

Edelman Qualitative Information Study

It's *NOT* Only The Numbers: How Institutional Investors Use Non-Quantitative Information

Proprietary Research Completed by Edelman

April 2015

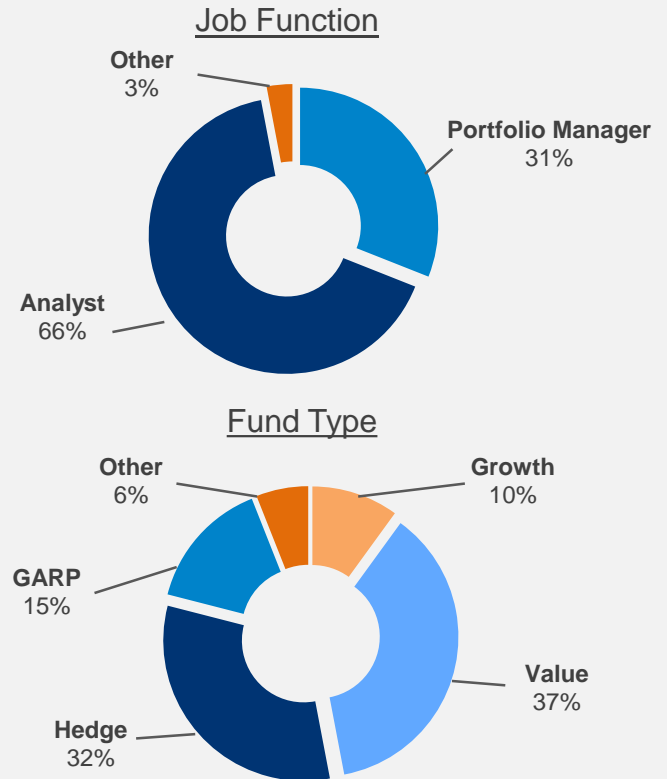


QI Survey Parameters

Edelman conducted a proprietary survey to explore the use of qualitative information in investment decision-making, and to discover how investors use qualitative information in their role at their firm.

We defined qualitative information (QI) as non-quantitative information that can help an analyst or investment professional develop a better understanding of a company's strategy, competitive position, products, business performance and future developments.

The survey was conducted over a three week period in April 2015 and incorporates the views of **n=158** investors, categorized per the charts on the right. The **end goal was to reveal valuable insights to help IROs and financial communicators.**





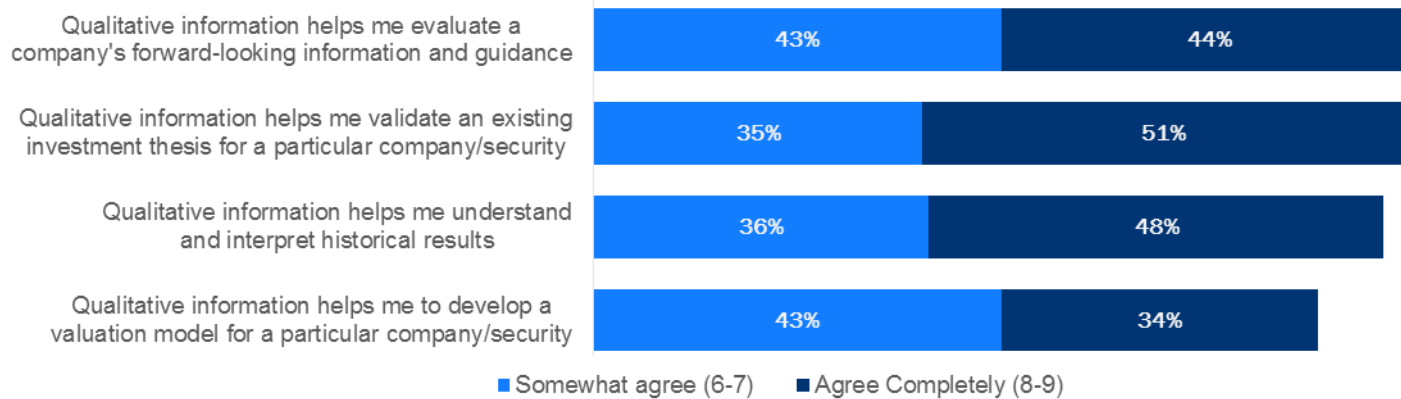
Executive Summary

Investors rely on qualitative information to fill out their investment thesis and create a valuation model: **The numbers do not stand on their own.**

