Boards usually have a view on what investors think. But is it the full picture?

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Ask most Boards how investors view their company, and they will have an answer. That answer usually comes from conversations with brokers, direct investor meetings and feedback gathered during results roadshows or capital markets events.

Those interactions are helpful. However, they rarely offer an objective view of how the investment case is genuinely perceived across the broader market. In reality, many companies operate with only a partial understanding of their public perception.

A Perception Study is one of the few effective ways to properly test that assumption. Confidential conversations with fund managers, conducted by an independent third party, uncover what investors think when management is not present. The findings are more insightful than Boards expect.

What a Perception Study is

The term gets used loosely, but it is worth being precise.

A Perception Study is a structured programme of confidential, one-on-one conversations with key institutional investors who influence a company's rating. These include existing shareholders, funds that have considered but not invested in the stock, and occasionally, investors who have recently sold.

The interviews are conducted by an independent third party, not the company's broker or its internal IR team. It is this independence that allows investors to speak freely and honestly.

The output is a detailed written report. It sets out how the investment case is understood, where conviction is strong, where skepticism exists, and what would need to change for investors to build their conviction. For most Boards, the findings go far beyond expectations.

When the numbers and the narrative diverge

Consider a typical scenario. Analysts set price targets indicating substantial upside. Earnings forecasts are rising. Yet, the share price continues to drift.

From the inside, this might seem irrational. From the outside, the explanation is often more straightforward. Investors may not fully understand the investment case, or they may not be persuaded by it. The distinction is important. However, it is rarely tested directly.

Across the UK small and mid-cap companies we looked at, a clear pattern emerged. In many cases, analyst ratings and price targets suggest significant upside to the current share price, and forward earnings expectations are improving, yet the stock continues to underperform. The discrepancy between what the financials say and what the market is pricing in is not always a valuation anomaly. Sometimes it reflects a communication issue. Sometimes it is something more structural. The only way to know precisely what it is, is to ask.

The three things Boards might think

"Our broker(s) already give us feedback."

Broker insight is useful, but it has limitations. Brokers communicate with a subset of investors and operate within commercial relationships that can influence how feedback is presented and interpreted. Investors tend to speak more openly and honestly in confidential conversations with an unconflicted party.

"We speak regularly to our largest shareholders."

That conversation is important, but it also overlooks a large part of the market. The underweight funds, the investors who considered the stock but chose not to invest, and those who have quietly reduced positions are rarely in regular dialogue with management. Yet they often hold a very clear view of the investment case.

It is also important to understand why investors agree to take part. Existing shareholders do so because they want the company to deliver on the original investment case they believed in. Non-holders and recent sellers participate because they have a view on why it has not yet convinced them. In both cases, a structured independent process is one of the few ways they can express their opinions directly.

The need for a study often emerges when the strategic direction becomes less clear, or when the original thesis is no longer communicated convincingly. Investors notice.

"We just finished a roadshow."

Roadshows tell you which investors accepted meetings and the questions they asked. They do not reveal what those investors said internally afterwards, whether they added to their position, or what would need to change for them to increase their conviction. Equally, they tell you nothing about the investors who declined a meeting and why.

Investors rarely show their hand in a managed setting. A confidential, independent conversation introduces a completely different dynamic.

Where the value lies

A well-executed study brings together the views of current shareholders, non-holders and, where appropriate, recent sellers. Non-holders explain why they have stayed on the sidelines. Existing investors explain what is strengthening or weakening their conviction, and recent sellers share what changed their view.

The conversations work best when they are open and exploratory. Investors talk about the issues that actually shape their view of the company, often topics they would be reluctant to raise directly with management. When those perspectives are combined, they form a clear picture of how the investment case is landing.

A well-structured report converts that feedback into clear conclusions, separating the concerns that matter from the noise and identifying what would need to change for investors to build their conviction. That last part is where the output becomes most impactful for management teams and Boards.

Why timing matters

There is no perfect moment, but certain situations make a study especially timely. For instance, a new CEO or Chair wanting an independent baseline assessment before establishing their own investor outreach; a strategy that has been clearly outlined but has not yet Impacted the stock; a period before a capital markets day, where understanding current perceptions would enhance the content, framing and delivery; or simply a Board that has not conducted one before and wants to understand its current position.

In each case, the findings directly inform the Investor Relations programme, providing a clear foundation for prioritising engagement and focusing the message.

The companies that gain the most take the findings seriously. They use them to refine their investment story, target investors more effectively and improve how they communicate their strategy. By sharpening their narrative, they strengthen how well the equity story resonates with investors. In public markets, competition for capital is fierce, and perception is a significant factor. It often makes the difference between a story investors believe and one they ignore, and between a fair valuation and an unfair one.

If you would like to discuss whether a Perception Study makes sense for your company, please contact me at jblackburn@h2radnor.com or speak to your h2Radnor contact.

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