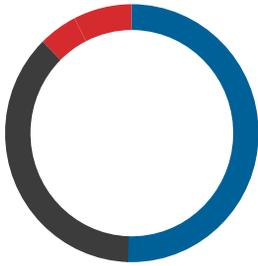


# | Investor Targeting |

Investor targeting has become an integral component of IR programs as companies seek to maximize shareholder value through proactive investor engagement. Employing a strategic and targeted approach to identifying and meeting with compatible investors is a best practice and can have a significant impact on your company's valuation in both the short- and longterm.

## | INVESTOR TARGETING |

Corbin Perception interviewed 75 global buy side professionals across multiple industry segments and investment styles to assess the value of employing a proactive targeting program.



### By Type

• Security Analyst	51%
• Portfolio Manager	37%
• CIO	12%



### By Investment Style

• Core Value	23%
• GARP	21%
• Hedge Fund	19%
• Core Growth	16%
• Deep Value	7%
• Growth	7%
• Income Value	4%
• VC/PE	2%
• Specialty	1%

Participating institutions aggregately manage upwards of \$2.3 trillion in reported equity assets. Through our interviews, investors clarify what they are seeking from companies interested in effectively targeting the buy side.

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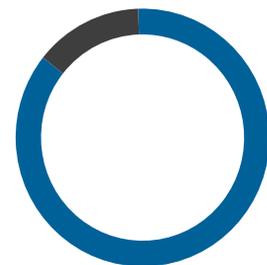
The buy side often speaks of having limited bandwidth or “drinking from a fire hydrant” in reference to the significant number of emails and phone calls they receive from issuers and brokers.

To be clear, employing a strategic and targeted approach to identifying and meeting with compatible investors is a best practice and can have a significant impact on your company’s valuation in both the short- and long-term.

## FUNDAMENTALS: THE FIRST STEP

The buy side widely employs fundamental quantitative screening as an initial step in the investment process, followed by extensive, supplemental qualitative analysis. An overwhelming number of surveyed investors report that the fundamentals of their firms’ portfolio represent a useful indicator of future stock purchases.

Current holdings “should reflect something we are thinking about”, note investors. This is especially true for firms characterized as long-term and having low turnovers. Further, a buy decision can be made surprisingly quickly once a stock screens well on a fundamental basis. Indeed, 40% of surveyed investors indicate that it can happen within a month’s time, while 17% say it could take as little as a week.



### Are Current Holdings a Good Indicator of Future Investments?

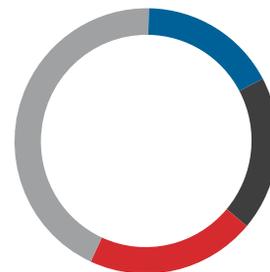
• Yes	86%
• No	14%

Thus, profiling investors to predetermine compatibility and potential impact is the first step in a successful targeting program.

*"You can go to our website and find out about our activities. You can find out what the Small Company Fund is about, take a look at the holdings and quickly come to conclusions."*

*"If they look at the 13F filings then they are good indicators. Given that we are long-term holders and have a low turnover, most of our companies pay a dividend and most have fairly long-term track records and are not trading at particularly high P/E ratios."*

*"Our portfolio is very diverse. I only follow healthcare, medical devices and biotech. If they drill down to the various sectors that we own and just looked at healthcare stocks then that would be a good indicator."*



#### How Long Before You Make a "Buy" Decision?

• 1 Week	17%
• > 1 Month	19%
• 1 Month	21%
• It Depends	43%

## PURSUING YOUR TARGET

While most investors indicate that they "do not expect companies to contact [them]" but "would like it if they did", 80% reveal that potentially compatible companies initiating direct contact will or will possibly prompt them to conduct further research.

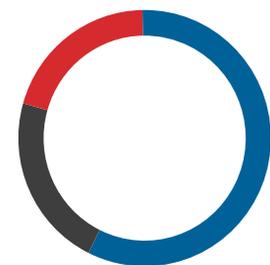
Investors appreciate and welcome proactive contact from IR professionals, with 70% asserting they are "open to good fit companies reaching out". Comments an investor, "Good ideas can lead one to other good ideas". Adds another, "If you represent a company and think it is similar to a company that a buy side firm owns, then that is relevant". As well, investors perceive companies engaged in a "thoughtful investor relations process" as a positive sign. Importantly, it is imperative

that companies do their homework before contacting investment firms directly. Management must show "some evidence that they really know what the investment strategy and program is all about", an investor advises.

*"We have fairly narrow criteria, so we will look into it ourselves and, if we want to pursue it, we will call them back."*

*"I would probably pull up a quick screen on the company and look at its fundamentals. If it was a good match, then I could go farther."*

*"We always listen and then decide if we should take it to another level. I cannot guarantee it every time; it depends on if it is the right fit."*



#### If Contacted by an Issuer, Will You Investigate Further?

• Yes	58%
• No	20%
• Maybe	22%

## LEVERAGING THE SELL SIDE

Surveyed contributors reveal they typically learn about new investments via multiple channels, with brokers topping the list:

Sell side analysts	64%
Sell side sponsored conferences	58%
Researching other investments	53%
Colleagues	40%
Journals, publications	40%

While the buy side's reliance on sell side research has waned over the past decade, analysts remain a vital cog in the targeting machinery. Indeed, they have reinvented their usefulness by providing access to management and industry experts.

