

Growing and engaging your retail shareholder base

With a retail shareholder base that lags far behind international markets, James Deal suggests how UK companies can manage a changing register.



James Deal is head of UK
at PrimaryBid.
james.deal@primarybid.com

The past three years have seen a significant shift in regulatory and political support for broader retail investor inclusion in our capital markets.

In the UK for example, HM Treasury's *Secondary Capital Raising Review*, published in July of last year and the more recent *Edinburgh Reforms*, introduced a raft of new rules and guidance for listed companies and their boards, one of which was mandating the inclusion of retail investors in public company fundraises. This was a huge step forward in good governance and the equitable treatment of all investors, be they large institutions or everyday investors. PrimaryBid is a regulated capital markets technology platform that helps

companies access retail investors at IPO and on follow-on fundraises with sophistication and control, so this is something that we have campaigned hard for.

Fast forward to the present day and the focus has moved on again however. Now that retail investors are a core part of the regulatory consideration for prospective and current issuers, 2023 and beyond is squarely focused on the benefits of including and engaging your retail shareholders properly. There is now an awareness and acceptance that broader ownership beyond the core institutions is hugely important for issuers.

As we recently highlighted in UK Finance's report on *Capital Markets Effectiveness* published in May of this year, aside from the regulatory and governance aspects of including retail investors, these developments should be seen as a huge opportunity for listed companies.

Retail is a broad and important part of an issuer's share register providing positive liquidity and share price discovery. Around 12% of shares listed on UK markets are owned by retail individuals, representing a substantial pool of capital. There is broad acceptance that seeing this UK share register shift to over 20% direct investor ownership would be a welcome

development. To put this into context, Europe is at around 30%, US 45%, the Middle East at 60% and Asia at 80%.

We also have strong evidence of aftermarket support from retail investors. Our data shows that retail investors are seen to top-up their holdings on the days following a placing with 62% of retail buying shares post-deal.

In addition, having a substantial number of retail investors can offer added advantages for corporations that provide products and services to retail customers. These investors can potentially become consumers and the company's consumers can also become investors. It is a virtuous circle worth exploring, with far more ease than past perceptions would suggest.

Overall, we also need to foster a much greater 'equity culture' in the UK, for people to recognise the benefits of listed equity and debt as the best way to save for the long term. This would be to move closer to the norm in the US, Australia, Europe and so on.

Engagement and education

Now that the barriers are removed and the benefits understood, how should public companies go about maintaining or indeed increasing this level of individual ownership?

Retail IR is very different from institutional IR. You aren't going to eight investors, now you're going to 8,000 investors.

“ These investors can potentially become consumers and the company's consumers can also become investors ”

There is an outdated perception that this carries an extra burden for companies. We don't think this need be the case at all.

At PrimaryBid we refer to this as 'continuing the conversation'. There should be a clear agenda to keep in touch with all shareholders throughout the calendar year. Technology and digital solutions make this simple to do at scale in today's markets, to reach thousands of individuals efficiently, not just the top 10 or 20 shareholders.

We have found that increasingly, issuers are interested in working with us on more than just a transaction-by-transaction basis and want to engage

with their retail shareholder community via webinars and other online educational materials including flyers and management interviews through to design and marketing support.

These types of programme aim to communicate the issuer's story and business news, as well as provide investor education to its community of retail investors, crossing multiple marketing and communications channels in an accessible and fully compliant way.

In summary, what is happening is a meeting of regulatory expectations, technology capabilities and market infrastructure. All with the end result of making the inclusion of individual investors easy and the right thing to do for governance and corporate development purposes. To put the public back into public markets. ■

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