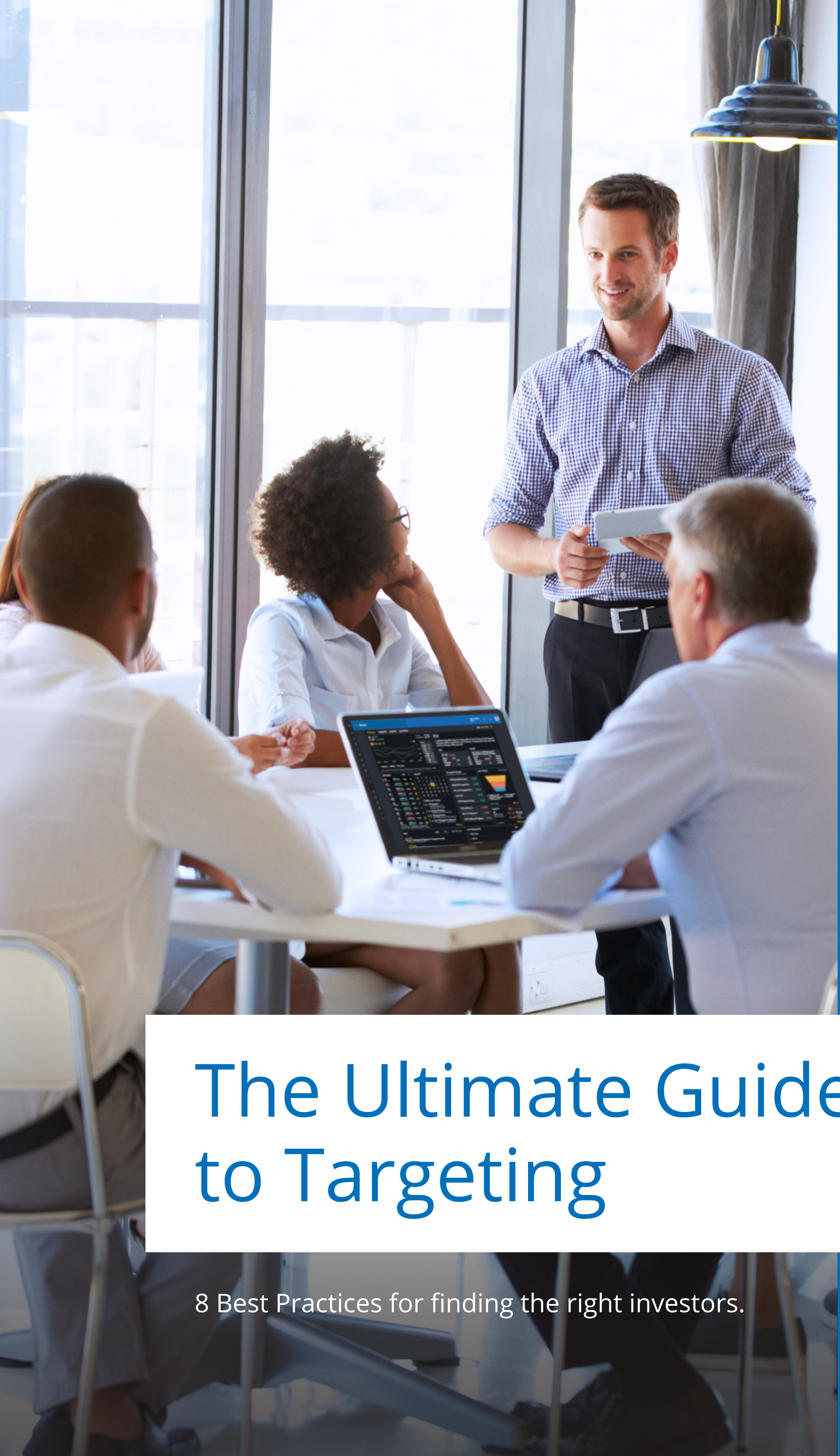
