



Investor targeting – why it is important?

“Filtering, Screening, Qualifying”

Finding the right investors for your company.

What we do.



CMi2i specialises in the provision of

- Capital Markets Intelligence (CMI)
- Investor Relations (IR) Services
- Proxy Solicitation and Corporate Governance Services

Commissioned by both Equity Issuers and their Advisors

- Our CMI analysis is applied extensively to both **corporate transactions** and **“financial calendar” Investor Relations**
- Our Proxy Solicitation team has extensive experience gained from managing numerous high profile **Corporate Transactions** and **AGM/EGM’s**
- Our industry expertise provides our clients with the basis from which to build **successful IR and Proxy Solicitation Programmes**, and the tools to conduct effective **corporate transactions**

How Targeting has evolved



- Matching the Issuers “investment story” to funds “investment strategy”
- Matching the Corporate Governance Policies of the Issuers and the Investors
- Looking beyond the larger traditional Institutions (and Hedge Funds) to get a better fit for the investment proposition?
- Assessment of external factors likely to affect the Equity Capital Markets - and your shareholder base

The problems with traditional Targeting



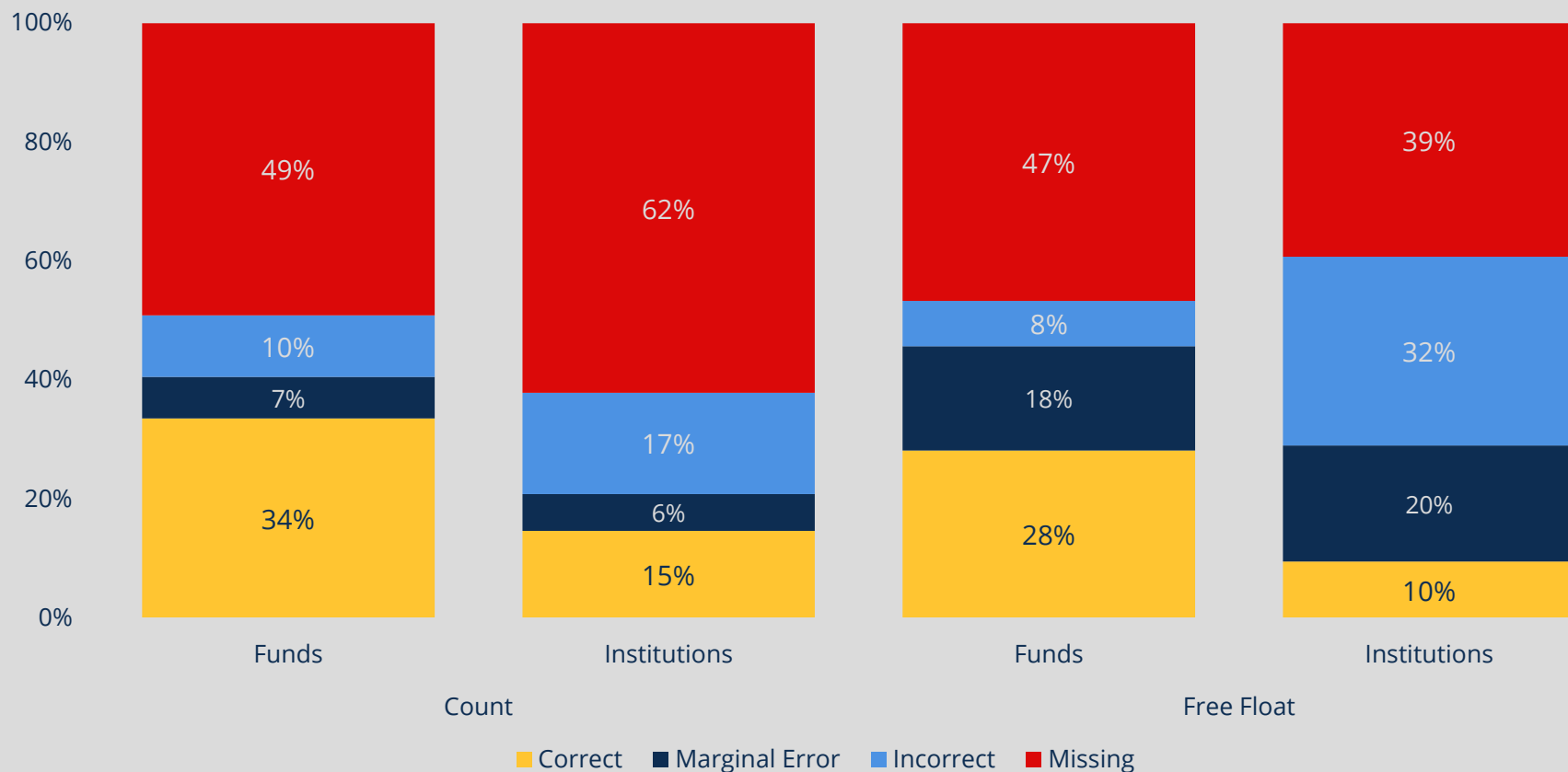
- The “public data” sources for use in Targeting Programmes can point you in the wrong direction – the source data can be old and inaccurate
- The “public data” sources do not necessarily tell you – at the Fund Level – who manages the **investment decisions** (other than the Beneficial Owner)
- The “public data” sources do not tell you – at the Fund Level – who manages the **voting decisions**
- **To quantify the problems, we conducted a comparative analysis over a two-year period to measure the scale of the inaccuracies**

