasing their targeting efforts



Results are decidedly mixed thus far



(1) Source: IR Magazine Survey "An Examination of the Impact Europe's MiFID II Regulation has had on Investor Relations" September 2019

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