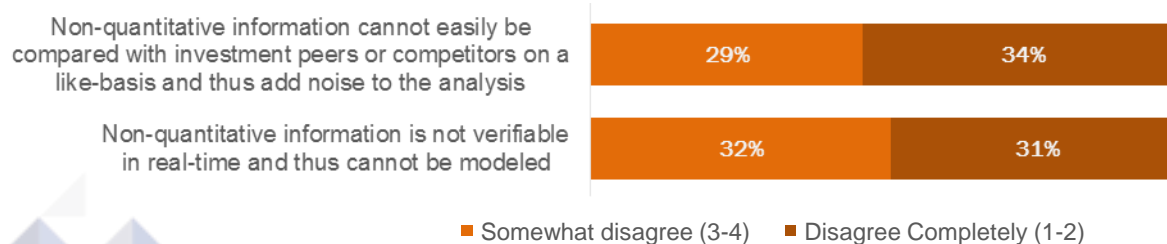
- Investors view **qualitative information** as essential to analyze a company as **it provides context investors use to:**
 - Validate their investment thesis;
 - Understand historical results and gauge expectations for future capital allocation and expenditure; and
 - Evaluate guidance and track performance against strategy.
- The CEO, CFO, IRO and line-of-business **executives have distinct, but complementary roles** in the IR program.
- **Responsiveness and effective conference calls** rank as the two most important factors in a **strong IR program.**

Qualitative information is an essential input to building models and validating guidance/investment thesis

- Management must give visibility to intangibles – soft information is a critical element to the investment process for 85%+ of investors.



- Investors reject the notion that qualitative information is not useful:

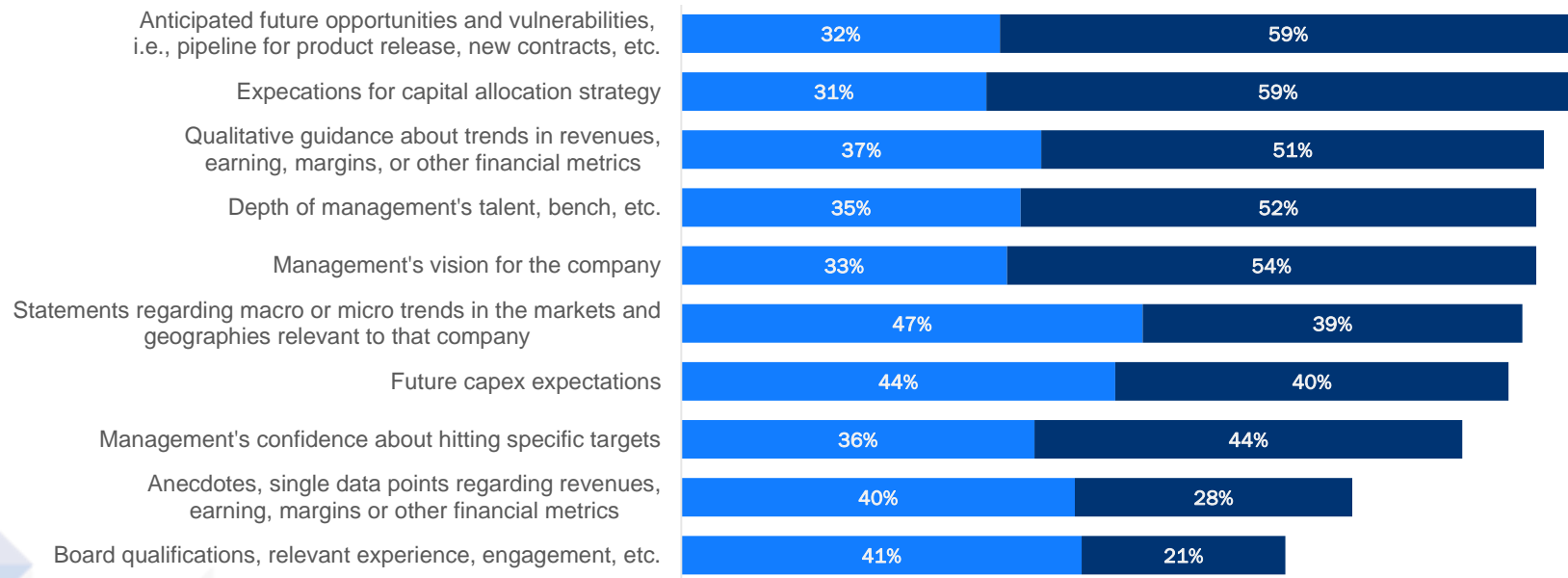


Q6 On a scale of 1 to 9 with 1 meaning "disagree completely" and 9 meaning "agree completely," to what extent do you agree with the following statements?

Investors view qualitative information as essential to understanding a company's investment story

- Investors want qualitative explanation from management to gauge their confidence in products, market trends, and financial and strategic plans.

Investor appetite for types of non-financial information

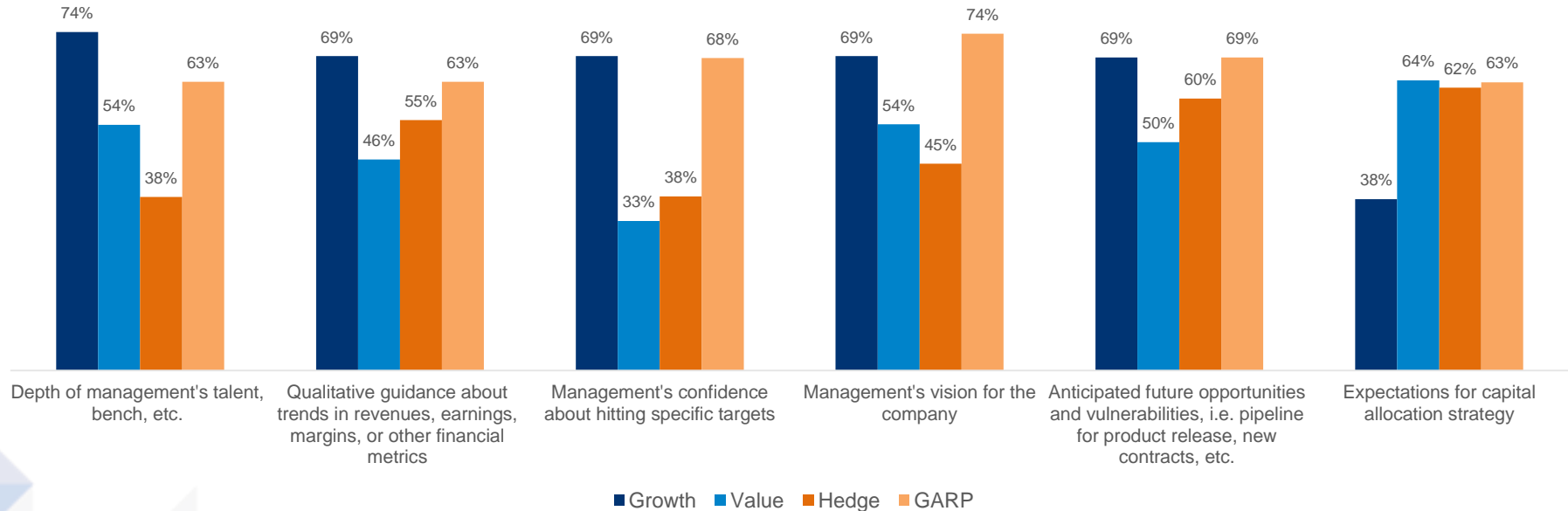


■ Somewhat important (6-7) ■ Extremely Important (8-9)

Q5. On a scale of 1 to 9 with 1 meaning "not at all important" and 9 meaning "extremely important," how important are each of the following types of non-quantitative information toward evaluating a company?