Sample is compared against European large cap corporates, including 127 issuers, across 454 datapoints and 50k unique investors, with a total of 1.9m positions

The average percentage of public data is usually only between 30 – 50% of who actually holds a company. And is heavily skewed to US Mutual Funds (13f Public Filings)

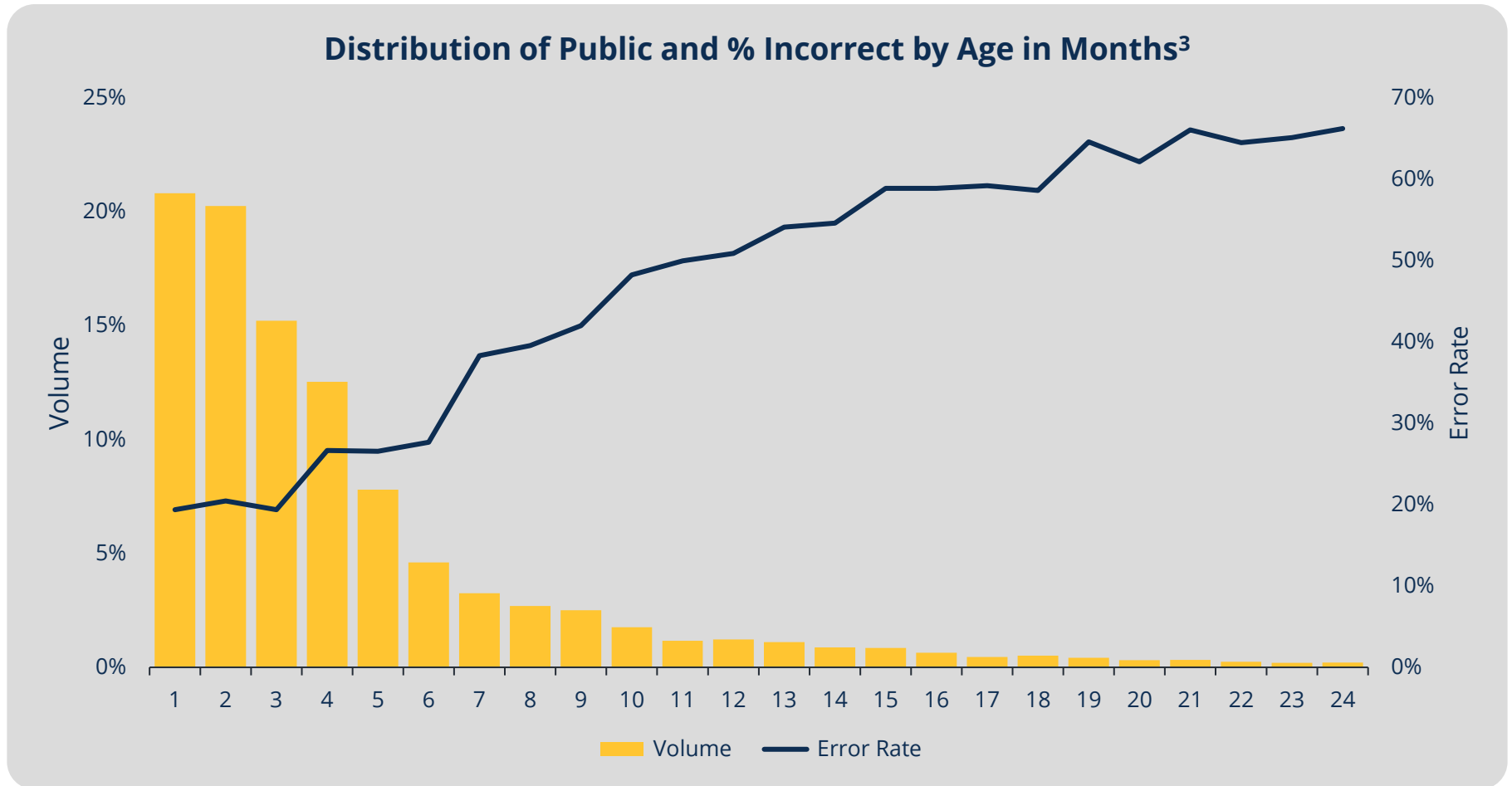


Public Accuracy of CMi2i Identified Free Float²



²Marginal Error includes public positions within 20% of CMi2i identified positions. Average CMi2i Identified is 88%.

Public Data has a very limited “half-life” and within two quarters is less than 5% correct (on average)

