CORPORATE MESSAGING DEVELOPMENT

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VP Investor Relations
Foundation Buildings Materials
Topics to be Discussed

- Understanding Your Audience
- The Company's Disclosure Record
- Message Development Process
- Assessment of Peer Messaging
- Message Development Effectiveness
- Create Accurate & Authentic Messages
- Consistent Messaging
UNDERSTAND THE AUDIENCE
# The Current Investor Landscape

<table>
<thead>
<tr>
<th><strong>Limited Bandwidth</strong></th>
<th><strong>Varying Levels of Knowledge</strong></th>
<th><strong>Activism as an Asset Class</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of investments</td>
<td>Significant vs. underweight vs. prospect</td>
<td>$65.0B of capital deployed</td>
</tr>
<tr>
<td>45 under management / 55 under research</td>
<td>Generalist vs. sector specific</td>
<td>226 companies targeted in 2018, up from 188 in 2017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ESG Growing in Importance</strong></th>
<th><strong>Sell Side Dislocation</strong></th>
<th><strong>IR Impacts Valuation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>$98B in AUM, up 58% YoY</td>
<td>MiFID II</td>
<td>Investors confirm good / bad IR is a factor in stock price</td>
</tr>
<tr>
<td>European matrices</td>
<td>Tier 1 buy-side going direct-to-issuer</td>
<td>Example: TESLA</td>
</tr>
<tr>
<td>US focus on “G”</td>
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Source: Corbin Advisors
## Investor Relations Audiences

<table>
<thead>
<tr>
<th>Current Shareholders</th>
<th>Prospective Shareholders</th>
<th>Sell-side Analyst</th>
<th>Other Audiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sector Specialist</td>
<td>• Sector Specialist</td>
<td>• Buy-Rated</td>
<td>• Media</td>
</tr>
<tr>
<td>• Generalist</td>
<td>• Generalist</td>
<td>• Hold/Sell-Rated</td>
<td>• Competition</td>
</tr>
<tr>
<td>• Portfolio Managers</td>
<td>• Portfolio Managers</td>
<td>• Institutional Sales</td>
<td>• Customers/Suppliers</td>
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</table>

### Key Takeaways

- Find a message that resonates at a high level – “The Elevator Pitch”
- Develop fine tuned message for each group
- Communicate what your audience needs to hear, not what you want to say
**Investors Can Have Varied Mandates**

<table>
<thead>
<tr>
<th>Investment Mandate</th>
<th>Notable Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Investors</td>
<td>Fidelity, T. Rowe Price</td>
</tr>
<tr>
<td>Value Investors</td>
<td>Dodge &amp;Cox, Ariel</td>
</tr>
<tr>
<td>GARP Investors</td>
<td>Putnam, Franklin Advisors</td>
</tr>
<tr>
<td>Yield/Fixed Income</td>
<td>Payden &amp; Rygel, Pimco</td>
</tr>
<tr>
<td>Momentum</td>
<td>Oppenheimer, Columbia</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>Large Cap/ Small Cap</td>
</tr>
<tr>
<td>Index/ETF</td>
<td>Blackrock, Vanguard</td>
</tr>
<tr>
<td>ESG</td>
<td>TIAA-CREF, Calvert</td>
</tr>
</tbody>
</table>

IR Professionals should tailor their investment thesis to target audience.
Create a Compelling Investment Story

<table>
<thead>
<tr>
<th>Analysts and investors review and follow numerous companies every year</th>
<th>A corporate “story” needs to distinguish its unique characteristics from the field</th>
<th>There must be a compelling investment thesis tied to the Corporate Strategy</th>
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<tbody>
<tr>
<td>➢ View your corporate message from their perspective and put yourself in their shoes</td>
<td></td>
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Analysts and investors review and follow numerous companies every year. To make an impact, your corporate message should be viewed from their perspective and put yourself in their shoes. A corporate “story” needs to distinguish its unique characteristics from the field. There must be a compelling investment thesis tied to the Corporate Strategy.
Messaging Topics

- General corporate position and how it will generate returns
- Innovation
- Unique/compelling milestones or events
- Market position

- Intangible assets
  - Strong management
  - Brand recognition
- Financial track record and future outlook
- Turnaround story?
  - Include activities and evidence to right the ship
What makes a Compelling Message?