Growth and GARP investors especially look for qualitative information to fill the whitespace in their projections

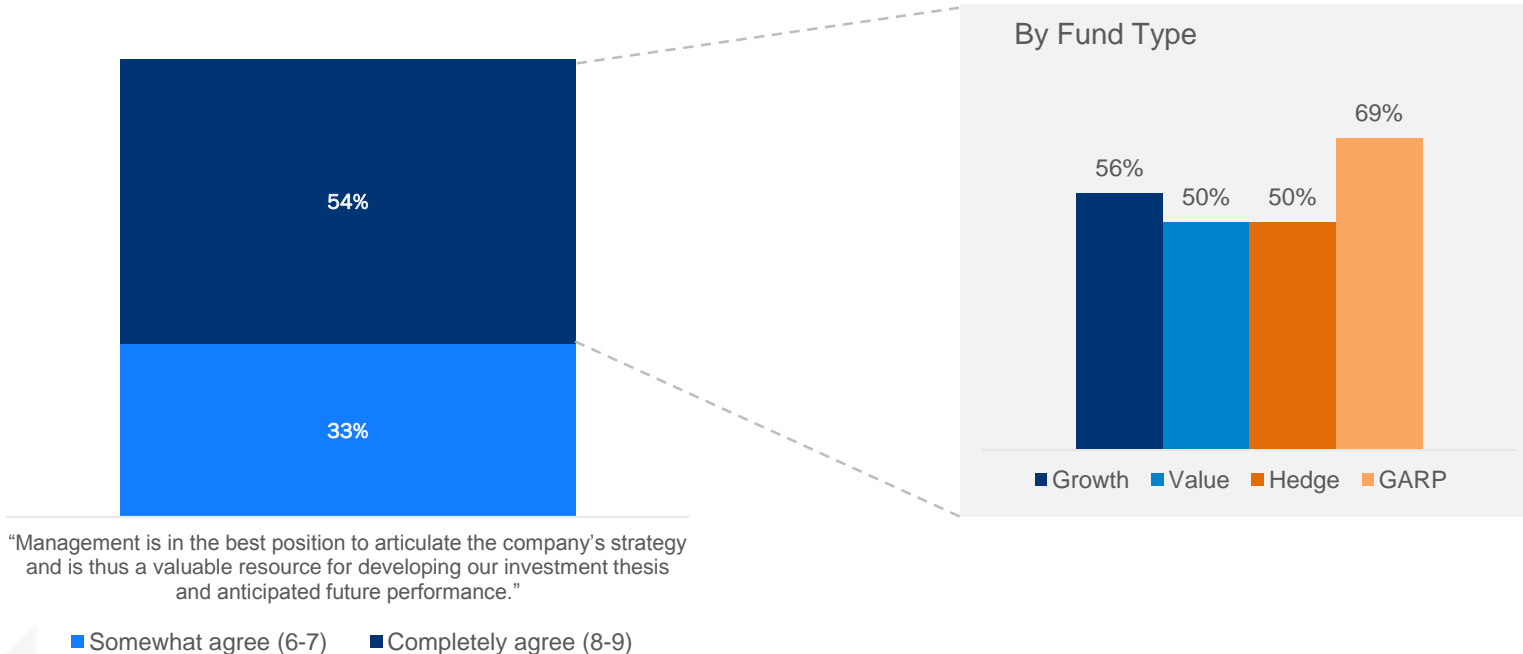
- Growth-oriented and GARP investors place a higher value on what they hear from management – vision, depth of bench, and “confidence” in targets – compared to Value-centric and Hedge investors.



Q5. On a scale of 1 to 9 with 1 meaning “not at all important” and 9 meaning “extremely important,” how important are each of the following types of non-quantitative information toward evaluating a company?