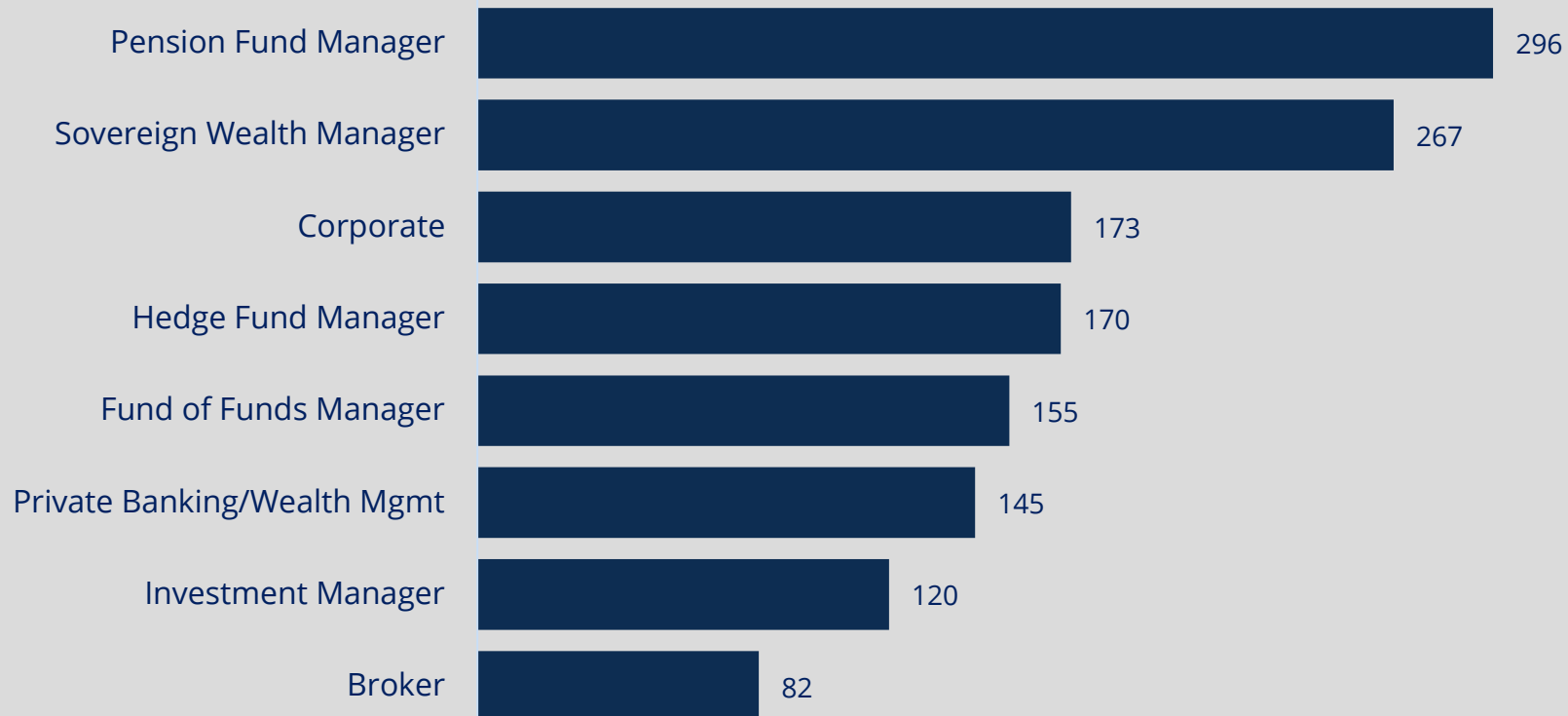


³Time between Public research date and date of comparable CMi2i Shareholder ID

Public Data can be many months old.



