2017 IR Goal: Maximize Targeting Efforts

Investor targeting is a marketing function that helps issuers identify potential investors most likely to be interested in the company's stock. This is important for IROs because this added insight allows them to see where the company's target investors are geographically located, what type of investors they are, as well as what assets they have under management. This can help issuers target a new and diversified pool of shareholders in a manner that is more precise and attainable.

A broad and stable shareholder base helps issuers retain investment capital as well as maximize share price valuation. Diversifying the shareholder base and reaching new investors is no easy feat. Each year, institutional investors face shrinking budgets and limited research capabilities caused by declining research sales and lower trading profits. New regulations, such as MiFiD[1] in Europe also make it harder for investors to gain corporate access. In turn, issuers themselves face budgetary constraints as well as limited management time to travel and attend conferences. If we take all of these factors into account, sound and strategic targeting efforts are essential in properly communicating a company's corporate message to the correct audience.

Key targeting questions for IROs:

- Who are your shareholders and what are their characteristics?
- Which investors should you be meeting with and why?
- How should you tailor your message for each targeted investor?
- Which regions and financial centers should you visit?
- How will investors react to a pending corporate action?
- How can you better communicate with the investment community?
- What was the impact of your outreach efforts?

Getting the new year started off right means investor targeting that is strategic and focused. Following are some pointers aimed at maximizing your company's targeting efforts:

Step 1: Design a targeting strategy and consider goals

When designing the targeting strategy, consider the goals. *Do you aim to gain visibility for your company?* In this case, you may choose to cast a wide net for investors of all shapes and sizes. Additionally, your target may include financial media outlets that can help disseminate your company's story to a broader financial audience. *Are you seeking to diversify the shareholder internationally or outside a certain market?* In this case, you would focus your search on investors that are geographically located in certain cities or countries, while lessening the reach to locations where you already have a strong shareholder base. *Is your company riddled with liquidity issues that you want to address?* Perhaps your company's securities are held mostly by pension funds that tend to hold on to shares indefinitely, or larger institutions (Tier I) who are not actively trading your securities. Your focus may be on diversifying the shareholder base to include more Tier II and Tier III investors with lower assets under management but more potential to buy and sell smaller stock quantities.

Understanding your targeting objective will help you manage the targeting lists and enable the IR team to prioritize management's time with the right investors.

1 **Markets in Financial Instruments Directive (MiFiD)** is the framework of European Union (EU) legislation for investment intermediaries that provide services to clients around shares, bonds, units in collective investment schemes and derivatives (collectively known as 'financial instruments') and the organized trading of financial instruments.

Step 2: Create the targeting list

As we pointed out earlier, issuers have limited time and resources, and so do many institutions. As such, it is vital that companies only invest time in meeting and communicating with the right audience. There are several ways of finding potential holders and creating solid targeted lists.

a. The first, most obvious, **hiring a targeting advisor** who can help the company establish current and potential holders, via intense research of public and private databases. These advisors also have their own internal contact lists that they may use to gain visibility for their clients. Most experienced advisors will go a few steps further and speak with some of the more likely targets in order to gauge interest and broaden exposure. The right targeting advisor can also double as a public relations advisor and assist the company in simultaneous media targeting.
b. **Shareholder databases** allow IROs to download information and do the work for themselves, splicing and dicing the contact data until achieving the results they desire. For example, these databases allow the user to customize lists by type of investor, industry they invest in, their geographic region or assets under management, as well as a profile of short vs long-term holding preference, peer holding information, etc. The end result will be to hopefully find those contacts that may consider your stock an attractive opportunity.
c. **Attend conferences regularly** and take those opportunities to market the company and meet with a large variety of investors. Savvy IROs recommend changing up these conferences each year so that you are meeting with a wider variety of contacts. For instance, attend conferences in different locations (London vs. Sao Paulo) and consider conferences with a variety of themes, (i.e. CEO Conferences vs. Emerging Market conferences vs. sector specific conferences). Using these contacts in the targeting lists is vital in keeping the program fresh.
d. **Non-deal Roadshows ("NDRs")** bring companies and investors face to face creating ample opportunities for meeting new contacts and generating new investors. The problem with roadshows, however, (besides the time, money and resources) is that participating with the same banker in the same locations will likely gain the same results year after year. Therefore, switch it up. Additionally, communicate your goals with the sales team that is bringing you around. If they can't deliver, then work with someone else who can.

