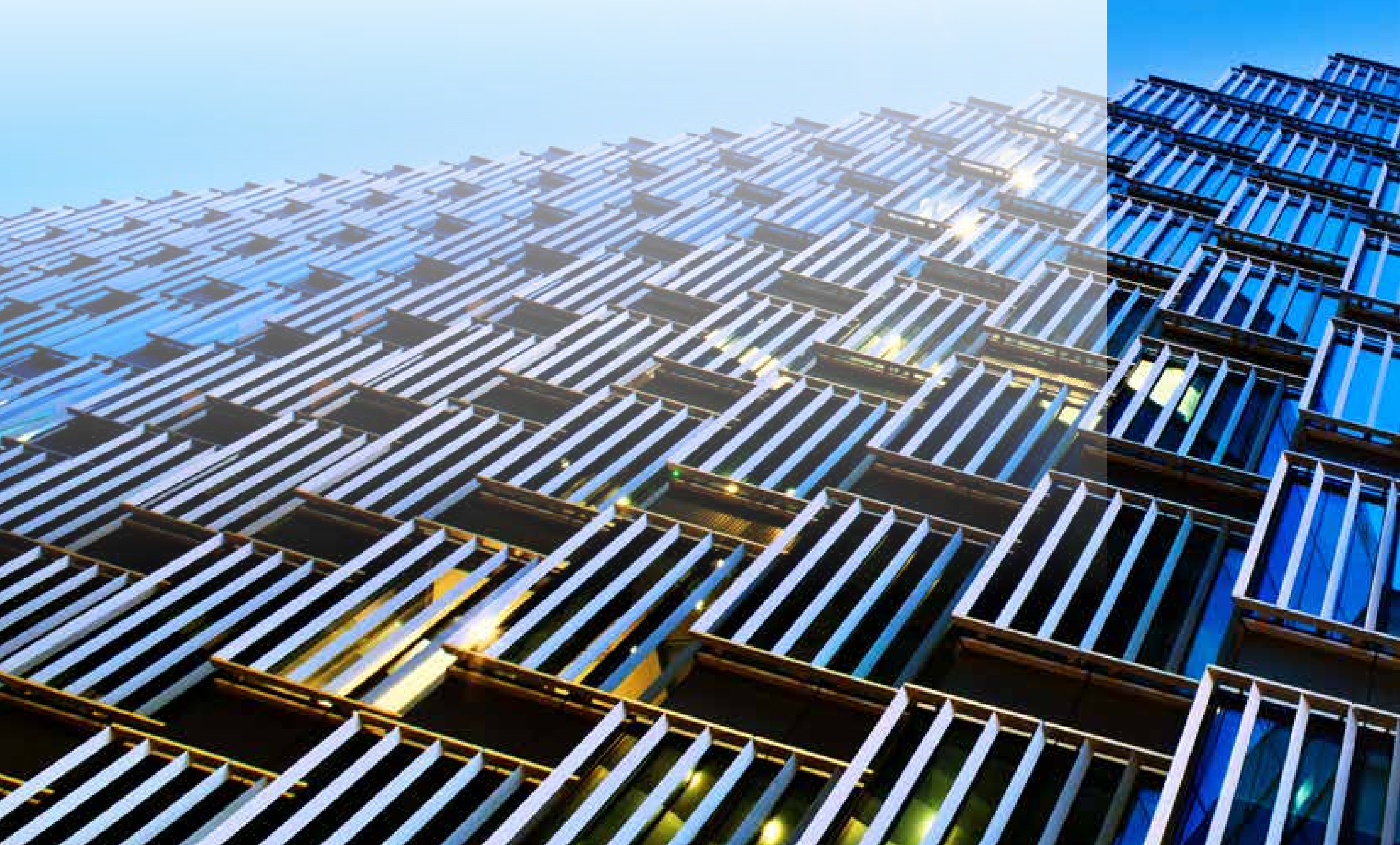
IHS Markit®

Leveraging Data to Effectively and Efficiently Build a High-Quality Shareholder Base

TransUnion [NYSE: TRU; ~$18 billion market capitalization] is an information services provider that utilizes a broad array of data assets and sophisticated intellectual property to help businesses and consumers make better, smarter decisions. The company went public in June of 2015 and its private equity owners were set to unwind their remaining positions over the subsequent two years through a series of secondary offerings. This meant that the market was going to see a regular influx of shares that had to be absorbed, while investors were still in the early stages of understanding the company and how to value it.

Below, Aaron Hoffman, a long-time IR veteran with stints at GATX, Sara Lee, Ingredion, and Illinois Tool Works describes the evolution of investor relations at TransUnion, and how he integrates deep knowledge of the company with market intelligence from IHS Markit to cultivate a supportive and enduring shareholder base.



