



CASE STUDY: PERCEPTION ANALYTICS

Gathering Investment Community Feedback to Gain Intelligence that Prompts Board-level Action

www.ipreo.com

SECTOR:

Healthcare

EXCHANGE:

LSE
NYSE

MARKET CAP:

Mega Cap

INTRODUCTION

Ipreo's client suffered from investment community concerns at a recent Board strategy meeting and stagnant share price performance despite demonstrating significant progress on its strategic initiatives and improved financial performance. The Company's objectives were to understand the influence of top shareholders and sell-side analysts on stock performance and how this could weigh on its Board of Director's decision-making. With the goal of gaining an independent assessment of buy- and sell-side perceptions, The Company selected Ipreo to conduct a thorough analysis of investment community sentiment and present the unbiased study findings at a Board meeting.

IPREO'S APPROACH

In order to target a well-rounded, global investor pool, Ipreo used current ownership data and The Company's meeting records to identify knowledgeable analysts and key portfolio managers who were close to the investment story and had recently engaged with The Company's executives and IR team. Ipreo gathered equal-weighted feedback across regions from a mix of underweight and overweight shareholders, recent buyers and sellers, potential investors, and covering sell-side analysts with varying ratings to ensure unbiased findings.

With the goal of covering the most pressing issues and topics relating to The Company's investment story, Ipreo created an open-ended questionnaire that allowed investors to freely discuss The Company's strategy, senior management, growth potential, and triggers for future investment decisions, while still effectively addressing the Board's key questions:



How has the market's perception of The Company evolved over time?



Are The Company's near- and long-term targets appropriate and achievable?



How do investors and analysts rate senior management credibility, strategic effectiveness, and long-term growth prospects?



How should The Company deploy capital in order to improve valuation?



How do investors rate The Company's R&D, product pipeline, and commercial product portfolio?



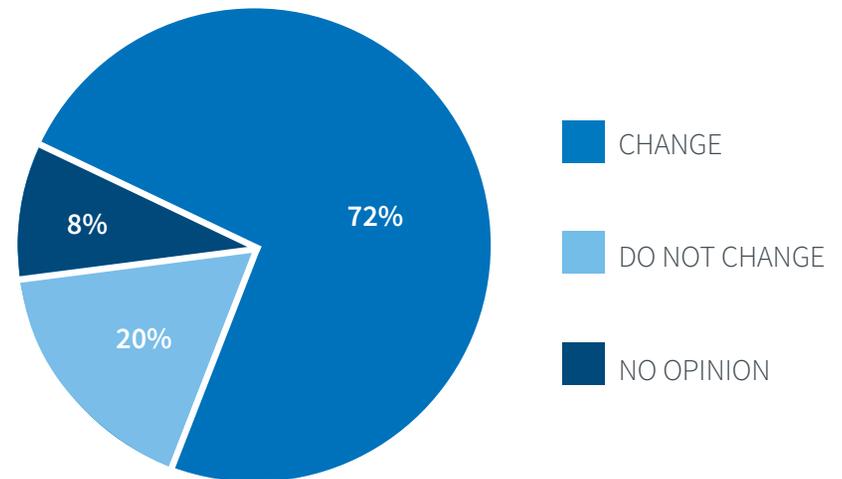
What is the market's view of management's compensation and incentive plan?

STUDY RESULTS

After analyzing the feedback from 30 telephone perception interviews, the study revealed:

- 1** Investors and analysts candidly offer several critical areas of dissatisfaction, but remain constructive and passionate about driving change at The Company due to their trust in the management team.
- 2** The CEO is extremely well-regarded for his vision, background, and communication style, but considered to be inaccessible to UK-based investors and analysts.
- 3** The CFO is viewed as an experienced, strategic thinker, but less effective in managing The Company's accounting and articulating the financial side of the investment story.
- 4** Market confidence in the strategy and long-term growth story remains intact, but management's credibility is called into question because participants disagree with The Company's accounting practices and guidance.

