

# REDEFINING SHAREHOLDER INTELLIGENCE: HOW OWNERSHIP DATA DRIVES EFFECTIVE ENGAGEMENT

## Capital Markets Demand Data

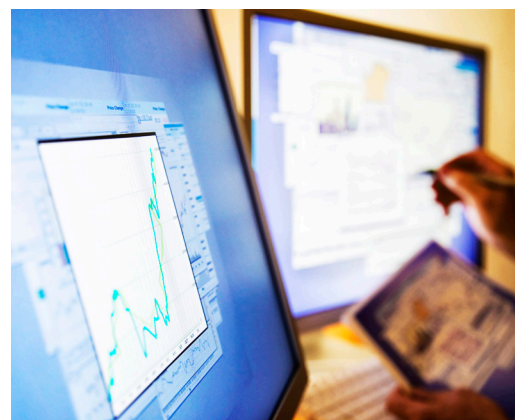
Ownership data management and analytics are critical factors for measuring and managing a company throughout its evolutionary lifecycle.

**Ownership data**—shareholder sentiment, proxy voting patterns, buy and sell trends—provides a diagnostic snapshot of the company. When companies proactively monitor their shareholders on an ongoing basis, they are in a much stronger position to understand how investors view them as an investment opportunity in the near, medium and long term.

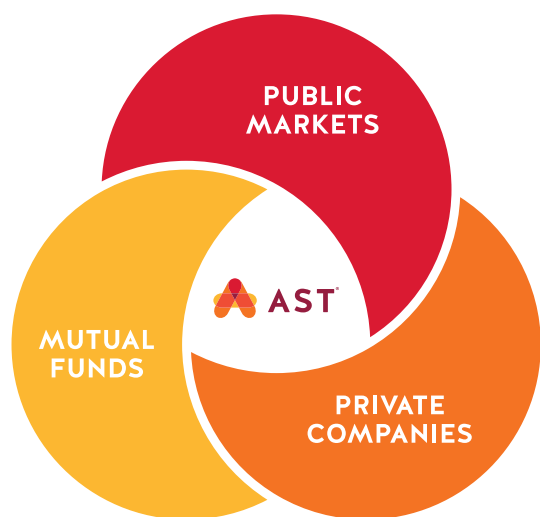
## Activism and Engagement

In addition, the need to effectively engage shareholders as part of a sound corporate strategy—and thus the key role of having full ownership data available—has become more critical than ever with **the dramatic increase in shareholder activism**. Over the last five years, there has been a ~48% increase in the number of companies targeted by activists in the U.S. and Canada.<sup>1</sup> And with the steady uptick in campaigns related to Environmental, Social and Governance (ESG) proposals over the past five years,<sup>2</sup> **the potential for ESG-related activism** is heightened. **Regulatory compliance focused on shareholder composition** also continues to present challenges.

In response, shareholder engagement has gained significant traction as companies seek to address their **shareholders' varied areas of concern**, ranging from ESG to board diversity to executive compensation. Supported by an increased focus on Investor Relations and corporate governance, ~49% of Boards of Directors directly engaged with shareholders in the past year.<sup>3</sup>



**OWNERSHIP DATA DRIVES EFFECTIVE SHAREHOLDER ENGAGEMENT.**



AST PROVIDES OWNERSHIP DATA MANAGEMENT, ANALYTICS AND ADVISORY SERVICES TO PUBLIC AND PRIVATE COMPANIES AS WELL AS MUTUAL FUNDS.



## The Power of Ownership Data

Communicating with shareholders in an increasingly complex environment requires ongoing strategic assessment and effective execution. “It is critically important to understand shareholder behavior, including whether they are buying or selling, how the situation compares to peer companies, their historical voting patterns at the annual meeting and other predictive data,” says **AST** President and CEO **Martin Flanigan**.

Predictive analytics derived from a full set of ownership data are needed to drive a comprehensive engagement strategy that both resonates with investors and supports the corporate strategy. “Today these engagement processes are becoming critically important,” adds Flanigan, “as more and more investors turn their attention to former ancillary matters, such as board diversity and ESG.”



