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JAMES TICKNER
GLOBAL HEAD – INVESTOR TARGETING



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BEST PRACTICE INVESTOR TARGETING

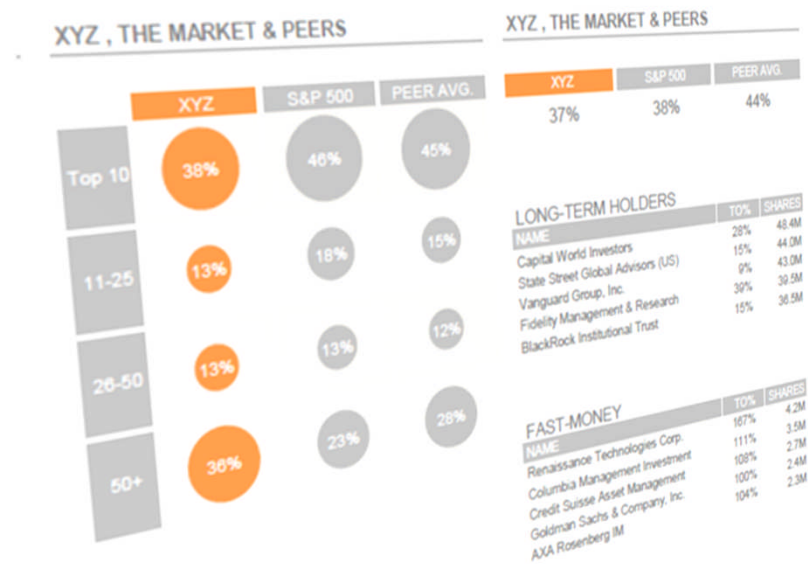
- ❖ Benchmarking your shareholder base
- ❖ Understanding Competitors for capital
- ❖ Incorporating Fundamental Analysis
- ❖ Defining a workable Priority List
- ❖ Engaging Target Investors
- ❖ Measuring and Evaluating investor outreach



BENCHMARK

Determine how your existing shareholder composition compares to peers and benchmark indices

- ❖ Is the top of the shareholder base overly concentrated?
- ❖ Are any geographic locations particularly underweight?



THE COMPETITIVE LANDSCAPE

Understand Competitors for capital

- ❖ Not the same as those you compete with for customers

“Your client is competing with every single stock globally. We do not allocate a certain percentage to any one sector or any one industry. They are competing for capital across the board, in every single industry across the world.” Senior Portfolio Manager, Core Growth Fund

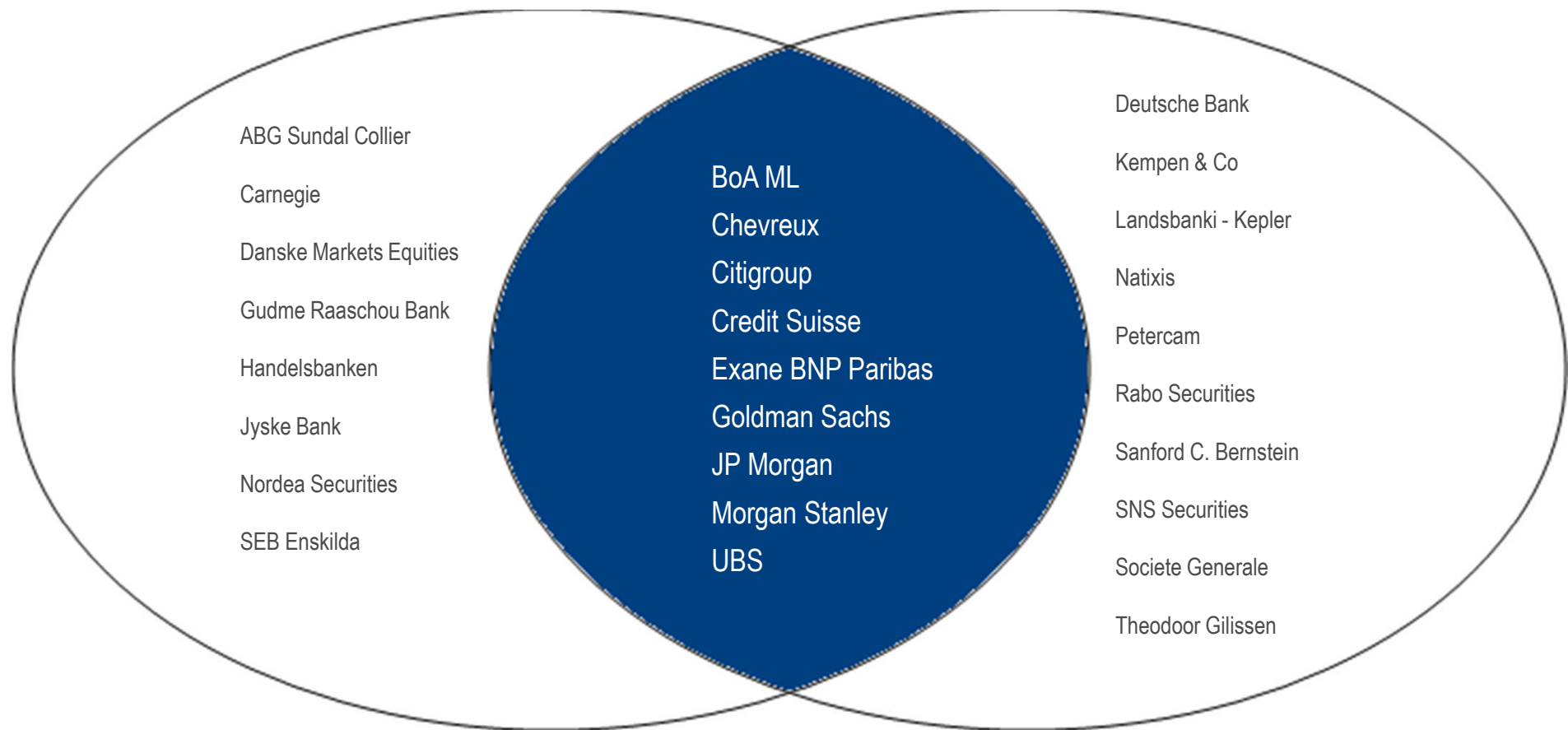
“They compete with everything and anything. Any company that is undervalued and is a good business is a competitor.” Portfolio Manager, Value Fund