Cultivating a supportive and enduring shareholder base

Aaron Hoffman, VP, Investor Relations

I joined TransUnion in May of 2016, almost a year after the company's IPO. At that point, the ownership was a bit of a hodgepodge between the original PE owners (who still held 80% of the shares), some high quality owners that had purchased shares at the time of the IPO, and a tranche of less attractive (short-term-oriented) owners. During this first year, the company had done a limited amount of marketing, largely attending a few conferences and conducting a couple NDRs that were overly reliant on the sell-side.

My first order of business was to figure out a framework for what a good investor in TransUnion should look like and then build a plan to appropriately target current owners and prospects. I've always felt that data needs to be your guide in any exercise of this nature and it's certainly even more germane at a company like TransUnion where data is our lifeblood.

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Building a framework

The basic framework, in my mind, needs to answer three key questions. First, does a firm or fund buy equities that look like TransUnion from a fundamental perspective (financial results, valuation, growth rates, etc.)? In this regard, IHS Markit suitability scores have proven to be helpful in isolating the market for our stock. Second, how long is the firm or fund likely to own their position? And, third, how large of a position will they likely take? These questions are easily answered with the right intelligence. I'd note one important point: sometimes you can rely upon this data on a firm level (typically when it is a smaller, focused investment manager) and sometimes you need to look at fund strategies (typically in the case of large investment firms that manage a very diverse set of products). Making this distinction is critical to properly assessing the attractiveness of many firms.

Planning the work

With an extensive list of the “right” owners and targets in hand, we could then group them geographically to determine the most relevant markets to visit. Sometimes a firm is so attractive a one-off visit to a market could make sense, but more often than not, being able to group multiple key owners and attractive targets in a single market increases the potential return on the marketing. On this point, we could also use the analysis to prioritize markets to better determine who from TransUnion should participate in the marketing.

From here, we could build a calendar with relevant market visits, while also leveraging conferences to augment the NDRs.

Working the plan

We now had a clear understanding of who we wanted to see and why we wanted to see them. This is actually the easy part. The challenge is coordinating this approach with sell-side sponsors on NDRs and parsing through lists of interested firms at conferences. Unfortunately, public companies have a very different agenda than brokerage firms and this can cause misalignment in setting a schedule. I’m looking for firms that buy equities like TransUnion, take a large position and hold it for a long time. Brokerage firms are largely compensated on trading volumes; therefore, they would gravitate toward firms that trade frequently and thus generate more revenue.

This is just a fact of life in the market, but we don’t have to let it define our marketing efforts. The whole reason to have built a targeting model and a thoughtful plan is to meet with the best fits for the company. Sticking to this approach requires real resolution and commitment…and frequently some difficult conversations with your friends on the sell-side.

We diligently followed our plan and pursued the owners and targets that we felt fit TransUnion.

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The outcome

About three-and-half-years later, we have an enviable shareholder base that has consistently gotten better. We refresh our targets and plans at least annually and have refined our data inputs. Along the way, there have been many success stories. Here are a few that stand out:

Just months after we completed our plan in 2016, we visited a smaller market largely to see one mid-sized firm that had tremendous potential – a strong fundamental fit, high purchasing power and a long ownership horizon. Two quarters later they were a top 10 shareholder and remain one to this day. We later learned that they began buying literally after we walked out of their offices. There are other excellent examples of this targeted approach—particularly in second tier markets—where we've be able to acquire extremely attractive shareholders.

As we worked through numerous secondary offerings from our PE owners, we were able to provide input to the brokerages managing the offering to help direct their placement decisions. At one point, we were able to direct more than half of the offering to a quality firm that became a multi-year top-10 owner of our shares. Without a clear view of who should own our shares, we would not have been positioned to influence this decision.

We had a very short-term investor enter our shares with a large position. My commentary to management was that the firm would not own our shares by the end of the quarter…and they didn't. Our share price moved up about 15% and they exited. Of course, if they simply held the position, they would have doubled their money based on today's trading price. The value here is that data helped to tell the story of a firm we wanted to avoid spending time with and that viewpoint is valuable to management.

Finally, I'd add that our management appreciates these efforts. They understand why we make the decisions we do for marketing. They see what we're trying to achieve and that we're thoughtful about who they meet. Importantly, identifying their successful efforts to "convert" targets to owners is gratifying and builds confidence in future plans.

Conclusion

Because the only certainty in capital markets is that current owners will one day sell, IHS Markit believes cultivating the next generation of owners is among the most critical objectives an IR team should pursue. We help IROs isolate the market for their company's stock, and provide the tools and guidance that enable them to engage prospective new investors and connect their efforts to meaningful initiations:

– Best in class portfolio analysis to identify targets

– Comprehensive global institutional and fund holdings

– Accurate global investor contact database

– Advisory on strategy and execution

– Global shareholder identification

– Summary reports to establish return on investment

IHS Markit stands ready to help you achieve your outreach objectives

Solutions for Corporate Investor Relations

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