**MARTIN FLANIGAN, AST  
PRESIDENT & CEO**

## Building an Ownership Data Platform

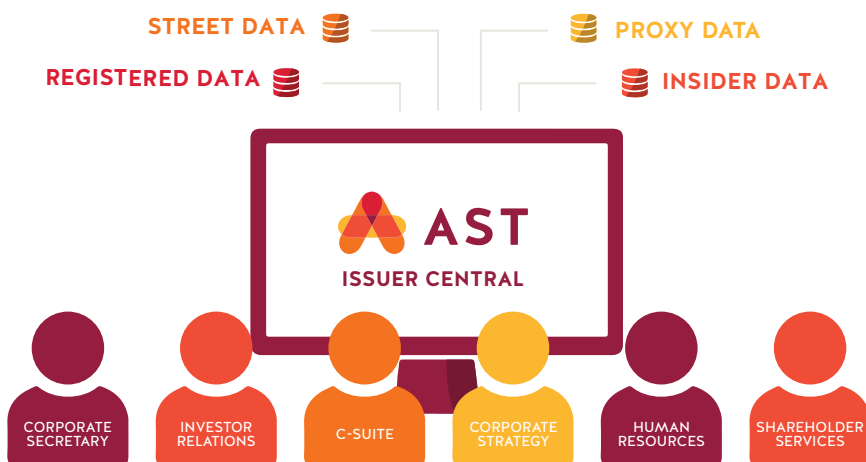
Flanigan is in a position to know. The company he heads, **AST**, is a leading provider of ownership data management, analytics and advisory services to public and private companies as well as mutual funds. **AST**'s comprehensive product set includes transfer agency services, employee stock plan administration services, proxy solicitation and advisory services and bankruptcy claims administration services.

“We have unique data sets related to ownership data and behavior that are delivered through our innovative **Issuer Central**® platform,” says Flanigan. “**Issuer Central** is an industry-first, on-demand analysis and intelligence platform that provides both registered shareholder and institutional and insider (street) ownership data for C-suite teams in one consolidated interface.”

## Data on Demand

The **Issuer Central** platform uniquely aligns core functionalities—shareholder intelligence, registry services and, in future updates, proxy management and other share ownership-related services—into a single online ownership portal. The platform consolidates registered, institutional and insider (street) shareholder positions to provide a uniquely comprehensive view of ownership not available anywhere else in the industry.

**Issuer Central** processes and presents ownership data to help identify how strategic decisions, such as mergers and acquisitions, will be viewed by each shareholder. Clients have a dynamic, customized dashboard where any users—from C-suite to operational users—can view the critical information they need to develop strategic initiatives and plan for corporate audits, annual general meetings and other corporate actions.



**“WHO OWNS MY  
SHARES? ... ISSUER  
CENTRAL ANSWERS  
WITH DATA AND  
ANALYTICS.”**

“Who owns my shares? What do I need to know about both my retail and institutional investors to more effectively engage them? Why did they invest in my company? These are common questions companies seek to understand, which Issuer Central answers with data and analytics,” says Flanigan. “The insights into their shareholder base allow companies to understand the consequences of their actions on their trading activity. Using enhanced insights into their investors’ needs and behaviors, they can create stronger relationships with them and maximize their marketplace experience.”

## Enabling Engagement

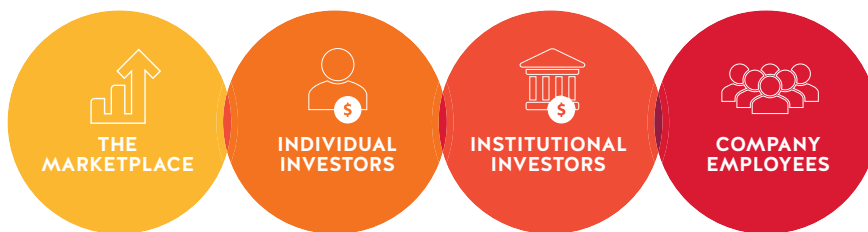
“The first step to **effective shareholder engagement**,” says Lou Cordone, Senior Vice President, AST Ownership Intelligence, “is the development of an effective meeting and communications strategy, backed by procedural guidance on future corporate actions. Issuer Central runs the client’s ownership data and normalizes it so that a company can identify how specific business decisions affect each shareholder and predict the likelihood of acceptability based on their past behavior and priorities. We have a deep bench of professionals who work with companies on these types of analyses.”

