

Strategic Planning to find the *Right Shareholders*

With global economies recovering from pandemic lows, it is critical for issuers to develop investor outreach and communication strategies that evolve with modern times. Such a program should incorporate a blend of in-person and virtual outreach, a data-focused approach for both shareholder risk mitigation and targeting new investors, and incorporate ESG benchmarking and messaging.

By Justin Vieira

As investor relations officers and management teams begin to board planes once again for roadshows, prudent issuers will also maintain a virtual presence for both practical reasons as well as necessity. From a practical perspective, investor relations teams have embraced virtual meetings as a way to augment in-person meetings with more frequent virtual check-ins with top shareholders. Concurrently, virtual meetings have proven to be an effective way to interact with smaller investors and qualify new investors before deciding to allocate management time. The latest investor relations software platforms incorporate event management workflows to reach out to investors and plan both in-person and virtual meetings to provide a straightforward approach to investor outreach. Following the implementation of the MiFID II regulation and the implications for financial services firms, these platforms have allowed investor relations teams to take more ownership of investor engagement and meeting outcomes.

Many investor relations officers are looking forward to fewer video calls and virtual meetings. However, virtual meetings will continue to be necessary from time to time given the uneven global recovery, local regulations, and threat of new variants. As teams plan for 2022, it is important to maintain technological capabilities and processes that facilitate virtual outreach and ensure management teams are prepared for the switch to virtual interactions, should it be required.

QUESTIONS TO CONSIDER WHEN PLANNING YOUR TARGETING STRATEGY

- How effective have our targeting efforts been in recent years and how can we improve them?
- Do we have the right technology, data, and partners to plan and execute our investor outreach program?
- Should we consider changes to our roadshow and conference schedules?
- Are the portfolios of our current shareholder base aligned with our financial fundamentals and our expected performance?
- Can we forecast any potential corporate events that may impact our valuation, growth rate, or cash allocation strategy?

With constant change impacting the world and capital markets, a deliberate and data-focused approach to investor engagement is necessary to stay in front of the most relevant investors. Leading investor relations teams are deliberate in developing a comprehensive investor targeting strategy as part of their annual planning.

This planning process typically starts with benchmarking the current shareholder base to understand financial alignment within their portfolios and drivers for investment. This is a critical, yet often overlooked, first step to identify any risk that may

exist within current shareholders. Developing a deep understanding of current shareholders is key to planning and responding to changes that may occur in the future.

The next step is developing a focused and prioritized list of investor targets considering key elements such as fundamental alignment, potential size of investment, expected holding period, exposure to comparable holdings, the sector, and region.

Investor relations is increasingly driving more strategic conversations around capital allocation and financial planning. As issuers evaluate capital allocation strategies coming out of the pandemic there is a rising trend of companies performing in-depth financial scenario analyses that align corporate strategy with investor preferences. A proper assessment, messaging and investor engagement strategy plays a leading role in determining the success of such critical investment decisions and driving ROI.

Another area investor relations has been expanding their strategic influence is ensuring ESG is integrated throughout investor planning and engagement activities. An initial ESG ownership benchmarking analysis is needed to assess the current state and establish a foundation. Benchmarking ESG scores and ownership across peers is an important step in understanding addressable ESG strengths and weaknesses. This analysis provides a foundation to develop an effective ESG narrative when engaging with investors and attract investment from the expanding universe of ESG focused investors.

Developing and executing on a plan to convert identified targets into holders requires further preparation. A more detailed analysis outlining the expected number of meetings with each target, meeting participants (investor relations or senior management), and how to interact (non-deal roadshows, conferences, or virtual), all need to be considered. Benchmarking the shareholder base, developing a target list, and turning it into a strategy can be overwhelming, but the right technology solutions and partner can make all difference in developing an actionable plan.

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