Targeted Investor Engagement: A Roadmap for Success
As observers of asset management trends and capital flows, we at IHS Markit Issuer Solutions were keen to prepare investor relations teams for how analysts and portfolio managers would operate in the pandemic-altered market environment. There were initial concerns of a flight to safety, a significant sell-off of equities, and reflexive hoarding of cash. However, thankfully, that did not come to pass, and quite the opposite transpired. Active investors, their coffers drained for over a decade by passive competition and rising regulatory costs, leaned into the crisis, moving swiftly into the downturn to initiate new positions and rotate portfolios.

Across the active investor universe, equity allocations remained steady or increased. During a webinar with some of the largest names in fund management during the summer of ‘20, a well-known senior portfolio manager stated, “We have NEVER been more active in our stock selection as we are right now. This is the World Series for active management. If you’re not being aggressive in this market, you should probably rethink your career.”

In response to the bustling active stock-picking activity we were observing, we advised clients to keep pace in their proactive engagement. If there were ever a time for IR teams to show their vital importance as leaders in shareholder management, crisis-communication, and pointing potential investors towards the future, this was it. Our advisory teams were proud to work alongside these teams at such a critical juncture, and as practices trend towards business-as-usual. As we collectively reflect on the last year, the lessons emerging from this period focus on innovation and adaptation to a world that’s forever changed. These changes include the rise of the virtual workflow, the evolving nature of capital formation, and the new lenses that are developing to color the ways investors view a company’s future on Environmental, Social and Governance metrics.
The following features strive to bring you behind the curtain on how we at IHS Markit are adapting our investor targeting solutions to ensure our data, analyses and technology are positioning our clients ahead of the pack for the IR workflow of the future.
At IHS Markit, our primary focus in assisting thousands of IR teams in their investor targeting efforts is to create a framework for decision making that meets high standards for accuracy, transparency, and utility. On those dimensions, we strive for excellence and we measure our success by the success of our clients in identifying, engaging and receiving investment from targeted key decision makers and the pools of capital they manage. No matter what the market conditions, we endeavor to form results-driven partnerships with the top IR teams in the business.

Reflecting on the last year of COVID-linked market disruption reinforces the importance of the core attributes of the IHS Markit targeting methodology, which underpins our solutions. Namely:

- **Forward-looking and cash-based predictive modelling aligned with market expectations**
- **Transparent, factor-based screening on fundamental valuation metrics**
- **Extensive back-testing rooted in advanced data-science methods**
Navigating Through Disruption

COVID-19 infected not only humans, but company financial statements. The U.S. economy shrank by 35% during the second quarter of 2020. Some industries fared better, but several industries fared much worse. Growth rates and valuation ratios based on historical financials were knocked out of balance and, more than a year later, have not fully recovered.

During this time, companies focused messaging on forward-looking expectations (even when that lens was at its foggiest), and IR teams did their best to provide non-GAAP measures of performance to normalize financials, absent events that were unlikely to occur in the future.

Concurrently, our clients engaged IHS Markit Targeting solutions to pinpoint which investors’ portfolio concentrations aligned with the sweet spot for their business rebounds. While we have leveraged sell-side estimates in our targeting model since the arrival of BuysideIQ at Ipreo eleven years ago, we have expanded our reliance on forward looking metrics.

Currently, two-thirds of the variables in our targeting model are based on forward-looking P&L or cash flow estimates.

This forward-leaning model is essential for our clients navigating the pandemic, but it is equally agile and relevant during other periods of impact to company financials, such as M&A, asset impairments, early-stage offerings and cyclical stories. On calm or rough seas, the model holds up.
The Proof is in the Pudding

We prove our results every day – not in some aggregate way over years-long study periods (although we do that, too) – but currently (today) for any client who asks us to validate our approach for their company. The IHS Markit investor suitability model was designed to predict stock selection and, in our view, the perfect sample to test the null hypothesis are the top active portfolios investing in your story today.

Across all global securities, our back-test brings back a score of 96 (out of 100).

We’d welcome the opportunity to demonstrate how our model tests against your current shareholder base, and why it will predict the next top owners of your story.

Brendan Fitzpatrick
Director, Corporate Analytics
A Proactive Approach to New Issuance

That’s right - with all of the volatility tied to a new issue coming to market, investors are taking gains as soon as possible, leaving extensive shares on the table to be picked up. Without a robust targeting strategy, there might not be enough investors ready and willing to buy shares. This could result in price declines and a shareholder gap.

Did you know that 66% of investors who are allotted shares will completely liquidate their shares in the quarter following an IPO?