Management's articulation of strategy provides a critical variable for developing investors' theses and models

- Investors want to hear a company's strategy and future plans directly from senior leaders.

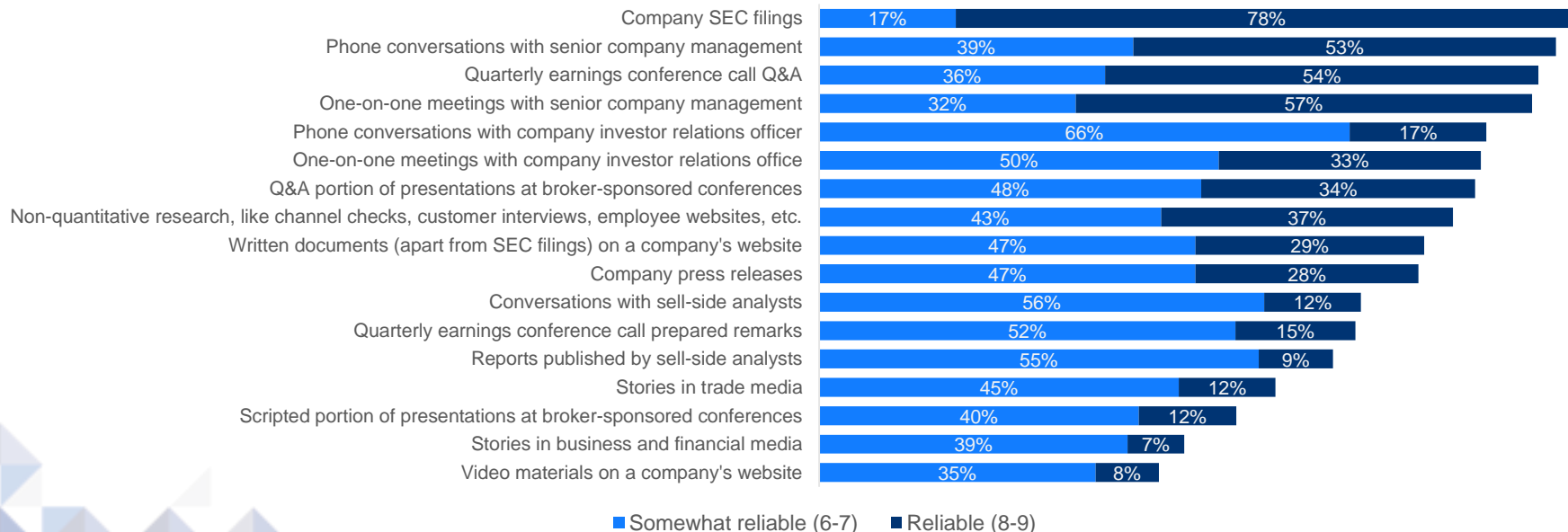


"Management is in the best position to articulate the company's strategy and is thus a valuable resource for developing our investment thesis and anticipated future performance."

Q7. Please indicate the degree to which you agree with the following statement "Management is in the best position to know the company's strategy and is thus a valuable resource for developing our investment thesis and anticipated future performance."

Investors value unscripted discussions with management and the IRO as most-reliable information sources (after SEC filings)

- Earnings call Q&A viewed as more valuable than scripted remarks
- Direct conversations with IR are a top source of information
- Company website is also highly valued, and about half of respondents viewed media as important, though trade media outranked business media



Q10. On a scale of 1 to 9 with 1 meaning "least reliable" and 9 meaning "most reliable," please rate the following sources of information in terms of your investment decision-making.

Investors highly value a well-crafted investment story and use it to provide a basis for valuation

- A strong story is critical to filling out the value equation and giving investors confidence to overlook short-term misses.
- Investors are virtually evenly split on whether quantitative guidance is necessary to consider the investment, which is in contrast to the strong desire by investors for a well-articulated strategy and time for management to answer questions on an earnings call.

A well-articulated, forward-looking strategy helps us to better understand and value a company.



If a company is able to articulate a long-term strategy that meets my investment thesis, I am willing to look past one or two quarters of misses.