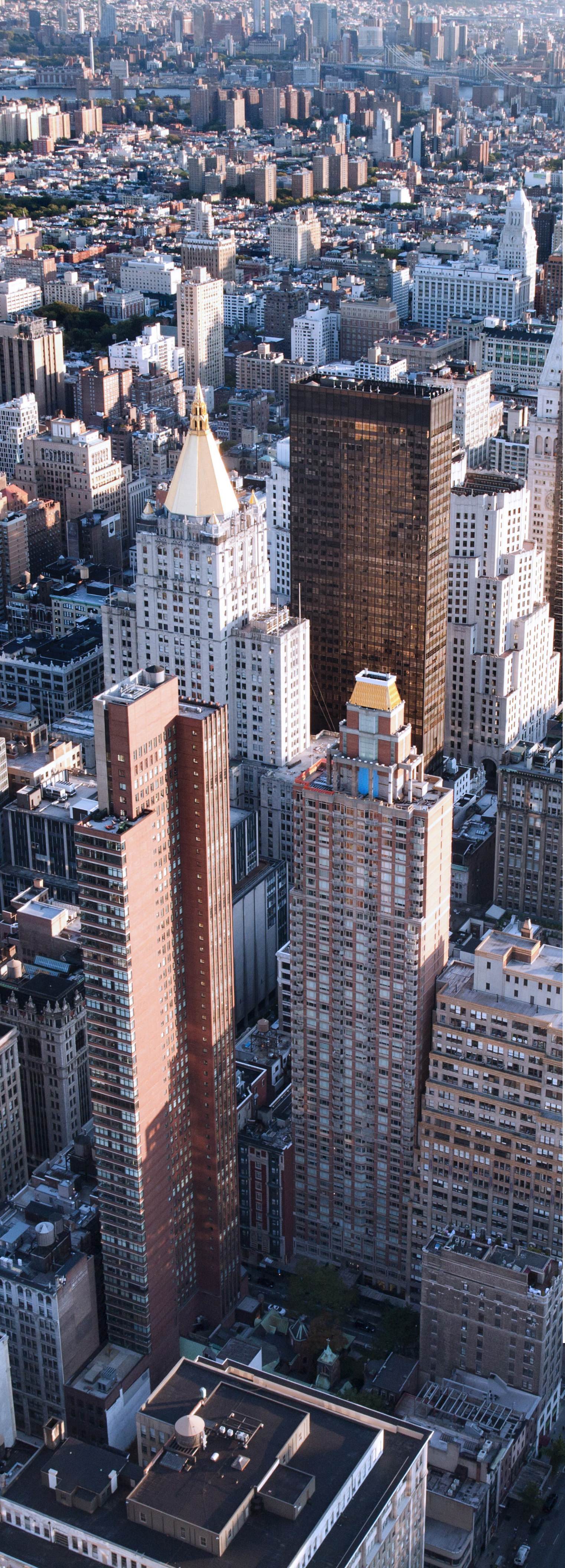