   Bear in mind that conducting an NDR without the support of the sell-side has its pros and cons. On the positive side, you show tremendous initiative and don't limit yourself to a specific banks clientele; but on the flip side, you may not get the meeting as some large institutional fund managers prefer the research support and marketing/equity sales effort behind the sell-side coordinator. At the very least, consider "spreading the wealth" by going on the road with different banks and give your analysts a fair share of corporate access for their clients, while sprinkling in a self-coordinated roadshow to meet new investors that aren't on the analysts' radar screens.

Step 3: Manage your targeting lists

Focus your hard-earned targeting efforts by segmenting contacts into manageable groups based on identified investment topics and strategic goals. Keeping various lists segregated will also facilitate manage your groups for other events. As a result, all targets will receive the same information, but through more tailored outlets. For instance, you may op to only target buy-side contacts when roadshow planning, only sell-side for smaller group meetings, and financial media specifically for one on one meetings.

It is important to keep these lists updated. Oftentimes, mass emails "bounce back" due to error or someone's recent departure from a company. Immediately delete or correct bounce backs in order to keep the lists current. Additionally, perform annual targeting exercises in order to include new holders and new potentials. In the long run, doing so will save you money and effort.

Step 4: Approach your targets

Knowing how to properly approach your targets is as important as knowing how to identify them. A key decision making element for an investors on a stock is how capable they think management is to run the business. One-on-one meetings held on roadshows or investor days are sometimes the only opportunity investors have to personally interact with the C-suite. So be prepared to take advantage of this opportunity.

a. ***Keep your message current and true:*** In targeting, there is no "one-size fits all". When management teams meet with contacts, they often encounter various investor types who seek different objectives from their holdings. Sometimes the corporate message must be altered slightly in order to appeal to new holders. As IRO, it is important to be flexible in terms of communications while at the same time maintaining the essence of the company's true investment story. Consistent delivery of key messages ensures resonance and influence over new perceptions.

b. ***Do your homework:*** The success of maximizing communication relies on knowing your audience. One of the many benefits of the targeting exercise is that it points out who the more potential investors are versus those who are not likely investors. Therein lies the challenge of targeting: understand what the audience desires from an investment and be realistic in how well your company can fulfill that desire. If your research shows a segment of investors that seems interesting, yet their objectives are completely different from what your company offers, then move on. Use the knowledge learned from the targeting exercise to save you precious resources.

c. ***Measure the outcome:*** The final step on closing the loop is to measure the targeting efforts. IR teams usually have different approaches when it comes to measuring returns, i.e. new investors versus share price appreciation. However, due to the nature of some of the measuring tools (such as 13F filings), the information can be outdated and doesn't demonstrate the current ownership scenario. Therefore, measure the impact of your IR program by focusing on its objectives and by measuring the

Tools that help improve targeting efforts:

- **Annual targeting plan** - This detailed plan aligns your targeting efforts with your long-term ownership strategy.
- **Quarterly IR activity and Year-In-Review reports** – Measures the impact of your targeting efforts with the time you and your management team spent meeting with targeted investors, and resulting changes in the investors' holdings.
- **Ongoing analysis and support** – Maximizes the return on all investor-focused events you attend by knowing which investors to target and tailoring your message to attract those investors.

results that affect them. This technique will determine which measuring tools work best for you when evaluating progress.

Targeting is one of the pillars of a successful long-term investor relations program. It is there to help IR teams design and implement a communication strategy that maximizes the return on the time spent interacting with investors. Take advantage of effective targeting by transforming information into IR activities that add value to your investor relations objectives.

For more information on how i-advize Corporate Communications can help your company achieve its targeting goals, please contact us:

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