✓ It is strategic...
✓ It is simple and concise...
✓ It is compelling...
✓ It is easy to remember and repeat...
✓ It is authentic to your company...
KEY INVESTMENT HIGHLIGHTS

One of the fastest growing specialty building products distributors led by an experienced management team

- Founder-led management team with strong track record of growth
- Market leader with significant size and scale advantages
- Proven multi-faceted growth model
- Proven operating model focused on local market excellence
- Leading industry consolidator with an active acquisition pipeline
- Critical link between suppliers and customers
- Founder-led management team with strong track record of growth
Reflection Questions

*Have you effectively communicated your story to provide a compelling investment rationale?*

*Do you know your target audience?*
KNOW YOUR COMPANY’S DISCLOSURE RECORD
Know Your Disclosure Record

Evolution not Revolution
✓ Know what you have communicated to investors in the past and build a bridge to the present and future
✓ Be proactive not Reactive
✓ ESG is becoming a big deal

Make sure you know the Rules
✓ Disclosure Concepts
  ✓ Materiality, Duty to update, Duty to correct

✓ SEC Statutes and Regulations
  ✓ Form 10-K, Form 10-K, Form 8-K, Regulation G

✓ Voluntary Disclosures
  ✓ Earnings calls/webcasts, investment conferences, Sustainability
Corporate Disclosure

Know the general disclosure rules including Regulation Fair Disclosure (Reg FD)

Determine if other factors—e.g. Environmental, Social and Governance (ESG)—may be involved

Know your specific industry disclosures—examples include:
- Biotech=data
- Mining=mine safety
- Tech=cyber security

Set a standard for voluntary disclosures and stick with it

Financial and non-financial guidance
Reflection Questions

What are the disclosure obligations for your company and what are the historic disclosures?

Are there other disclosures that you think are relevant and should be voluntary for the company?

Do your disclosures allow for objective investment decision making?
DEVELOP THE MESSAGE
Messaging Overview

- Message development is a continuous process
- Ensure the process is iterative
- Give careful consideration to previously delivered messages and disclosures
Gathering And Assessing Feedback

Gather and record shareholder feedback
- Earnings Call Q&A
- Conferences
- Non-Deal Roadshows

Consider a third-party perception study
- Provides candid feedback
- Measures messaging effectiveness
- A roadmap for future message

Understand the position of analysts
- Sell-Side Research Reports
- Peer competitive Research Reports
- Industry Research/ Mega Trends

Review governance related filings
- Assess disclosure practices
- Review disclosure record
Reviewing Feedback

• Compile the feedback and assess if the message is accurately absorbed
  – Numeric scores
  – Open-ended comments
• Develop consistent, frequent assessment which enables comparison of trends over time
• Utilize investor/analyst feedback to develop new or modify existing messaging
Review With Management

What the process looks like:

- Multiple rounds of review to perfect the message and ensure consistency
- Consistent review schedule
  - Correspond with quarterly earnings
  - Annually
- Open dialogue to evaluate perception and form of delivery

What to include:

- All relevant external sources
- Internal departments:
  - Corporate Communications
  - Marketing
  - Legal
Evolving the Message

The Four B’s of Change Communications

**Be Proactive**: As markets change and/or business dynamics change, the IR professional should be prepared to message the change.

**Build Credibility**: Clearly Communicate what has changed? Why it has Changed, and management actions in response to the change.

**Be Visible**: In good times or bad, control the investor messaging.

**Build a Bridge**: It’s important that change communication maps to your core corporate message.

*Make the message is aligned across all communication platforms*
Role of Investor Relations

Schedules appropriate timing and personnel

Smaller group meetings with key spokespeople

Leads the process for messaging assessment, feedback and development

Other departments to provide input as needed

Drives the process to closure with executive and legal approval of final messaging
Key Roles in Messaging Development

EDITOR
Investor Relations
- Creation of draft messaging
- Description of expected tone
- Coordination of review process
- Consolidation of editing comments
- Compilation of supporting documents

CONTRIBUTOR
Functional Owners
- Product Management
- Marketing
- Sales
- R&D/Technical