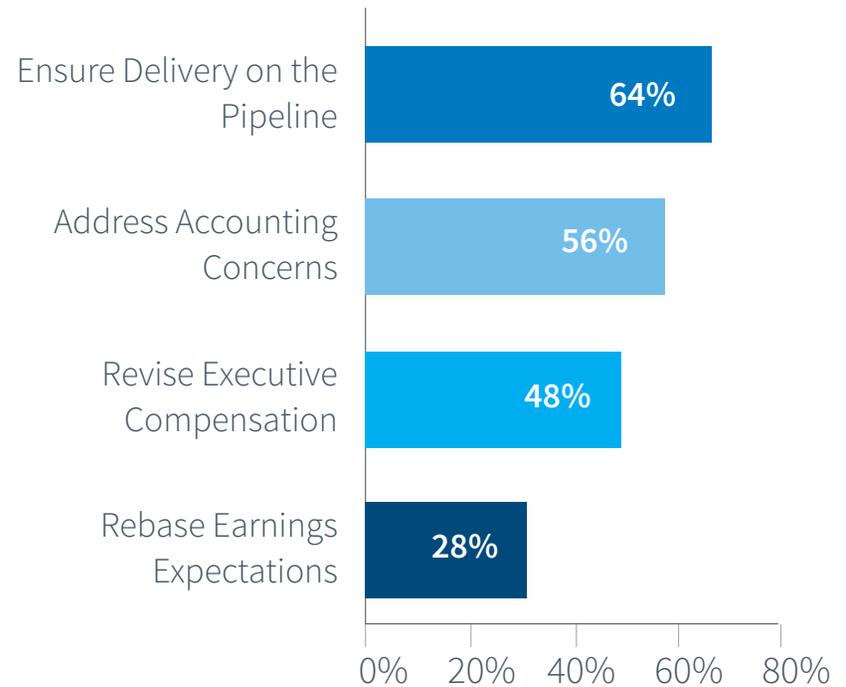
How do you wish to see The Company's compensation program develop over time?



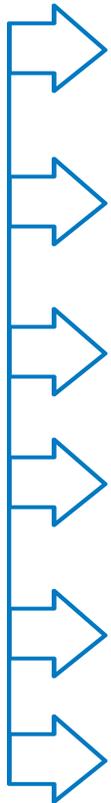
STUDY RESULTS

- 5** The Company's R&D and pipeline are perceived to be transformational drivers of value creation, but respondents remain in 'wait and see' mode based on execution.
- 6** As further evidence of their conviction in senior management's decision-making, most participants prioritize organic investments and M&A as uses of capital rather than shareholder returns or debt paydown.
- 7** The most-pressing overhang on the stock stems from the Board's policies for executive remuneration as investors and analysts assume that management resorts to utilizing accounting to meet unrealistic targets because the team's compensation is tied to inappropriate KPIs.

Key Messages for the Board of Directors



IMPLEMENTATION



Ipreo presented the key findings to the Board of Directors, CEO, CFO, and IR team at a formal Board meeting in order to provide an unbiased analysis of the findings and consultation on the key takeaways.

The Board revised the executive incentive scheme by removing two controversial KPIs that were linked to management's compensation and offered thorough rationale behind its decision.

The Company altered its accounting practices to conform to industry norms.

The IR team increased the CEO's visibility in the UK by scheduling two annual non-deal roadshows and proactively offering conference calls to key shareholders and analysts in the region.

The CFO sharpened his discussion of the financials, particularly focusing on the accounting overhaul.

The Company increased its proactive communication of R&D breakthroughs, pipeline news, and capital deployment plans.

CLIENT TESTIMONIAL

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The report was excellent and way above our expectations. It was an illuminating read and a great piece of work. For the presentation to the Board of Directors, we used the Ipreo slide format to get the independence point across. Some feedback was very sensitive and it was important to us that it was presented in a win-win fashion. Ipreo's team provided an impressive presentation to the Board. The feedback we received from our CEO, CFO, and various Board members was very positive regarding Ipreo's professionalism and insight into our Company and the study findings. We were overly impressed not only by the presentation, but the whole execution of the perception study. We had done perception work with other providers in the past, but the process of working with Ipreo and the quality of the final deliverable far exceeded our preconceived notion of what perception studies typically entail.

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IPREO SERVICES USED

- ▶ Perception Studies
- ▶ BD Corporate
- ▶ Global Markets Intelligence

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