The Ultimate Guide to Targeting

8 Best Practices for finding the right investors.



Visibility in a Vast Investable Universe

Investor targeting is not only one of the most crucial pillars for a successful IR program, but the hallmark of good IR. Identifying new investors and understanding their behavior has always been critical to driving strategic value. According to IR Magazine's Objectives and Challenges Report, targeting is a top priority for IROs the world over. In fact, 75% of the 600 IROs surveyed, ranked it among their top three goals.

The increasing speed of information flow and the short attention span of today's buy-side has made the accuracy, timing, and overall impact of investor outreach more critical than ever. But how do you effectively place the "right" institutional investors in front of the right management, at the right time? It's no longer enough to have a list of top institutional managers and a cheat sheet of investor segments that own your peers.

Whether your targeting exercise is once a year or once every quarter, the key is to get the process down to an exact science and find the methods that work best for you. The targeting process can be as simple or complex as you make it. But the right approaches can help you gain invaluable visibility into the incredibly vast investable universe.

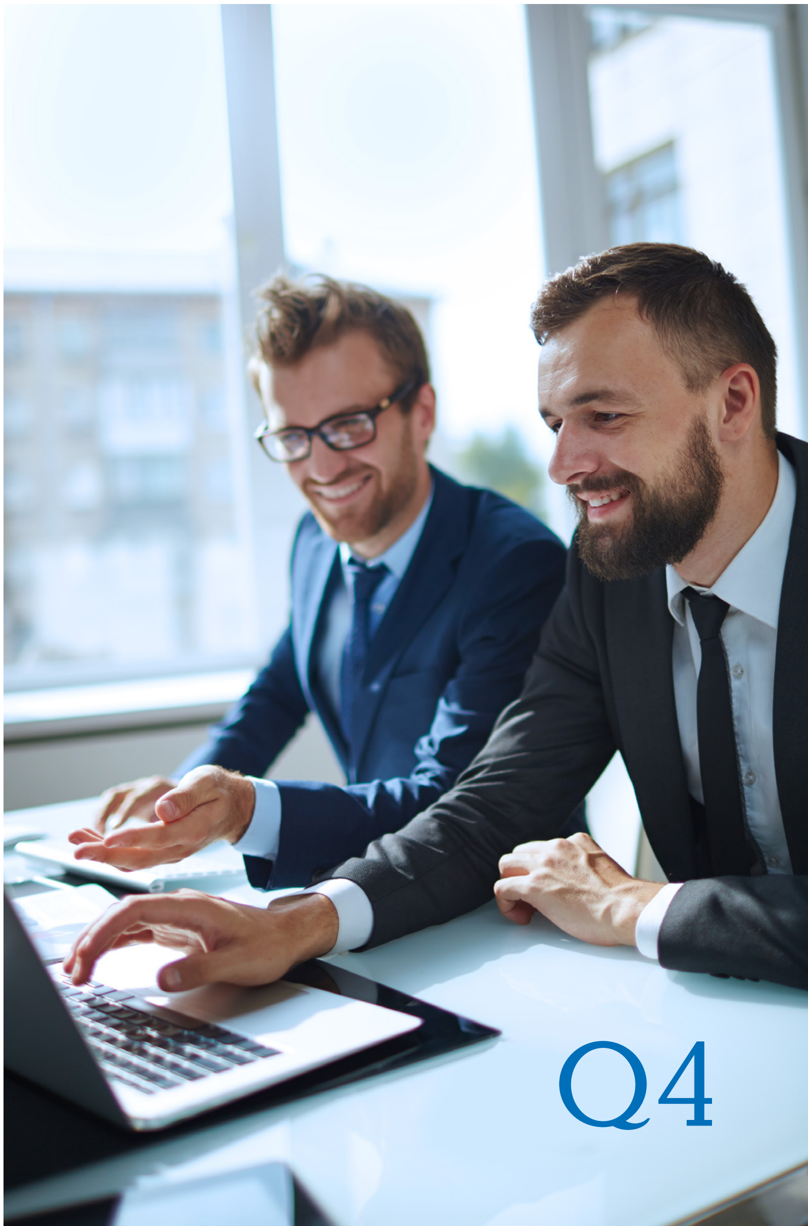
With this in mind, here are a few best practices that are designed to boost your targeting strategies and ROI for investor outreach.

1

Combine quantitative and qualitative approaches.

There are numerous ways to target and various schools of thought. Maximize your investment opportunities by casting a wide net. Employ as many quantitative and qualitative approaches as possible.

