

# EVALUATE NEWSLETTER

January 2023

Welcome to Evaluate Research's Newsletter for January 2023! This newsletter focuses on:

- **In-Process Evaluate's New Coverage: Rapidly Growing Ali Baba Affiliate**
- **Our Recent Trip to Hong Kong**
- **Decline in Conferences & Investor Calls – Greater Need for Research**

## **New Coverage – Rapidly Growing Ali Baba Affiliate**

We are currently in the process of new coverage of a Chinese company, affiliated with the Ali Baba Group [USA: BABA & 9988\_HK], which is rapidly growing in multiple exciting businesses in the broad mobile and entertainment industries. The company is leveraging its current leadership position in several niche industries to expand into other high growth adjacent businesses. The company has expertise in both hardware and software applications, and its management and professional team has decades of experience in innovation and developing new applications.

We recently met with Senior Management at their China headquarters, and we look forward to publishing our report on this company soon on all platforms – please stay tuned!

## **Our Recent Trip to Hong Kong**

We recently traveled to Hong Kong, after the COVID-19 travel restrictions were relaxed, to meet with our existing clients as well as several new prospects. Over the course of one week, we were able to revisit many existing clients as well as industry contacts. As mentioned, we are currently working with new clients as well. Travelling to key geographies such as China/HK and the United States, which we do consistently about 3-4 times each year, is one of the most exciting parts of our research efforts!

There is a lot of interest in both Mainland China as well as in Hong Kong on proper research coverage, especially in the light of a challenging stock market as well as a sluggish macro environment this past year. With COVID restrictions eased, and numerous proactive measures taken by senior government leadership, the outlook for 2023 is much more encouraging. Listed corporates across the world are eager to reengage with investors, and numerous crosscurrents in terms of macro, currency/trade, interest rates, inflation, etc all are presenting both uncertainty and opportunity for everyone – increasing the desire for thorough stock analysis and clear recommendations.

## **Decline in Conferences & Investor Calls – Greater Need for Research**

As the sell-side brokerage industry's focus on equity research continues to shrink on a secular basis, there is greater need for quality investment research and opinions, especially for small and mid-cap stocks. Leading industry research organizations Integrity Research Associates along with Wall Street Events recently published a noteworthy research article entitled: Wall Street Events Dip Close to 10% in 2022. The article highlighted that “the number of Wall Street oriented conferences, roadshows, analyst meetings and company conference calls dipped by close to 10% during 2022 when compared to the previous year.” It is noteworthy that while this article focused on Wall Street and the USA market, the trends highlighted are being witnessed across the globe.

Conference calls are a key medium for corporates to reach both large and small investors, and it saves senior management lots of time in having to explain their prospects to investors one at a time. With investor engagement via conference calls diminishing, that too suggests research reports as the only effective way to reach the entire investment community.

According to the article, data indicates that public company management cut back sharply on the number of conference calls with larger institutional shareholders in 2022 to levels below those held before the pandemic. The total number of company conference calls held in 2022 plunged -41.3% to 1,289 calls from 2,197 calls held in 2021. In fact, the number of company conference calls held in 2022 fell below 1,500 calls – the average number of annual company conference calls held in the few years before the pandemic.

The article further mentions that although we have now passed the height of the COVID-19 pandemic, the number of sell-side sponsored conferences, roadshows, and analyst meetings held during 2022 was lower than any recent year other than 2020. This fact could create some anxiety on Wall Street that buy-side payments for sell-side research in 2023 could remain depressed as a result. This trend will continue to pressure sell-side budgets, and thus adversely affect research coverage of especially small and mid-cap stocks.