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Investors Say CEOs are the Key to Unlocking Corporate Value



By Nick Coles, Managing Director, Market Meter

If there's one thing that professional investors look for in the companies in which they invest, it's the effectiveness of the CEO. MarketMeter's 2022 research, which canvassed 115 Australian super funds, investment managers and equities analysts, has revealed for the second year running that the calibre of a corporation's top executive is the most important of the 27 Key Performance Indicators (KPIs) assessed by institutional investors in the study.

These same investors scored ASX 200 companies out of 10 across those 27 KPIs covering ESG, Financial, Management, Strategy, and Shareholder Engagement themes. When it came to scoring a company on the effectiveness of its CEO, investors were asked to consider key areas of a CEO's performance including earnings quality, growth prospects, clarity and strength of strategy, credibility, succession planning and shareholder value focus.

With these attributes in mind, the Australian institutional investment community has rated the CEO of Goodman Group, Greg Goodman, the highest across the leaders of S&P/ASX 200 listed companies. Mr Goodman and other CEOs who featured in the Top 10 CEO league tables for large (S&P/ASX 100) and mid-cap (S&P/ASX 101-200) companies were interviewed to see what sets them apart and what else matters to investors.

ASX 100 - TOP 10 CEOs			ASX 101-200 - TOP 10 CEOs		
1	GMG	GOODMAN GROUP	1	CNU	CHORUS LIMITED
2	CSL	CSL LIMITED	2	CDA	CODAN LIMITED
3	REA	REA GROUP LTD	3	GNC	GRAINCORP LIMITED
4	WES	WESFARMERS LIMITED	4	ARF	ARENA REIT
5	MQG	MACQUARIE GROUP LIMITED	5	DHG	DOMAIN HOLDINGS AUSTRALIA LIMITED
6	CAR	CARSALES.COM LIMITED	6	AVZ	AVZ MINERALS LIMITED
7	XRO	XERO LIMITED	7	FLT	FLIGHT CENTRE TRAVEL GROUP LIMITED
8	CPU	COMPUTERSHARE LIMITED	8	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED
9	TCL	TRANSURBAN GROUP	9	LTR	LIONTOWN RESOURCES LIMITED
10	ALL	ARISTOCRAT LEISURE LIMITED	10	BRG	BREVILLE GROUP LIMITED

Communication Counts

A common theme emerged with these top ranked CEOs in the regularity of their interactions with investors. All the CEOs interviewed used result briefings and AGMs as their primary forms of communication with the market, but went several steps further by making themselves available for one-on-one meetings with institutional investors, presenting at broker-hosted conferences and showcasing their business and management team via corporate investor days.

The workload in keeping investors apprised of how business is tracking has stepped up since the Covid-19 pandemic with Mr Goodman noting that there has been a significant increase in investor contact through the use of technology and virtual meetings. Mid-cap electronics solutions company, Codan Limited's CEO, Alf Ianniello says "We aim to ensure investors of all sizes, retail and institutions are provided timely updates as they occur."

Investor Insights

Aside from being concerned with how effective the CEO is of their investee company is, investors focused on a few macro concepts in their most recent interactions with these top rated CEOs. CSL Limited's CEO Paul Perreault noted "The theme of most interest to our investors has revolved around our business' ability to bounce back from COVID-related interruptions. In light of this, they are interested in our growth outlook and ability to grow plasma collections, and continue to supply patients with the medicines they need."

Supply chain disruptions and inflationary pressures were cited by several CEOs as particular areas of concern with investors. Jim Clayton, the CEO of kitchen appliance company, Breville Group Limited said that "Supply chain disruptions and Breville's ability to mitigate by building inventory has been the major theme in 2022 alongside how consumers are reacting to inflationary pressures."

Technological Take-up

Technology, while bringing CEOs, management and investor relations teams closer to investors than ever before has also played an increasing role in the companies led by the CEOs interviewed.

Goodman Group's Greg Goodman said "The structural changes around the growth of e-commerce and the digitisation of purchasing and supply chains have positively impacted our business over the last couple of years." He explained that "We've been working with technology providers and our customers to see how we can enable our customers to get more out of their warehouses. Understanding and improving productivity in warehouses has been a key focus, particularly around robotics and digitisation that improves speed and lowers costs."

Coda's Alf Ianniello said "As a technology company we are constantly evaluating ways to make the business smarter, faster and more efficient while saving costs. Investments in business technology to connect our global sites to provide greater security and accessibility regardless of location has helped the company remain agile in an everchanging global environment."

E-commerce and the internet of things were relevant for Breville Group with Mr Clayton outlining the "Implementation of a uniform global platform, expansion of a digital offense and the launch of connected products and consumer solutions" as key areas of technological advancement for the company.

Covid Conversion

The challenges presented by Covid-19 accelerated a few trends that Goodman Group had already been seeing and were leveraging as part of its business strategy. Mr Goodman said "The surge in online shopping reinforced demand for increased supply chain efficiency for our customers. Strategic locations became even more important as customers were looking for properties that were closer to consumers, to provide faster speed to market."

Breville Group's changes have been more tactical than strategic in the wake of Covid-19. Mr Clayton said, "Our strategy of increased investment in R&D, marketing and tech services, accompanied by geographic expansion to drive top line growth whilst maintaining double digit EBIT growth has been unchanged. Tactically we have adjusted our inventory position and type of marketing investment during Covid."

CSL remained in a relatively steady state with Mr Perreault stating that "Our strategy is resilient, and the pandemic has not changed this. Our focus on delivering innovative medicines to our patients remains our core focus and we have continued to invest in our business to set us up for sustainable growth."

Sustainability Strategy

Investors have demonstrated a growing interest in sustainability. Mr Goodman agrees noting that "Investors want to discuss our strategy, initiatives and importantly, the tangible progress we're making against our targets in this space. We have ambitious yet tangible ESG targets that are integrated into our business. These include: using renewable energy and storage, reducing carbon emissions and creating carbon neutral buildings, investing in regenerative agriculture and carbon sequestration, among others."

At Breville, sustainability is a key focus for employees and customers. Mr Clayton said that "Following a lifecycle analysis in conjunction with the University of New South Wales, Breville's key impact areas were identified as energy consumption in use, materials and reparability. Our sustainability initiatives focus on these three areas as well as sustainable packaging which is important to our teams and customers." He added that "Our ESG focus also includes key societal initiatives such as the launch of our Reconciliation Action Plan and our Aboriginal Culinary Journey art range."

With common attributes such as being a clear and regular communicator, having an appetite for technology, being strategically agile and having a sustainability focus, it's not hard to see why these CEOs are finding favour with investors.

MarketMeter is the interactive market insights platform that measures and benchmarks investor perceptions of Australian listed companies. Approximately 90,000 data points were captured on MarketMeter's platform in the first half of 2022. The quality and depth of the data pool is underpinned by MarketMeter's partnerships with Australia's leading super funds whose investment managers provide stock scores as part of their responsible investment reporting processes.

In addition to being used by Australia's super fund industry, MarketMeter's data is used by the Australasian Investor Relations Association (AIRA) to determine its annual Investor Relations Best Practice Awards. The league tables for the investor relations industry are published on the AIRA website. [E](#)