Average Age of Public in Days by Type of Investor

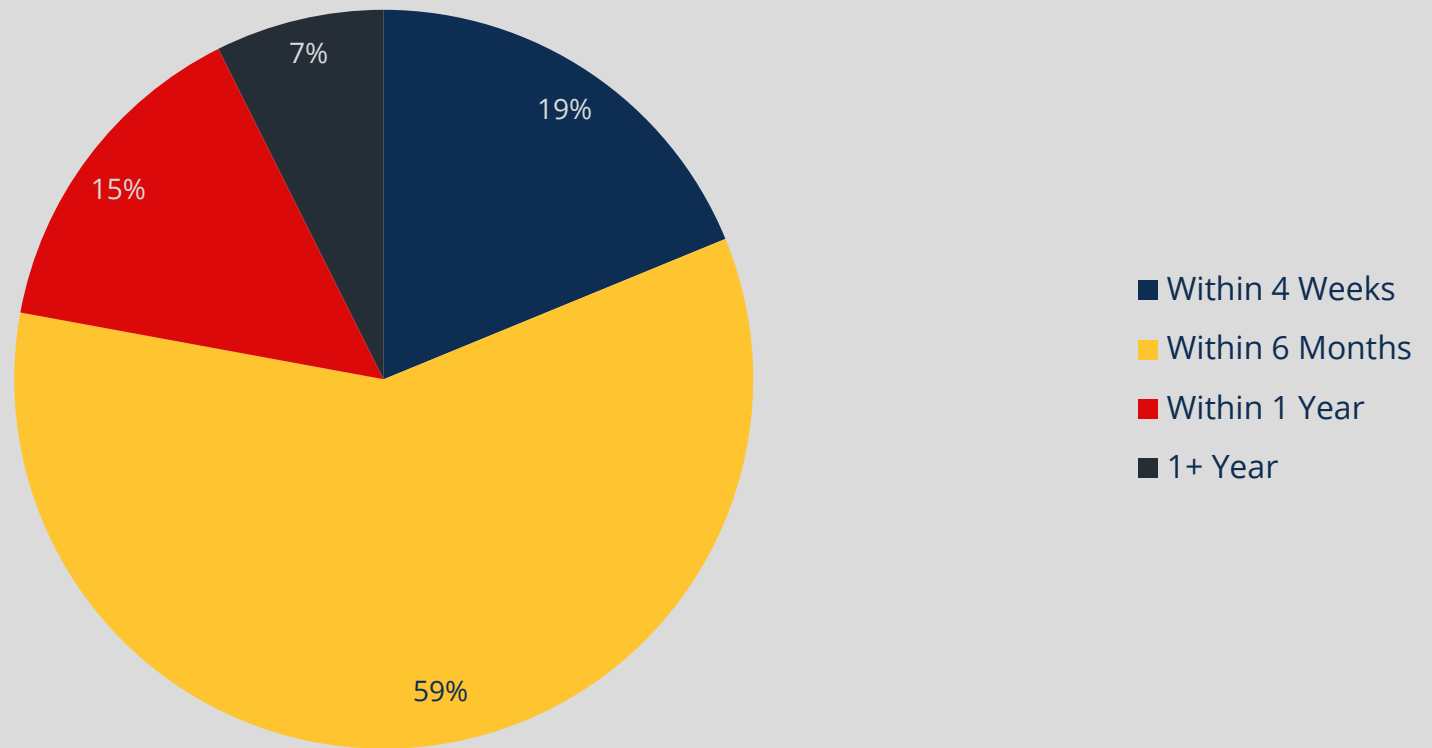


⁴Error Rate is the absolute difference between the latest available public position and actual known position