Meanwhile, investors report they are inundated with voicemails and emails from people vying for their attention, and sell side analysts help sort through communication overload. "The idea that we are all self-sufficient is a complete lie", explains an investor, adding, "I have 50 people or more trying to get my business. Companies need to attract sell side coverage."

Whether organizing non-deal road shows or sponsoring industry conferences, the sell side remains an integral conduit between companies and investors.

*"Going to an industry conference is useful; it is a good screening tool."*

*"It is easier for me when there is a party I am familiar with in the middle; that is often how I get meetings with companies. I get a call or a note from one of the sell side brokerages saying they have a company in town. They do not tell me much about it; I do the homework on my own and then take the meeting."*

*"Most of our meetings are through the sell side. I have no problem if a company reaches out to us directly. That does not happen too often."*

## RECOGNIZING THE IMPORTANCE OF NON-DEAL ROADSHOWS

"Getting out on the road" is critical to building relationships with security analysts and, more importantly, portfolio managers who do not attend sell side conferences as often but are the final decision makers. To be sure, the majority of investors interviewed reports that interacting with management is an important to critical factor in their investment decision.

A solid number of investors interviewed, or 43%, are keen on direct contact from issuers versus meeting via a third party, because they believe it allows for more meaningful conversations and removes any conflicts of interest.

The same number of participants is agnostic about the method of contact. A portfolio manager aptly captures general sentiment, "For companies that we do not own, access to management is valuable whether that be driven through us, the sell side, an independent firm or the issuer itself".

Interestingly, despite the sell side being the most significant lead generator of new investment ideas, only 14% of surveyed buy side professionals report a penchant for dealing directly with analysts. Of note, smaller firms and hedge funds prefer leveraging brokers as they provide access to management that might otherwise be challenging to secure.

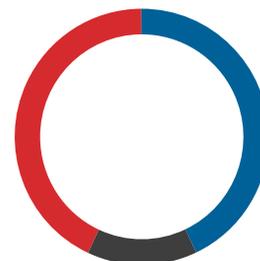
Influential North American money centers based on equity assets include:

- New York
- Boston
- Chicago
- San Francisco
- Los Angeles
- Toronto

*"I prefer to have management come to town and set up meetings. Solicitation by third parties makes investors skeptical."*

*"I prefer that the sell side not be involved."*

*"Coming to our office even when we do not hold a big position shows us that they have an interest in us investing in them. That in itself is pretty impressive."*



**What is Your Preferred Method of Contact?**

• Direct	43%
• Sell Side	14%
• Agnostic	43%

# MAKING THE MOST OF YOUR MEETINGS

When meeting with a prospective investment, the buy side is keen on hearing a “candid”, “balanced” and “credible” discussion focused on corporate strategy and operations with as much forward-looking information as possible.

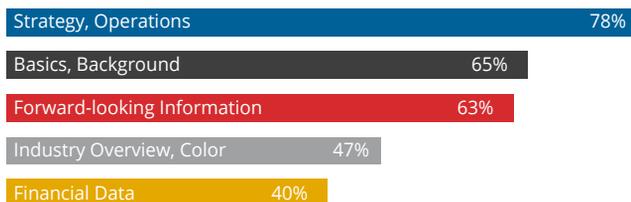
Of note, 47% prefer a Q&A format versus reviewing a slide deck though it is important to note that the investor presentation is one of the most sought-after sources of information by the buy side when accessing a company’s website.

Continuing, one-on-one meetings are also essential to investors in assessing and gaining confidence in the management team. As a portfolio manager comments, “We are fundamentally driven and place a strong emphasis on how much confidence we leave the room with regarding the management team”. Adds another, “Fundamentals we can find on our own; we want to hear information about management that is not easily accessed, such as their philosophy, priorities, compensation and what they are all about in general”. In particular, investors expect to hear executives “describe their company’s value-creating process”.

Of note, more than 75% of investors report they are open to the IR manager scheduling a conference call or meeting prior to marketing with management. Interest in such meetings is largely dependent upon the investor’s knowledge of the company and industry, as well as the IR professional’s level of sophistication.