- Start with your lowest hanging fruit: current investors that are underweight in your stock. These names already have a position and know your story. Leverage their potential for taking a full weighting in your stock.
- Go after "warm" leads like your peer targets who likely already have exposure to your competitive space, themes, and commonly used metrics. But don't limit yourself when designing your peer groups. Think about your company's key equity attributes, relative to companies that look like you.
- Target based on fundamental financial metrics, including valuation multiple, growth rates, margin expansion, cash flow profile, or even consistency of results. Then seek fund profiles that closely match your own metrics.
- Keep in mind that many investors are generalists. Their strategy may be to seek favorable themes (ie. the "Internet of Things", China, 5G), exceptional management teams (ie. executives with an IBM pedigree), unique strategies or concentrated market share (ie. Netflix), or strategic "styles" (ie. highly acquisitive). First, make sure that you've appropriately captured your own themes and characteristics, so you know how to position yourself in the market. Then tease out the holding profile and portfolio makeup of these kinds of firms. They may want exposure to your theme.
- Consider portfolio managers who have a favorable bias for companies run by executives with specific pedigrees. If your CEO employs a proven business system, leverage it. Your CFO comes from a well known financial institution, use that to your advantage. Companies like IBM, Intel, Danaher, Goldman Sachs, Google, or Apple have a reputation that resonates with investors.



2

Be Deliberate: Plan ahead and set goals.

- Be deliberate and thorough in your annual calendar planning. Before you begin the year, create an annual targeting plan. Plot out the regions and events you need to attend, and align these trips and events with your executive team's schedule. This provides visibility and will reduce calendar conflicts. Also consider preparing a list of the top ten potential buyers in each major US and European city, to quickly react to a last-minute trip, or a change in schedule.
- Ensure you can successfully report back to your leadership team each and every quarter. Define your short and long term objectives. What does your shareholder list look like now? How does it compare to your peer group? If you're an IPO or younger company with a heavy VC focus, what do you want to look like when you grow up? Does your shareholder list match the story you're telling the street? For example, if you consider yourself a growth story, check if the funds that hold you are primarily value portfolios. Is there a disconnect? Do you have a new story to tell?
- Set realistic expectations and establish ways to measure your interactions. In the past, IROs have had to wait for an institution to file with the SEC. But with today's technology like advanced web and event analytics, you can assess success in a variety of ways. Did investors visit your website after a meeting and review your presentations? Are these institutions now participating in your conference calls?
- Leverage Stock surveillance to help you fill in the blanks and report to your management intra-quarter. With the current way the SEC requires disclosure, institutional names can buy shares on the 4th of July, but IROs might not know about it until nearly Thanksgiving. Surveillance can provide timely feedback, as well as intel on international holders who aren't required to file in the U.S.

3

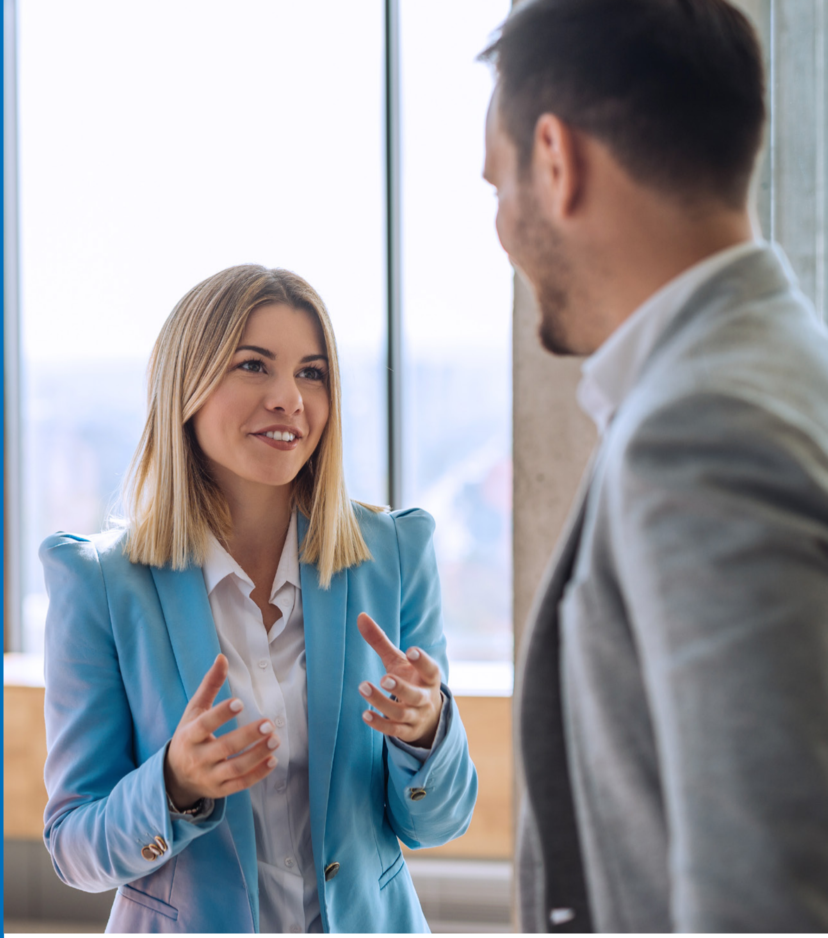
Targeting is a marathon, not a sprint.

