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# INVESTOR RELATIONS - ARE NATURAL RESOURCES COMPANIES BETTER? EVIDENCE FROM SOUTH AFRICA.

## Abstract:

This paper aims to determine whether natural resources companies have better investor relations practices than companies in other industries, and secondly, whether classification as a natural resources company is a significant predictor of the quality of companies' investor relations practices. The companies under investigation are listed on the Johannesburg Stock Exchange (JSE) of South Africa. Output from natural resources companies is a significant contributor of GDP in South Africa, an emerging and developing economy. In order to attract foreign investors, improve stock pricing and trading liquidity, South African companies need to signal to the capital market at the level that they are used to from companies in developed economies. Communications with the capital market is proxied by investor relations activities on the companies' websites. I find that on average, natural resources companies have significantly better IR practices than companies in other industries. However, in the multivariate model, being a natural resource company is a weak and insignificant predictor of online investor relations quality. Results indicate that larger companies that were listed more recently, had a Big 4 Auditor and were listed on multiple exchanges had significantly better online investor relations practices. From a policy point of view, investor relations officers at natural resources companies can still do more to improve their capital market communication practices to reap the full benefits from increased transparency, especially in the face of political uncertainty and declining or stagnant commodity prices. This study contributes to the theories on signalling and legitimacy by testing its application to natural resource companies in a sub-Saharan country.

## Keywords:

Natural resources, South Africa, investor relations, transparency

**JEL Classification:** D82, O16, Q32