REVIEWER
Subject Matter Experts
- Legal
- External reporting/accounting/finance
- PR/Corporate Communications
- C-Suite Executives

APPROVER
Messaging Owner
- Final approval of messaging
- Limited to key executives – CEO, CFO, Legal, etc.
Methods of Delivery and Desired Outcomes

- **Earnings Press Releases**
  - Financial results including GAAP vs. non-GAAP
  - Management’s description of results, outlook and guidance

- **Slides for Earnings Release**
  - Reinforcement of points from the press release and conference call
  - Additional details on outlook, models, guidance and complex issues

- **Earnings Call Scripts**
  - Provide greater clarity on financial performance and future outlook
  - Ability to discuss key drivers of changes from prior periods

- **Analyst/Investor Day Presentations**
  - Detailed understanding of products, technologies, strategy, differentiators
  - Ability to showcase additional departments

- **Letter to Shareholders**
  - Provide a more personal touch on the longer-term recap of performance
  - Demonstration of successful execution strategy, goals and objectives

- **Corporate Presentation Deck**
  - Overall review of the company and often the “first look”
  - Increase dialogue between the Street and company spokespersons
Reflection Questions

How are you going to gather feedback on your story? Who will you reach out to?

How will you track the feedback received to redesign a more effective corporate message?

Who are the key spokespeople and message contributors in your organization?

How often do you revisit your messaging and methods of delivery?
ASSESSMENT OF PEER MESSAGING
It is important to understand the company’s investment story relative to competing investments (a.k.a. peer group).

Peer messaging leverages a wide variety of financial and non-financial metrics and related valuation benchmarking against key competitors and industry peers.

Gather perceptions from analysts, shareholders, top targets and recent sellers.
Audit Peer Group Communications Practices

- Analyst Ratings, Price Targets, Focus, Headlines, Commentary, Tone
- Financial Performance, Valuation Metrics
- Communication Materials, Investment Messages, Disclosures
- Other: Insider Ownership, Track Record, Credibility, Capital Structure, Growth Strategy

Peer Group Audit
Perception Gathering Questions

1. What are the most compelling reasons for owning the stock now?
2. What are the risks to owning now?
3. What factors are behind the current valuation?
4. What metrics and/or methodologies are used in valuing the company?
5. How would one describe the company’s business strategy?
6. How does the Street view the company’s disclosure transparency guidance practices?
Key Objectives in Peer Assessment

- Better understand the company’s current valuation and ownership profile
- Determine which messages resonate and what may be missing or misunderstood
- Accurately gauge current Street sentiment
- Ascertain how the IR initiatives and financial communications are perceived and any needed improvements
Reflection Questions

Who are your peers?

What and how are your peers communicating?

What are the external perceptions of your company?

Who are the stakeholders you can contact to best understand the Street’s perception?
MESSAGE DEVELOPMENT EFFECTIVENESS
Drafting Messages

• Helps provide a thorough understanding of the most essential business elements
  – Business model, past performance, future prospects
  – Differentiators in the competition for capital
• Generates a message map
• Assures consistent communication

Consistency is key! Buy-side is tracking 100+ investments – need to be clear and concise.
A formal messaging document will help with consistent communication.

- A corporate positioning statement
- Master Q&A
- Key investment messages
### Sample Categories and Proof Points