- ❖ The sell-side is organised by industry, the buy-side is not



CASE STUDY: CARLSBERG vs. HEINEKEN

Sell-side coverage overlaps significantly as industry peers



CASE STUDY: CARLSBERG vs. HEINEKEN

No common holder among the top 10 investors

Top 10 Institutional Shareholders and Investment Style

Carlsberg

Carlsberg Foundation – N/A
Thomburg Investment Management Inc. – Core Value
Franklin Templeton Investment Management Ltd. - Core Value
Franklin Mutual Advisers LLC – Deep Value
AllianceBernstein L.P. – Core Growth
BankInvest A/S. – Core Value
AllianceBernstein Ltd – Core Value
Dexia Asset Management Belgium S.A.. - GARP
DWS Investment GmbH - GARP
Julius Baer Investment Management LLC – Core Growth

Heineken

L'Arche Holding S.A. – N/A
Davis Selected Advisers L.P. – GARP
Marsico Capital Management LLC – Core Growth
Gardner Russo & Gardner - GARP
Arnhold & S. Bleichroeder Advisers LLC – GARP
AIM Management Group Inc - GARP
Schroder Investment Management Ltd – Core Growth
Norges Bank – GARP
Allianz Nederland Asset Management BV, – Momentum
Tweedy, Browne Company LLC – Deep Value

CASE STUDY: CARLSBERG vs. HEINEKEN

Clear industry peers, but investment profiles are very different

Investment Driver	Carlsberg	Heineken	Differentiator
Market Cap	€6.5 Billion	€19 Billion	Yes
Dividend Yield	0.95%	2.11%	Yes
Forward PE	16.23x	12.79x	Yes
Long-term EPS Growth	14.79%	15.19%	No
FTSE EuroTop 300	No	Yes	Yes
Sector	Beverages	Beverages	No



COMPETITORS FOR CAPITAL

Any peer ownership analysis therefore needs to be more than ‘who owns my peers that doesn’t own my stock?’