- It's all about the long game of developing relationships. Fostering prospects and cultivating relationships to a point where there's trust and value takes time, often years. Over the long run, putting senior management in front of the right high-quality targets will yield positive results. Planting seeds with the right names may not bear fruit right away, but investors often take positions at future dates; whether it's helping to stabilize a stock after a market sell-off, or stepping in to buy shares in a secondary offering. The secret to generating substantial ROIs is staying proactively committed to your targeting strategy.
- Determine the fundamentals that are most important to portfolio managers, but also make sure that you're targeting the funds that can take a meaningful position and hold for a long period of time.
- Set realistic expectations with your leadership team for the viability of each target, why they made the list, and the steps needed to bring them onboard. Report progress against those steps each quarter. Above all, take wins where you can find them.

4

Think of your targeting list as a living, breathing document.

- Create a process that enables you to see your targets advancing through the process or “funnel” of investment opportunities. Like in enterprise sales, if it’s clear that a target isn’t interested, refine your list and replace it with another prospect. Think of targeting as a dynamic process of escalating steps, beyond simply “find target” and “target buys shares.”
- With today’s market structure, stocks can come under pressure due to index selling, algo trades or non-fundamental factors. It’s important to establish a list of secondary names. If your stock suddenly sells off, you’ll start showing up on the radar of value investors. By having conversations with a variety of good names and developing a contingency list, you lay that groundwork. So if an unexpected opportunity arises, funds that did not buy shares at the time you met with them, may now have an opportunity to step in, pick up shares and support the stock. They will already be familiar with your story and management team.
- Keep in mind opportunistic investors who look for event-driven opportunities like an acquisition, an introduction of a new technology, entering a new geography, a product launch or hiring a new executive. Anytime you change the DNA of the business, you’ll have a different set of eyes looking at it. Be prepared to use that to your advantage and attract new thematic generalists.



5

Network, network, network.

- Getting on the road and talking to investors is essential to finding critical insights. Don’t be afraid to ask the buy-side, including your strongest prospects and all major shareholders, if your story might resonate with peers or other funds they know. Perhaps an old colleague or a different fund at the same firm. Teasing out who could be a potentially good fit for your shareholder list is a genuine talent to be cultivated.
- Be blunt and ask questions. Never be too proud to ask an investor for feedback or ideas, including if there is anything else you should be doing to attract investors. As owners of your company, they have a stake in helping you create demand.

6

Know yourself, know your investors, and align your stories.