<table>
<thead>
<tr>
<th><strong>Growth Drivers</strong></th>
<th><strong>Strategic Growth Drivers</strong></th>
<th><strong>Business Strategy</strong></th>
<th><strong>Probability Factors</strong></th>
<th><strong>Business Model Detail</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• General economic</td>
<td>• Product/service differentiation</td>
<td>• Organic vs. external growth strategies</td>
<td>• Unit volume increases</td>
<td>• Top-line growth trajectory</td>
</tr>
<tr>
<td>• Demographic</td>
<td>• Brand awareness/loyalty</td>
<td>• Increase demand</td>
<td>• Price increases</td>
<td>• Scalability</td>
</tr>
<tr>
<td>• Technology</td>
<td>• Pricing or price increases</td>
<td>• New products/services</td>
<td>• Sales mix shift to higher margins</td>
<td>• Operating efficiencies &amp; leverage</td>
</tr>
<tr>
<td>• Regulatory</td>
<td>• Production capacity and distribution</td>
<td>• Higher volume for existing products, add-on feature, etc.</td>
<td>• Operational efficiency through scale and lower costs</td>
<td>• Profitability</td>
</tr>
<tr>
<td>• Market share</td>
<td>• Resources: infrastructure, financial, human</td>
<td>• Increase market share (e.g. geographically, distribution, sales force, R&amp;D)</td>
<td>• SG&amp;A and interest expense</td>
<td>• Risk management</td>
</tr>
<tr>
<td>• Future goals</td>
<td>• Competitive advantages</td>
<td>• M&amp;A for product diversification, acquiring companies or competitors</td>
<td>• Facilities/equipment</td>
<td>• Balance sheet</td>
</tr>
<tr>
<td></td>
<td>• First to market</td>
<td>• Joint ventures</td>
<td>• Labor/raw materials</td>
<td>• Cash flows</td>
</tr>
<tr>
<td></td>
<td>• Barriers to entry</td>
<td>• Asset disposition</td>
<td>• Liquidation, divestiture, product pruning</td>
<td>• Capital allocation strategy</td>
</tr>
</tbody>
</table>
# Long-Term Strategic Priorities

1. **Strengthen Balance Sheet**
   - Reduce net debt leverage
   - Drive working capital efficiency
   - Disciplined capital spending

2. **Drive Organic Growth**
   - Greenfield expansion opportunities in underserved markets
   - Expand the products we offer our customers
   - Optimize the pricing of the products we sell to our customers
   - Grow market share

3. **Expand Profit Margins**
   - Drive procurement savings
   - Leverage our economies of scale
   - Execute our cost-out initiatives
   - Grow wallboard net sales

4. **Platform Expansion**
   - Grow asset base through strategic acquisitions
   - Scalable infrastructure facilitates efficient integration of acquisitions
   - Grow complementary and other products net sales
CREATE ACCURATE & AUTHENTIC MESSAGES
Accuracy

- Pull facts from reliable and verifiable sources
- Note external sources
- Ensure that internal sources are tested, proven, and credible
- Confirm consistency with prior messaging
- Know your audience

Regulatory filings, financial statements, operational reports, marketing materials, etc.
Authenticity

Builds Credibility

Provide accurate, timely and granular representation of the organization

Comply with legal, regulatory, and disclosure policies

Develop reliable and verifiable messages

Use language that is easy to understand, relevant, and compelling to build credibility
Tone

• The tone should mirror the message being delivered
  – Don’t deliver negative news with a positive tone
  • Leads to investor skepticism and reduced credibility
• Evaluations should evaluate verbiage
  – Overused terms whether positive or negative
  – Inconsistencies
  – Importance of the content
Body Language

• Executives’ body language may impact message perception and absorption

• *Some investors are actually coached in assessing body language*

• Subjects for evaluation
  • Hand gestures
  • Sitting position
  • Posture
  • Stage presence
  • Clothing/attire
  • Facial expressions
Reflection Questions

Do you use too many industry acronyms that could complicate your message?

What are your external and internal sources and are they reliable?

Do your key spokespeople have “quirks” that may negatively impact the message delivery?
CONSISTENT MESSAGING
Consistency Checks

Three C’s: deliver a message that does not Conflict, Contradict or Challenge previous disclosures

Define the message development process

Confirm consistent tone and style = “One Voice”

Ensure the message fits the overall story

Store, maintain, and reference prior points
Public Message Dissemination

**Essentials**

- Identify key message points
- Address the needs/interests of the target audience
- Check the message for regulatory compliance, factual accuracy and verifiability
- Be consistent with previous communications

**Incorporate**

- Financial results
- Competitive strengths
- Market position
- Future outlook
Ultimate Goals

- Differentiate the company from its peers
- Highlight its competitive advantage with respect to attracting capital
- Enhance the credibility of the company and support the equity story to the investment community
- Identify inconsistencies and revise accordingly
- Produce a clear, compelling, and useful message for the target audience
Reflection Questions

Does your message reflect your best “investment case”?
Is your message free of the Three C’s?
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