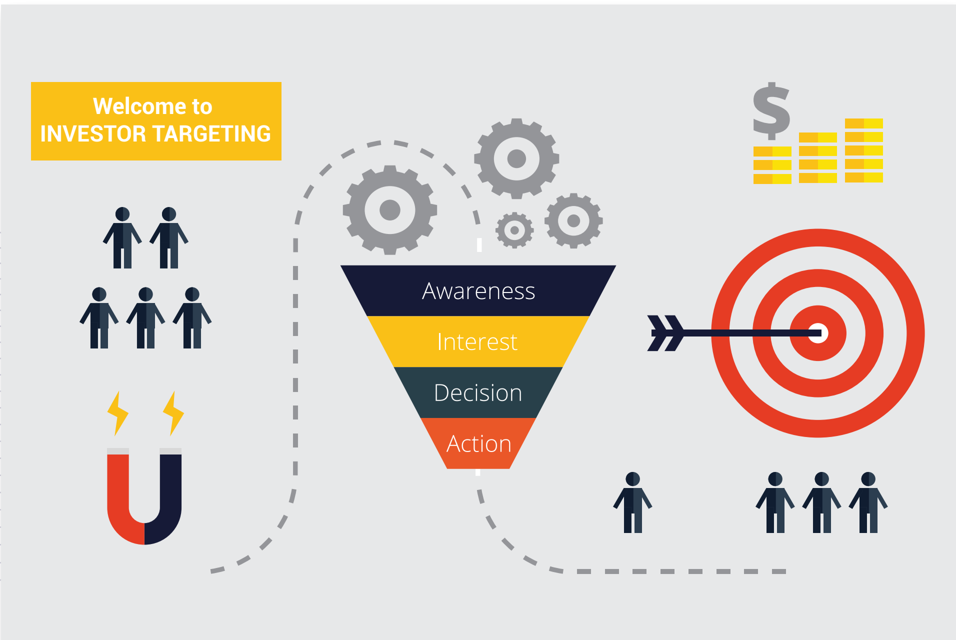
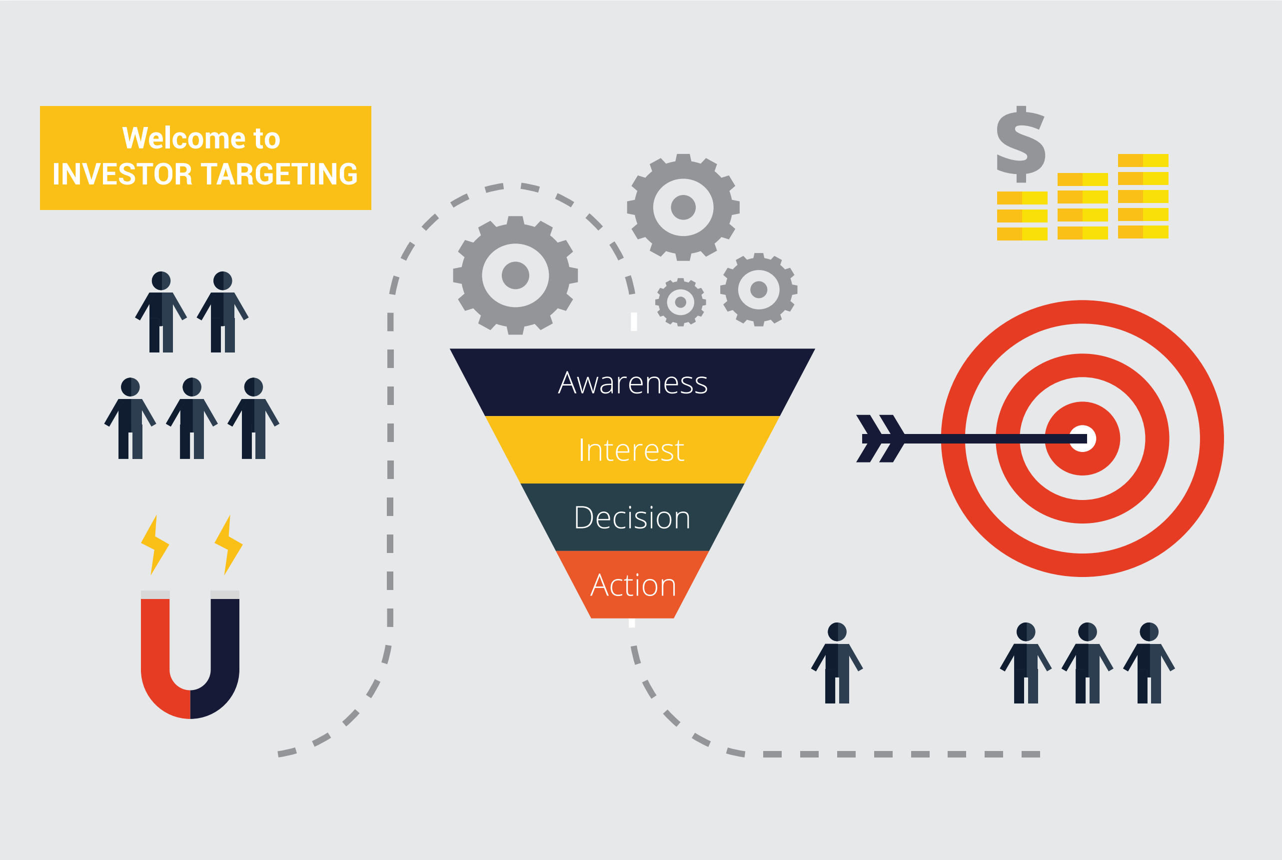


An intelligent approach to Investor Targeting

How Can Effective Investor Targeting Maximise the ROI of Investor Relations Efforts?