I find little value in a CFO reciting the income statement and would prefer a more high-level discussion of what took place during the quarter.



On quarterly earnings calls, I would prefer that a management team give their highlights for the quarter and reserve the bulk of the time for Q&A.



It is acceptable for a company to provide a piece of forward-looking information that articulates a strategic point that it does not intend to provide on an ongoing basis.



A company has to give me quantitative guidance for me to consider the investment.



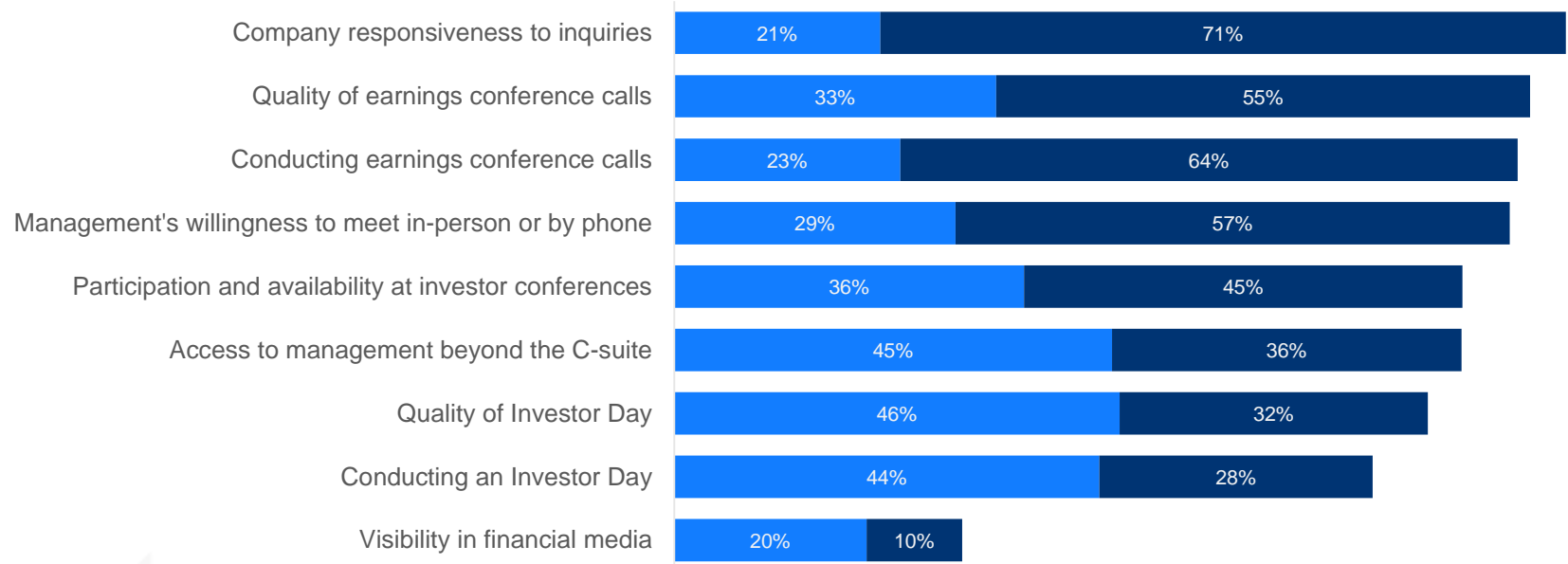
The numbers are the numbers: We prefer that a management team present their unvarnished operating and financial data and not give us their investment story.