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<th>Post IPO Investor Propensity (+1Q)</th>
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For many companies, the pinnacle event in their life cycle is the IPO. It is their debut to society, and each IPO wants to have the best suitors at their gala. As such, deal roadshows are one of the most important events for both IR and Management, as they need to persuade each long-term investor in the market that their party is the party worth attending. These investors can participate in the initial offering, but also represent the long-term shareholders that are so key to a public company's long-term capital-structure.
To ensure investor engagement and IPO share allotment are in the issuers’ best interests, IHS Markit leverages proprietary data sets of investors’ IPO propensity to ensure the IPO will not only have a successful opening, but that the stock is primed for longer-term valuation gains and lowered shareholder volatility. These data sets put forth an actionable read on which investors are ‘flippers’, which are liquidity providers, which investors are the ideal long-term match, and which investors will not buy the IPO, but will engage following the insider lock-up period. Additionally, IHS Markit analyzes portfolio data to match each pre-IPO issuer to the top long-term focused targets for their story.

Beyond investor information, IHS examines the company’s unique story, delving into the expected fundamentals of the issuer, even before the market has an idea of what they may look like.

**Modeling out how the company will fit into future firm and fund portfolios helps to identify the top targets for the issuer, beyond those IPO flippers who will be out of the story before the first earnings release.**

IHS Markit empowers issuers beyond just the IPO or follow-on event, to establish a long-term strategy for investor outreach that aims to develop a shareholder base that is not event-driven, but story-driven, and fully invested in the long-term success of the issuer, even after the party.
A Holistic ESG Analysis

Integrating ESG Data into your Targeting Strategy

With actively-managed ESG AUM accelerating at a feverish pace, it’s no wonder management teams are tasking their IR department to tap into the $2.4T market for their own shareholder growth initiatives.

Both investors and issuers are still finding their feet, and consensus on what is and what is not important information is in daily flux. What is clear, however, is that no investment decision is based purely on ESG credentials, and thematic factors need to be considered in context of the fundamentals of the company. Navigating and succeeding in your new ESG remit may be daunting, but there is a way to make the transition easier, especially if you already utilize a data-driven, fundamental approach to targeting.

![Fund ESG Equity Asset under Management Growth over the Decade](image_url)
First, understand that you can have the best ESG marketing materials out there or even be making the most effective change, but investors will still view you through the lens of your investment case. By definition, ESG investors consider your environmental, social and governance efforts when making an investment decision. Clear, demonstrable steps focused on E, S and G initiatives are necessary for getting your foot in the door, but, for example, if your stock is a clear Value story, you will waste your time trying to engage with ESG investors who utilize a Growth strategy.

In order to efficiently target ESG investors, you should incorporate the ESG data into your existing fundamental targeting strategy – just as investors are integrating ESG into their own research processes.
A Holistic ESG Analysis

“ESG is becoming an increasingly important part of the investment analysis. The most important consideration is earnings growth and how a company can take advantage of the reduction of carbon. That is translated in the lower cost of operations. On the G side, it is important to make sure long-term shareholders and management are aligned with governance and pay for performance. The most important consideration is opportunity on the growth side by reducing carbon and being more efficient. That also translates into how efficient the workforce is and what is being done to promote talent within or the labor relations. Diversity is also a big component in that. At the end, it is about making sure that pay for performance is aligned between shareholders and management.”

– US investment manager – mutual fund (<$1T EAUM)

Incorporating ESG data into your existing strategy will help hone your outreach by identifying which specific firms and funds take an ESG approach to investing, as well as highlighting their various commitments and sensitivities. The added intelligence will also uncover which metros and regions have the most purchasing power, and which contacts at various investment firms have the actual ESG discussions with issuers. Each investor has a different approach to how they integrate and interpret ESG data, which influences how they communicate with issuers.

“ESG is becoming an increasingly important part of the investment analysis. It is something that we have historically always thought about implicitly in our process, but I think there has been a big push over the past few years to make it more explicit and raise the bar… We have a standalone ESG team, which I head. We do not have a standalone ESG fund. ESG is integrated into all of our strategies at the firm. … climate is not the only ESG issue, so we also ask our analysts to produce ESG write ups on every name that we own. Then they are really looking for any kind of material ESG issue. That might be outside of climate and very specific to the industry or company. It really is quite varied depending on the company and industry.”

– US investment manager – mutual fund (<$8B EAUM)
When it comes to ESG engagement, there can sometimes be multiple teams involved with communications from both sides of the table. From the issuer side, IR, management, and sustainability teams will need to be able to discuss ESG initiatives with investors. From the investor’s perspective, they will sometimes bring in ESG-specific researchers and corporate governance teammates in addition to the traditional equity analyst or portfolio manager. For example, engagements with Alecta Pensionsförsäkring AB (Asset Management) regarding ESG topics will likely be with their Corporate Governance team, whereas the best ESG contacts at MFS Investment Management are often the portfolio managers themselves.