When asked what IR professionals can do to accommodate the research process and ensure an investor has

## What are You Most Interested in Hearing?



all the information necessary to make an informed decision, contributing participants suggest:

- Ensure management accessibility
- Schedule visits at firm’s HQ
- Attend industry-sponsored conferences
- Host an investor day
- Post investor presentation on website
- Provide transparent financials
- Be available and responsive

*“With the most brevity possible, explain to investors your strategy, how you are going to increase market share and how you compare to competitors.”*

*“I like to hear a well-defined, thought-out strategy. I would like to have some confidence in their ability to execute that strategy.*

*I would like to hear how they are thinking about growth and how they plan to grow. I want to hear how they are different and unique in their plan and their execution of that plan.”*

*“I want to know why they are better operators or have a better competitive position than their competitors.”*

## CAST A WIDER NET

With significant amounts of available capital, European investors are worthwhile targets for U.S.-based companies seeking to broaden their shareholder base. Those with overseas business exposure or that operate in an industry with recognizable foreign competitors are at an advantage given established brand recognition.

Leading European regions to visit based on equity assets are relatively easy to navigate and present limited language barriers; they include:

- London
- The Netherlands
- Zurich
- Paris
- Frankfurt
- Sweden
- Geneva
- Edinburgh

Top firms to travel with include:

- Atlantic Equities
- BofA/Merrill Lynch
- Cheuvreux
- Deutsche Bank
- Morgan Stanley
- UBS

Continuing, European investors tend to hold positions for a longer period and are more open to meeting with IR managers than their U.S. counterparts are. It is important to note, however, that the courting process can take more time. Given their longer-term horizons, it is not surprising that these investors are genuinely interested in learning about the company itself, and specifically the strategy and industry trends rather than trying to understand and predict quarterly performance.

Once they do exhibit an interest in a stock, management should be available for a follow-up visit or call. To be clear, building relationships is important to this constituency.

Asia remains a nascent region for investor targeting and presents some challenges, including: 1) distance and expense; 2) relationships are vital and take time to build; 3) some investors are not allowed to invest in U.S. equities; and 4) language barriers, to some extent.

However, given corporations' growing focus and presence in this region, it is a market to be considered on a case-by-case basis.

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*"I like the opportunity to meet senior and operating management, dig deeper into the company's strategy and talk about some of the areas that you might not hear about on a quarterly reporting-type basis. Longer-term issues are much more important."*

*"How management comes off in terms of credibility is important to me, as well as the underlying story of each country and company."*

*"We do not put a lot of weight on quarterly earnings announcements. That is partly because we have a slightly longer-term view."*

## EMPLOYING A BEST PRACTICE APPROACH

In considering an investor targeting program, keep these selected best practices in mind:

- Understand the target's investment decision-making process and time horizon; tailor message accordingly when proactively reaching out
- Ascertain underweight shareholders to target; these investors have already passed the first hurdle of fundamental compatibility and generally have the capability to add to positions
- Recognize the sell side is a critical element in investor engagement; when marketing with an analyst, always request the meeting schedule ahead of time to review and suggest additional investors with whom you are interested in meeting
- Reach out to investors ahead of meetings and 1) assess level of understanding, areas of focus, concerns; 2) answer any questions that can be tackled ahead of time; 3) provide an overview of the company and highlight recent developments; and 4) follow-up by emailing the investor presentation, as well as any other helpful information based on the conversation
- Realize that not all targets need to be long-term in nature; firms who capitalize on disconnects generally need to have confidence in management
- When targeting overseas investors, determine your motivation, goals and commitment level as one visit is generally not sufficient in building a relationship; use of a broker with connections and local knowledge is recommended

Perhaps almost as important as implementing a best practice approach is taking note of those actions the buy side maintains companies should never do:

- Over promise and under deliver
- Be overly promotional
- Speak "off the cuff"
- Be unresponsive or unhelpful
- Keep an investor on a mailing list when they have requested to be removed

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*"My job is to figure out how companies make money. The more they can tell me about how they make money and when in the business cycle they will make money is helpful to me. I'm not looking for a nod and a wink on the quarter."*

*"I like it when the company comes to our office, attends conferences and makes management available. It helps when there is a strong IR person and when a company hosts an investor day."*

*"They can publish information on the website. A fact book about the company is very helpful."*

*"Be responsive to our requests for management meetings or calls. Often times, it is tough to invest if you have not spoken with management."*

## | PROVEN METHODOLOGY, PROVEN RESULTS |

### Our expertise is the buy side.

Corbin Advisors is a leading investor research and IR advisory firm assisting public companies with creating long-term shareholder value. We recognize the favorable impact best-in-class investor relations has on valuation and collaborate with our clients to develop strategies that positively influence investor sentiment.

We leverage our broad company and industry experience, knowledge of best practices and benchmarking capabilities to provide research-driven counsel that enables our clients to differentiate their company as an investment.

### Our advisory services include:

- Perception Studies
- Investor Presentations
- Investor Targeting & Marketing
- Investor Days
- Specialized Research
- Retainer & Event-driven Consulting

Our quarterly investor survey, Inside The Buy-side®, tracks investor sentiment heading into earnings season and is covered by major financial news organizations globally and regularly featured on CNBC's Squawk on the Street. In addition, we are engaged in extensive topical IR research and publish thought leadership papers on best practices incorporating investor perspectives.

Visit our website or contact us to learn more:

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