■ Somewhat agree (6-7) ■ Agree (8-9)

When evaluating a company's investor relations program, responsiveness and quality earnings calls are most important

- Investors are looking for forums to directly connect with management, including the deeper management bench.
- Participation at investor conferences and investor days are also viewed as important.
- 30 percent of investors agree that management should be visible in financial media

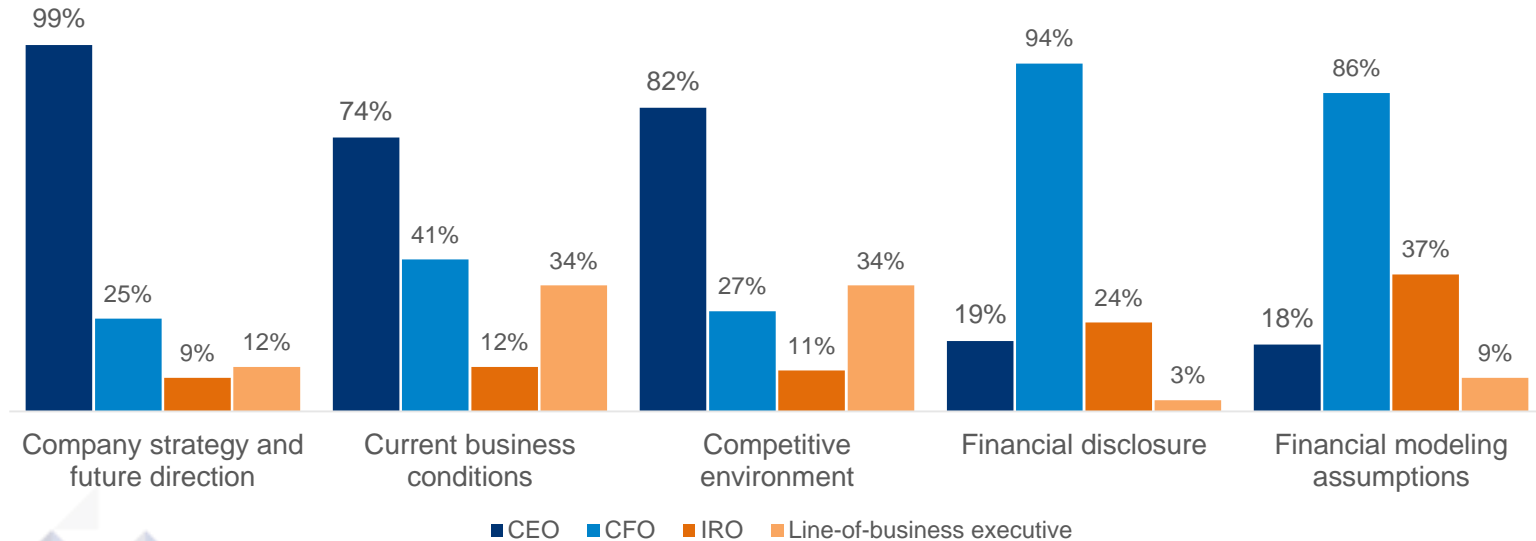


■ Somewhat important (6-7) ■ Important (8-9)

Q9. Which of the following factors do you consider when evaluating the quality of a company's investor relations program?