The most efficient and effective way to tap into the growing ESG capital pool is by integrating ESG data into a data-driven fundamental targeting analysis, and it's a trend that is gaining popularity among issuers. This stands to reason, as investment decisions are not made in isolation, a holistic approach to engagement is the best option. An ESG overlay analysis will uncover investors that are not only well suited for your stock, but it will also help you direct your ESG conversations in a meaningful direction that yields new investment.
Event Announcements

Broaden your knowledge by attending IHS Markit events that feature our subject-matter experts and other industry-leading panelists on a range of issues that help you and your management team get the most out of your investor relations program.

Register and watch On-Demand

**Targeted Investor Engagement: A Roadmap for Success**

After a review of key findings from recent IHS Markit research, panelists discuss the challenges of effectively executing a targeting program and engaging with investors amidst the past 18+ months of pandemic-related business disruption. The discussion includes: Adjusting during a time of disruption, key takeaways, what went well, key challenges, key learnings, and planning strategies for 4Q 2021 & FY 2022.

**Virtual Investor Days: The Issuer and Investor Perspectives**

After a review of key findings from recent IHS Markit research, panelists discuss the challenges of planning & executing a successful virtual Investor Day. The discussion includes key takeaways and learnings for achieving: A seamless technology experience, interactive engagement with executives / active Q&A sessions and leveraging pre-recordings and supporting materials.
As an investor Targeting advisor on our Consumer Staples sector team, I collaborate with a host of companies across the space to help them analyze and enhance their investor engagement strategies with a data-based approach.

That can be the difference between spending your time with the right potential investors instead of those who might be looking for a trade or a channel check.

In our sector, there are several marquee conferences that all of our clients and all the major investors attend. The meeting interest lists from these conferences are some of the largest lists we see each year, with upwards of 100 analysts and portfolio managers requesting to meet with each issuer. Meeting interest lists of this size can be especially daunting and time-consuming for IR teams to sift through. Part of my job is to help our clients make the right choices that align with their goals and using proprietary data and experience to ensure a successful conference.

**On average, my colleagues and I will adjust 30% of a standard initial conference meeting recommendation list for our clients’ benefit.**

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Below is a sample workflow that you can partner with your IHS Markit targeting advisor on to ensure that you have an optimal meeting schedule.

Click each circle to view more information

- Coordinator Gives Meeting Interest List to IR Team
- IR Team Gives Meeting Interest List to Targeting Analyst
- Targeting Analyst Prioritizes Meeting Interest List
- Targeting Analyst Finds Firms that are not on Meeting Interest List
- IR Team Provides Feedback to Coordinator

Taylor Druga
Senior Associate, Investor Targeting & Advisory TBC
Collaboration with the IHS Markit Client Advisory Board

Focusing the Capital Access Targeting Solution on IR Workflow

As we embarked on our ambitious journey to build Capital Access, it was important for us to elicit and incorporate feedback from a diverse range – by region, industry, capitalization and role – of IROs. To this end, in late 2020 we launched our Client Advisory Board, comprised of over 30 IR teams around the world. As a result of this collaboration, the tools we are developing will be more intuitive and powerful because of the feedback we continue to receive from this diverse group of global IR teams.
The feedback we have received from Client Advisory Board members and IR teams globally has been invaluable. Some of the key areas clients have told us are most critical to their success are as follows:

Our clients want one solution, which is robust enough to handle all their IR needs

ESG is an evolving area of focus for clients, and they are looking for assistance on issues ranging from understanding specific areas of focus to targeting and engaging investors

They want a simple, intuitive design with easy access to data and actionable insights

Finally, all teams want to ensure that they can track progress, report on results, and communicate the value of their IR program to senior management and the Board

Many IR teams are being challenged to adopt more of a “DIY” approach and want assistance in engaging buy-side corporate access teams and operating with less sell-side support

As a result of the Board member feedback as well as our interactions with clients globally, we are focusing our efforts on building a platform for clients that will enable them to engage with investors as never before.
Our new IR platform, Capital Access, will transform the way companies think about planning, executing, and measuring the success of their IR programs. Our team is focused on building workflows for “Target-Meet-Measure”, and Targeting is a top priority for both our clients and our development teams. We are committed on delivering a powerful combination of world-class expertise, knowledge, and solutions so IR teams can make more informed decisions to enable their long-term sustainable growth. Some areas of focus include:

- Aligning current and prospective shareholders with the company’s strategy and investment story
- Targeting with greater precision, and engaging investors more effectively
- Aligning ESG messaging with current and prospective shareholders
- Maximizing ROI for your targeting efforts
- Reporting to management & the Board
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About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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