Authored by:

Nilesh Dalvi



An intelligent approach to Investor Targeting

How Can Effective Investor Targeting Maximise the
ROI of Investor Relations Efforts?

The prime objective of Investor Relations efforts of any company is to attract the right profile of investors who understand the company's business model and stay invested for the long term. Companies generally spend considerable resources, both in terms of time and money, to engage with investors across multiple geographies. But if not researched well, they cannot be sure of satisfactory ROI on their efforts. For using senior management time efficiently, it is imperative for IROs to be armed with adequate intelligence on the investor universe, and adopt highly effective investor targeting methods to block and engage investor interest.

IROs need to actively build direct relationship with the investors. This requires meticulous planning and persistence to identify the target investors and actively engage with them. MiFiD II regulations are causing global investors to limit their reliance on intermediaries and connect directly with the corporates.

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Importance of building latent investor demand

All the companies, whether private or publicly listed, need to have a well-defined action plan to strengthen their corporate reputation, build visibility and generate awareness in the capital market community. This helps the companies to access capital markets to meet their medium-term and long-term funding requirements. While investors invest in companies which match their risk-return profile and investment horizon, it is difficult to predict how long the investor will remain invested. Hence, as a prudent measure, it is important for companies to continuously identify and attract new investors. While the latent demand from prospective investors helps to provide smooth exit to investors who decide to sell, it also provides ready access to fresh capital raise in future to meet business objectives and growth plans. This should be an ongoing activity as matter of basic capital budgeting hygiene.

Identifying investors compatible with company's characteristics

Knowing the investor universe is very essential to plan targeted investor outreach activities.
It is necessary to understand investor's holding style, investment horizon, and sector preferences before aspiring to have them as long-term shareholders. Further, it is also important to take cognisance of company specific characteristics like business size, business cyclicality, growth prospects, market capitalisation, and stock liquidity. Identifying investors whose investment style is compatible with company's characteristics, can result in stable investor holdings. Qualifying the investment style and sentiment of target investors is an arduous process of data analytics, usually based on sources such as Bloomberg or Factset, coupled with in-depth "under the hood" dissection and telephonic pr-screening interviews. Done correctly, such investor targeting research reports can establish a highly rewarding annual blueprint for building 'ready-to-tap' investor demand.

Justifying the management time and resources consumed for IR efforts

There is a need to ensure highly qualified investor engagements to wisely use management time and company resources for IR activities. The most common dilemma faced by the senior management and IROs is the amount of time that they need to dedicate for investor meetings every year. While, it is important to meet new investors, it is equally necessary to meet same investors multiple times before they make their investment decision. In this process, the company might need to conduct more than 100+ repeat investor meetings each year. An IRO needs to assess the outcome of these meetings and justify the budget spent on repeating these meetings.

Effectively leveraging sell-side relationships

Sell-side relationships are widely used by IROs to plan their investor outreach activities across various geographies. However, IROs need to ensure that brokers are arranging meetings with the right set of investors, and not the 'low hanging fruits'. Brokers typically give preference to investors with whom they have stronger relationship, or to investors who give them higher trading commissions. Hence, dependence on same broker for investor roadshows can lead to engagement with a limited number of investors within a vast universe.

It is necessary to understand investor's holding style, investment horizon, and sector references before aspiring to have them as long-term shareholders.

Upping your game for nurturing direct relationship with investors

In addition to leveraging sell-side relationships, IROs also need to actively build direct relationship with the investors. This requires meticulous planning and persistence to identify the target investors and actively engage with them. New potential investors can be targeted, and efforts can be made to convert them into shareholders over due course. While this helps IROs to strengthen their direct connect with the investors, investors also prefer closer attention and direct access with the company, its senior management and IR team. Further, the new MiFiD II regulations are causing global investors to limit their reliance on intermediaries and connect directly with the corporates.

To know more on investor targeting and engagement techniques, connect with Dickenson World. [LINK]

To know more on our upcoming Round Table Discussion Event on Investor Targeting, connect with Dickenson World. [LINK].

About Dickenson World

Established since 1998, Dickenson World is a seasoned Capital Markets Communications house, offering advisory services in Investor Relations, Financial PR, Corporate Reporting, Brand Stewardship & Digital Strategies. Based in London, Mumbai and Ahmedabad, the firm represents corporates for their engagement with the capital markets and financial media. For more information on Dickenson World, visit www.dickensonworld.com.

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