- ❖ A wider view is necessary to capture more opportunity
 - Broad industry groups
 - Sell-side coverage overlap
 - Fundamental Peers
- ❖ Incorporating a fundamental screening component to any investor targeting exercise is key



IMPORTANCE OF FUNDAMENTAL ANALYSIS

- ❖ The buy-side use tools to screen for stocks with certain fundamental characteristics.
- ❖ Investor preferences for fundamental change over time so focus on **recent buying and selling** as well as overall portfolio characteristics
- ❖ Understand potential obstacles to investment – **minimum thresholds** for stock liquidity/long-term growth/dividend

SCREEN	THRESHOLD	INGA-AE	PASS/FAIL
EBIT/Interest Expense	3.3	21.9	✓
Net Income/Book Value [ROE]	7.2%	0.5%	✗
Net Income/Revenue [Net Margin]	2.9%	0.5%	✗
StarMine EQ Model Score	25	10	✗
Operating Income/Assets [ROA]	8.4%	4.9%	✗
StarMine Relative Valuation Score	48	85	✓
Average 30d Volume	0.2%	0.7%	✓
F12M EPS/Price	6.2%	16.5%	✓



ISOLATE COMPATIBLE PORTFOLIOS

Define Priority List

Tier system for existing shareholder and prospects

- ❖ Existing shareholders to maintain
- ❖ Existing shareholders with strong upside potential
- ❖ Qualified new target investors

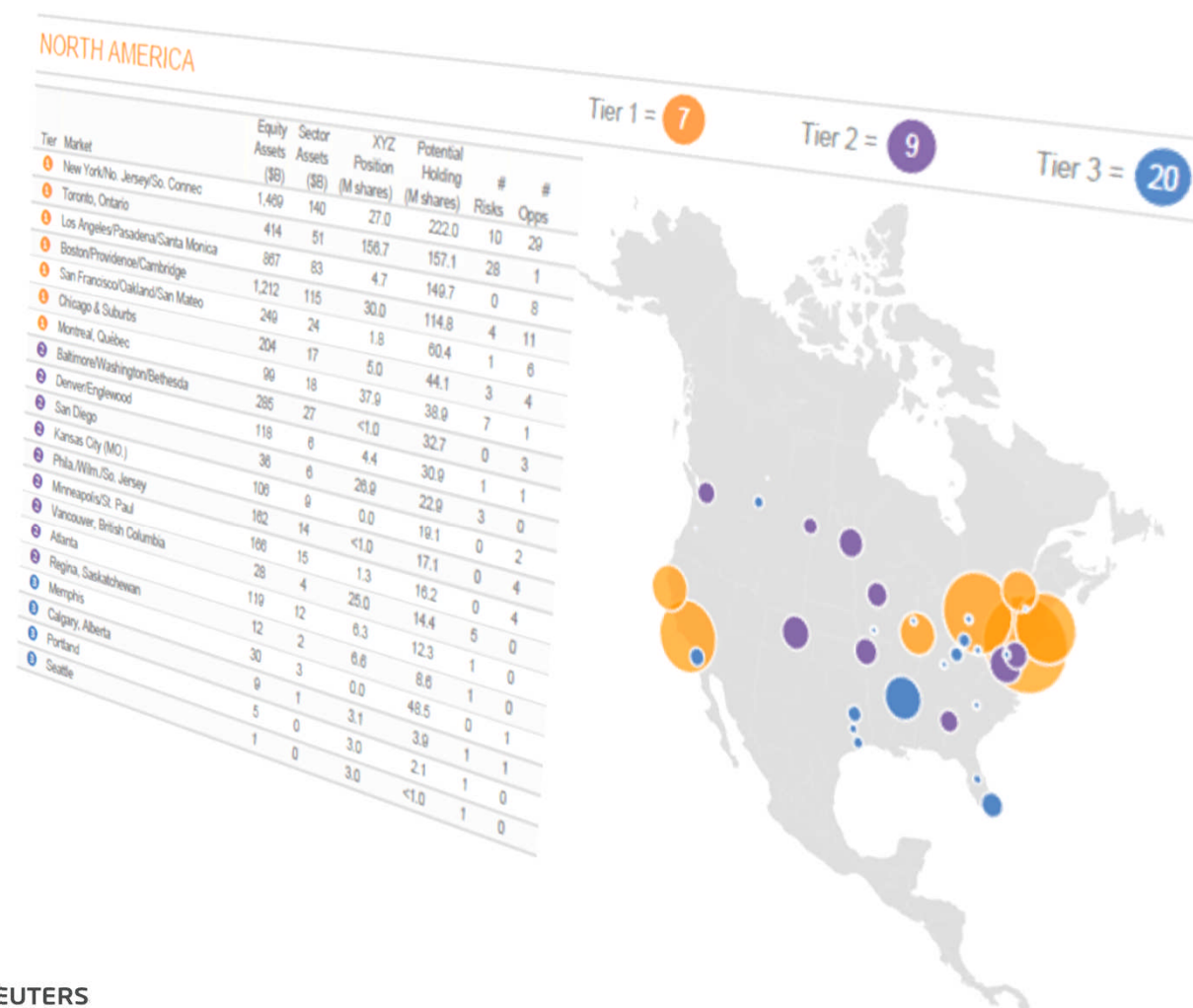
Tiers organised to fit;