Or even be years out of date



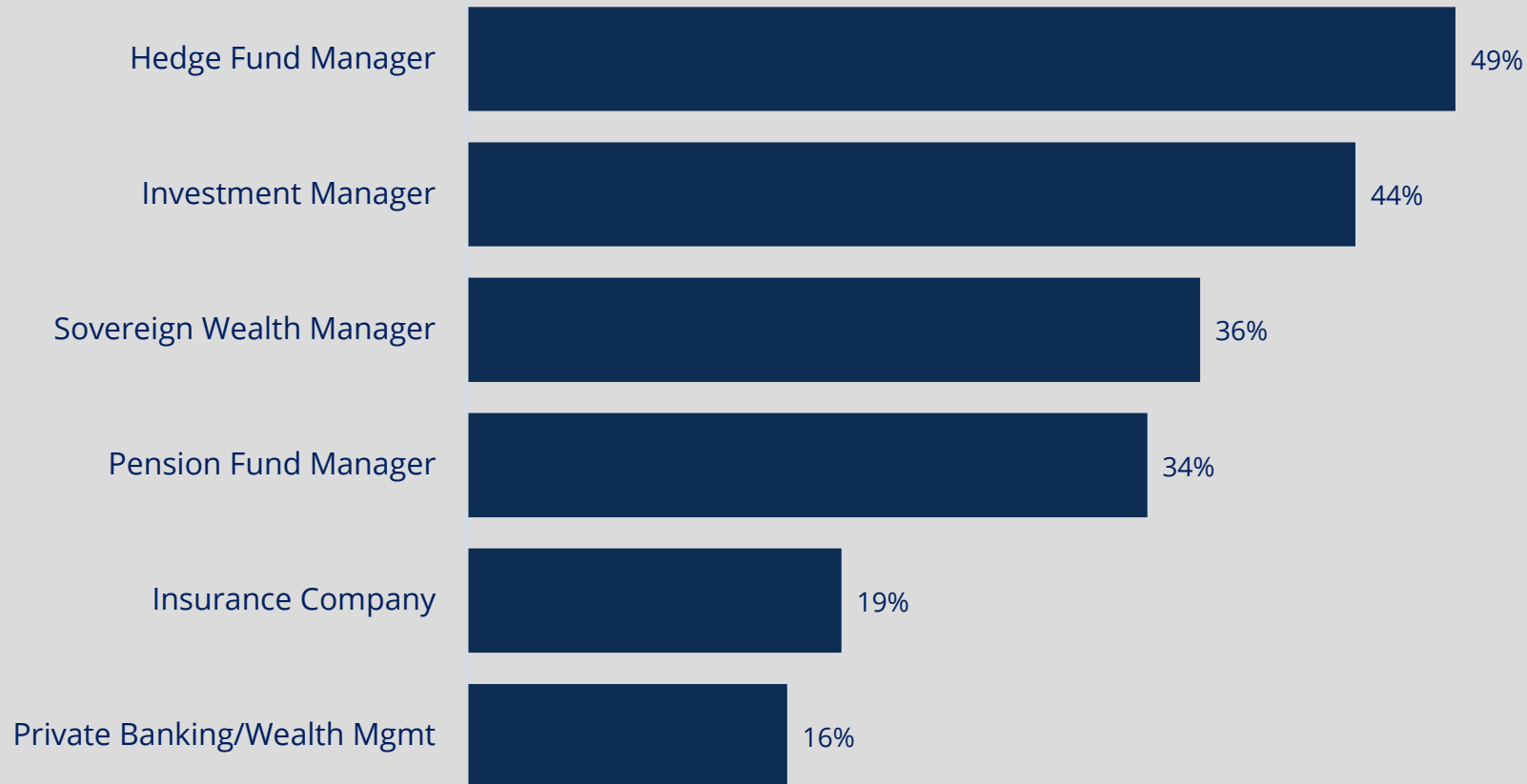
Age of Public Data



Public Data can be very misleading and not representative of actual holdings



Public Error Rate by Type of Investor



Looking into the future - A Complex Challenge



- The objective is **to maximize demand for the shares**, and this is best achieved through Strategic Targeting – This cannot be achieved if it is left to the market to determine who will be buying your shares
- The challenge is to find investors whose investment profile matches your **future investment proposition**
- How do you evaluate your targets?
- Measurement. How do you know if it was successful?