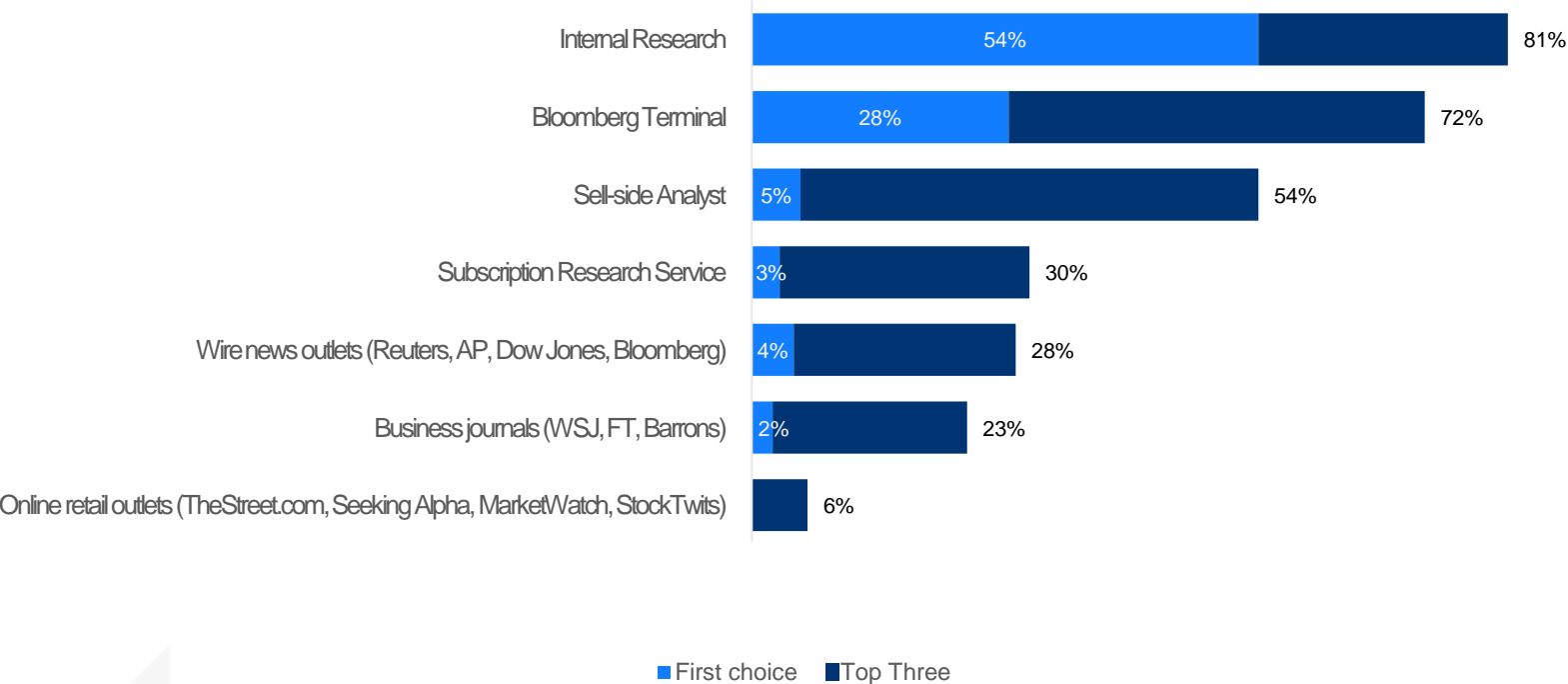
The CEO is the preferred voice for corporate performance and strategy; the CFO is the voice for financial disclosure and modeling

- CEO overwhelmingly viewed as the voice for strategy, direction, current business conditions, and competitive environment. Line-of-business executives also valued for current business conditions and competitive environment.
- CFO must be the lead voice on financial disclosure and modeling assumptions.
- The IRO plays a strong role, especially on financial modeling assumptions.



Internal Research and Bloomberg Terminal, followed by Sell-side Analysts, are the buy-side's highest-priority sources of information

- Media also viewed as important source of information.



Q12. Please rank in order of priority, with 1 being top priority and 7 being lowest priority, which sources you go to for stock and company information.

Remarks Validate the Importance of Context

“If you’re prepared to invest in a company, then you ought to be able to explain why in simple language that a fifth grader could understand, and quickly enough so the fifth grader won’t get bored.”

“A good IR person is worth several points of valuation multiple.”

“Investing is having a vision for the future and confidence in the management team to deliver on that vision.”

“Investing is like a beauty pageant, where I need to anticipate how the judges will perceive the contestants.”

About Edelman Investor Relations

Edelman Financial Communications & Investor Relations is a boutique strategic consultancy with the reach and resources of the world's largest public relations firm. We advise public and private companies on strategic and capital markets communications to help position them effectively with the financial community during transformative events as well as during normal-course business.

Clients choose to work with us because of our specialized and experienced financial communications team, our ability to provide the full range of Edelman's services (such as digital and social media, public affairs and employee engagement) and our ability to access Edelman's global network of 65 offices around the world.

Geoffrey Mogilner, SVP Investor Relations, Chicago – geoffrey.mogilner@edelman.com/312-233-1271
Deb Wasser, EVP Investor Relations, New York – deb.wasser@edelman.com/212-704-4588