- The structure of responsibilities in the department
e.g. by geography
- Senior Management time available for roadshows



DEFINING PRIORITY MARKETS AND INVESTORS

Example of priority map for North American Market



EXAMPLE: PRIORITY MATRIX

Shareholders with Upside

Deka Investment GmbH
Amundi Asset Management
DWS Investment GmbH
Allianz Global Investors
Union Investment Group

Qualified New Investor Targets

BNP Paribas Asset Management
La Banque Postale
Nordea Investment Management
Bank Julius Bär & Co
Frankfurt-Trust Investment

Core Shareholders to Maintain

Norges Bank
Credit Suisse Asset Management
Swedbank Robur AB
Allianz Global Investors France
Handelsbanken Asset Management

Recent Sellers

Universal-Investment
Clariden Leu
AXA Investment Managers
Siemens Kapital
LGT Capital Management



ENGAGING TARGETS

- ❖ Leverage sell-side for additional qualitative insight and logistics
- ❖ Review ownership analysis results to help with positioning.
- ❖ Try to visit top tier targets **at their own offices** with senior management to maximise the audience

*Extel 2010 – **over 90%** of buy side participants said their preferred method to meet management and IR is at their own offices as opposed to conferences/reverse roadshows*

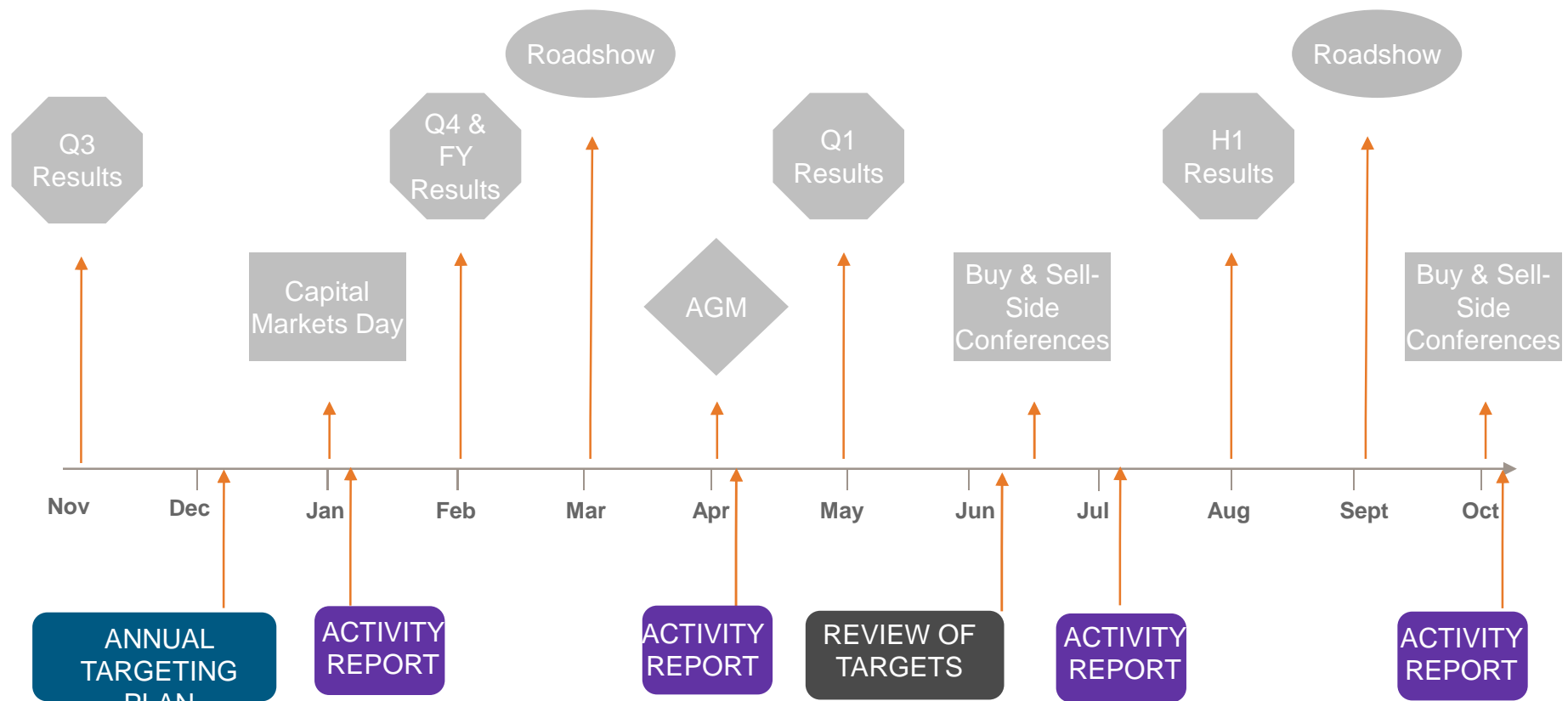


REVIEWING EFFECTIVENESS

- ❖ Scorecard for each investor
 - ❖ Track Interactions – type and frequency
 - ❖ Track ownership changes after roadshows
 - ❖ Link strategic target list to interactions and ownership change



EFFECTIVE INVESTOR TARGETING WITHIN THE IR WORKFLOW



TARGETING TOOLS

❖ **Online Quantitative Tools**

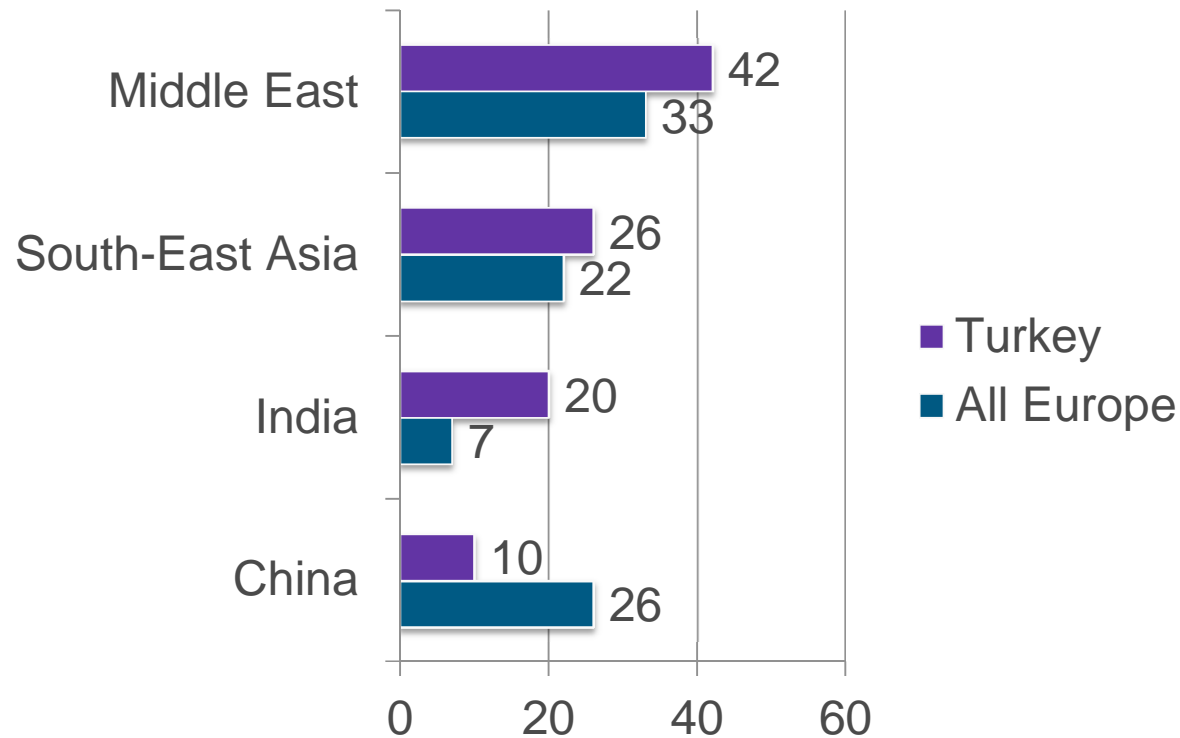
- ❖ Work in a similar way to buy side screening tools
- ❖ Perform key ownership and fundamental screens to help prioritise.

❖ **Analyst-backed targeting services**

- ❖ More bespoke results that fit with corporate strategy
- ❖ Built around resources of IR team with practical recommendations
- ❖ Include qualitative insight on approaching particular investors
- ❖ Ongoing tracking and measurement component

EXTEL 2010 – MOST ATTRACTIVE NEW SOURCES OF CAPITAL

- ❖ Turkish companies see more opportunity in the Middle East and South-East Asia vs the average for Europe
- ❖ China and India are seen as significantly less of an opportunity



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