- Know who you are targeting and make sure that your story matches their investment mandate. Understanding your investor is critical not only to uncovering pools of capital and avoiding dead-end meetings, but most importantly, to framing your conversation. Do your research and understand why an institution would want to own your stock. Know what type of investors they are, their goals, the main drivers of their portfolio, and then ensure senior managers are hitting on these key themes when they have a conversation.
- Gabrielle Rabinovitch, Head of Investor Relations at PayPal advises: "Understand how you're perceived by your investors and whether your positioning and strategy is consistent with how you want your investment base to look. It's important to develop a shareholder base that aligns with who your company will be in the next five to ten years." For her, it's all about "cultivating relationships that are consistent with how your company will change over the years."
- Keep in mind that your targeting process will evolve with your company's growth. For an IPO it's about getting investors engaged with the story, trying to attract investors at roadshows before going public. Set the tone early, get good names in the stock, and hone in on the high quality names that will take a meaningful position and become long term owners. For a more established company, it's key to figure out where you are in that cycle. For example, a company who has been hit hard and is under pressure, should be less selective to gain stability in the stock and bring in the names that will buy shares and take the stock off the lows.
- Ensure that your current market cap gels with your investors. For example, Dodge & Cox is a great name, but is unlikely to take a meaningful position in a micro-cap. Look for shareholders who have a sizeable appetite and can move the needle of demand. The larger the market cap, the larger the target needs to be.

7

Leverage technology like artificial intelligence and alternative data.

According to Amit Sanghvi, Managing Director of Europe at Q4, "the hallmark of a good targeting program is rooted in data and technology." Tech-powered stock surveillance offers real-time analysis of market structure and capital flows, along with their drivers.

- Today, there's a mindblowing amount of data available at our fingertips. It's essential to be able to parse through all of that information, uncover portfolios that are a great fundamental match, and arm your management with critical insights into their investment drivers. Whether you or your analyst take advantage of these tools, leverage technology to deliver data-driven insights and proactively frame the conversation.
- Artificial Intelligence and alternative data have become real game changers. Advanced algorithms can sift through and pull together mountains of data like real-time equity, options trading, business cycles, commodity prices, fund flows, and high-frequency trading models.
  By understanding past behaviors of investors in individual stocks, AI is able to identify and interpret repeatable patterns and tendencies.
  In this way, "self-learning" machines can predict which funds and investors are most likely to buy your stock, as well as when and why. You can leverage high "AI targeting scores" to present your senior management with names that are most likely to purchase your shares in the near-term; along with their key driving factors, to identify how your story is most likely to pique a fund's interest.

8

Take ownership of the process with a “sales” approach.

- As IROs, we accept the invite from the bank and a list of investors who have requested a meeting. But brokers tend to put their interests before our own. Banks are infamous for screening the list and taking off anyone who isn’t amongst their best accounts. If potential investors are not covered by your existing sell-side analysts, you will likely miss them. Take responsibility for who you speak to and make it worth their while to speak with you.
- Your job is to get in front of the right clients, so open your list as wide as it needs to be. Once you’re handed the conference list, push back with brokers for missing companies that you also want to meet. It’s okay to meet with one of the ten arms of hedge fund managers Millennium and Citadel, just group them with other fast money traders in a lunch or dinner. Save your one-on-one meetings for your best targets.
- Look at IR through a sales lens with the goal of getting in front of the right investors or “customers.” Don’t rely on the sales team to drive interest. Take control of the process. Consider finding out where your best shareholders might be, whether that’s conferences, industry events, expos they attend. You may be able to reverse engineer an event. Start by asking the corporate access desk if you can attend and then host one-on-ones at their conference. Ask for a list of attendees and go through it to see if you spot your targets. Let your targets know that you will be there and ask for a meeting. Ultimately, you might even want to host your own NDRs or events at your headquarters.

LETS TALK.

This guide was compiled largely from insights by leading Q4 thought leaders including Matt Tractenberg, IR Partner at Q4, and Mike Coffey, Head of Business Development of Intelligence at Q4. For more information about optimizing your targeting techniques, please contact us directly at sales@q4inc.com.

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