Questions for consideration.



- Do you want more passively or actively engaged investors?
- Are you looking for increased liquidity or stability?
- Are you looking to diversify the shareholder base?
- Which shareholders are likely to rotate out and when?
- Which current investors could buy more shares?
- Who is not investing yet but could be?
- Is there a transaction anticipated?
- Who will support the company in the event of a transaction?
- Who holds the voting power? Who is influencing the vote?
- **Where are the strengths, weaknesses, risk and opportunities in the shareholder base?**

Investor Targeting – Where are you now?



A company's specific position within the Equity Capital Market requires a holistic approach to investor targeting;

- A detailed analysis of the current shareholder structure to include historic data and trends; The direction of travel
- **What is likely to happen to the existing shareholder base? Who is holding and why? Who is likely to sell and when?**
- A thorough review of the current investment proposition and the market's (buy and sell side) reaction to it;

Successful investor targeting requires accurate mapping of the company's proposition to investors, with the investors' own requirements and expectations

Determining the Peer group



- Traditional “peer group” analysis for Targeting purposes, of underweight or non-invested, is becoming decreasingly relevant and is overly simplistic (historically).
- Now we can recognise there are inherent complexities with investors that need to be addressed – such as determining whether investment decisions are based on historical stock selection, or algo driven “factor” choices (such as China exposure) – The Factor Tilt
- Critical for the company to define and then match its investment proposition to where this best “fits” the investment strategy of the target investors
- **The eventual Peer Group may not end up wholly being the sector, geographical, or market cap peers traditionally used for Targeting**

We have recently completed a study for a global steel producer. This highlighted that there is limited commonality within the sector and, interestingly, that our client had more in common with other companies, in other industries than with its supposed “peer group”. For example, our client was more likely to be attractive to investors who had recently invested in cement and automotive issuers than to its competitors;

The convergence of IR and Corporate Governance and the impact on Targeting



- There has been an increasing need for companies to communicate with their shareholders (“owners”) simultaneously at both the Portfolio Manager and the Corporate Governance level.
- This is being driven by Institutions becoming increasingly active (and even “activist”) in their investment approach and engagement.
- This means that there needs to be better coordination between the IR Function and The Secretary of the Board to ensure that the investment proposition includes the Corporate Governance policies, as investors are increasingly including this as part of their investment decision making process.
- Increasingly it is as important to understand how they will behave as a shareholder as it is to understand why the shareholder will invest.

The impact of Corporate Governance to Targeting.



- There has been significant increase in the importance of how well a company is managed to the investment decision making process – its is not purely about financial metrics
- More and more funds are bringing Corporate Governance monitoring “in-house”
- 94% of Investors stated that they have been approached by other fellow investors to discuss Corporate Governance related issues in the lead up to a shareholder meeting – as required to do so under the Stewardship Codes
- Therefore, it is vital to understand the Target Institution/funds voting policies on Corporate Governance issues whilst screening potential target investors
- **Are you inviting the foxes into the hen-house?**

Targeting – A Capital Markets Engagement Plan



In conclusion

Step 1 - A “stock take” of where the company is at the moment

- Global Shareholder Audit
- Full survey of the Institutional Investment Community’s current perceptions – financial and non-financial
- Are the existing Corporate Governance policies aligned with current and future shareholders?

Step 2 – Setting the Objectives

- Determining the preferred types of Institutional investors
- Matching the process to future Corporate Governance issues
- Create a structured Institutional - and Retail Investor - Targeting Programme

Step 3 – Positioning the company

- Clear future Message Development – both Financial and Non-Financial
- Factor in CG policies for your AGM Resolutions into your Target Screening

Step 4 – Capital Market Engagement

- Corporate IR and Governance Roadshows, Capital Markets Days, Investor Conferences
- Post Event Analysis, Quantitative, Qualitative

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