AST displays those results across a dynamic, customized dashboard tailored to user type—including stock administrator, CFO, investor relations officer, general counsel or corporate treasurer or secretary—allowing them to be easily exported and included in audit reports, annual meeting documents, internal reports and more. “And the beauty of it is, everyone is looking at the same data as they seek to make key decisions collectively that will impact the direction and growth of the company,” observes Cordone.



**LOU CORDONE, AST  
SENIOR VICE PRESIDENT,  
DATA STRATEGY**

## WHO’S VIEWING A PUBLIC COMPANY?



**UNDERSTANDING  
THE DYNAMICS OF  
OWNERSHIP AND  
MARKETPLACE  
PERCEPTION IS  
KEY TO EFFECTIVE  
SHAREHOLDER  
ENGAGEMENT.**

## The Dynamics of Effective Engagement

“Once you’ve identified your shareholders, you then need to develop a comprehensive engagement strategy to ensure you understand their concerns and can effectively communicate your underlying strategy to them,” advises Flanigan. “This is critically important as investors increasingly focus on areas like CEO pay ratio and board diversity.” Notes Flanigan, “Our **D.F. King** affiliate, which has been in the corporate proxy business since the 1940s, works closely with our issuer clients to ensure they have sound engagement strategies.”

## Aligned Proxy Services

“D.F. King is a key part of AST’s leading-edge ownership data management services,” says Tom Germinario, Senior Vice President, **D.F. King** (an AST Company). “As AST sought to build a more integrated model, its

leaders realized the value we could bring to both the business and its clients, given our expertise in advising issuers in extraordinary solicitations.” Germinario adds, “When you combine AST’s ownership data as transfer agent with D.F. King’s historical data sets and add everything D.F. King can offer in the realm of strategic advisory services to corporate proxy clients, the result is a best-in-breed, integrated offering all under one roof.”

 “AST SOUGHT TO BUILD A MORE INTEGRATED MODEL.”

## Ownership Intelligence

As part of AST’s overall model of integrated services, D.F. King collaborates with AST’s **Ownership Intelligence (OI) Group**. “When a client comes to us with a concern about unusual trading patterns or potential activist accumulation, that’s when we contact OI,” says Germinario.

“This is a real plus for issuers. We have the instincts to put an accumulation of shares in context and advise on where it is coming from, who the potential culprits are based on experience and the potential scope of the issue. D.F. King and OI together can provide a complete, end-to-end set of insights and solutions.”

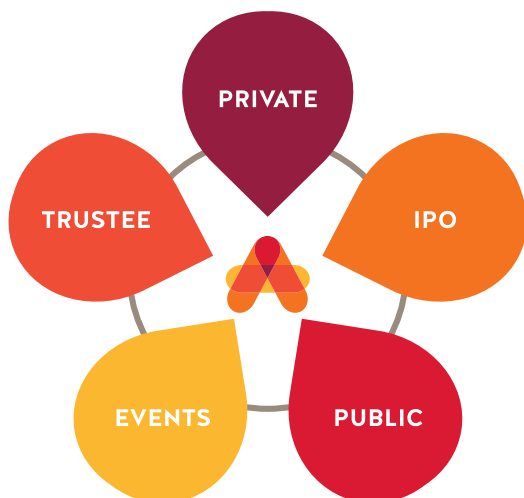
## End-to-End Business Lifecycle Services

As an extension of its integrated services model, AST sees itself as an intermediary between public companies and their shareholders. AST supports clients in developing and executing engagement strategies, assists with major corporate events, such as **IPOs** and **M&As**, and helps companies ensure ongoing regulatory compliance. “We support clients at all points in their corporate lifecycle, ranging from private pre-IPO companies contemplating going public to more mature companies seeking advice and guidance related to activist trading in their stock,” says Flanigan.

In business for 50 years, **AST** now serves 4,000 clients across North America. The company’s journey began in the 1970s as a U.S.-based transfer agent. “Over the years, we built up a very successful business with very loyal clients. As we recognized those clients desired additional products and services, we moved into adjacent areas to better serve them,” Flanigan continues. “At the same time, we expanded into Canada, becoming the leading provider in our space across North America.”



**TOM GERMINARIO,**  
SENIOR VICE PRESIDENT,  
D.F. KING



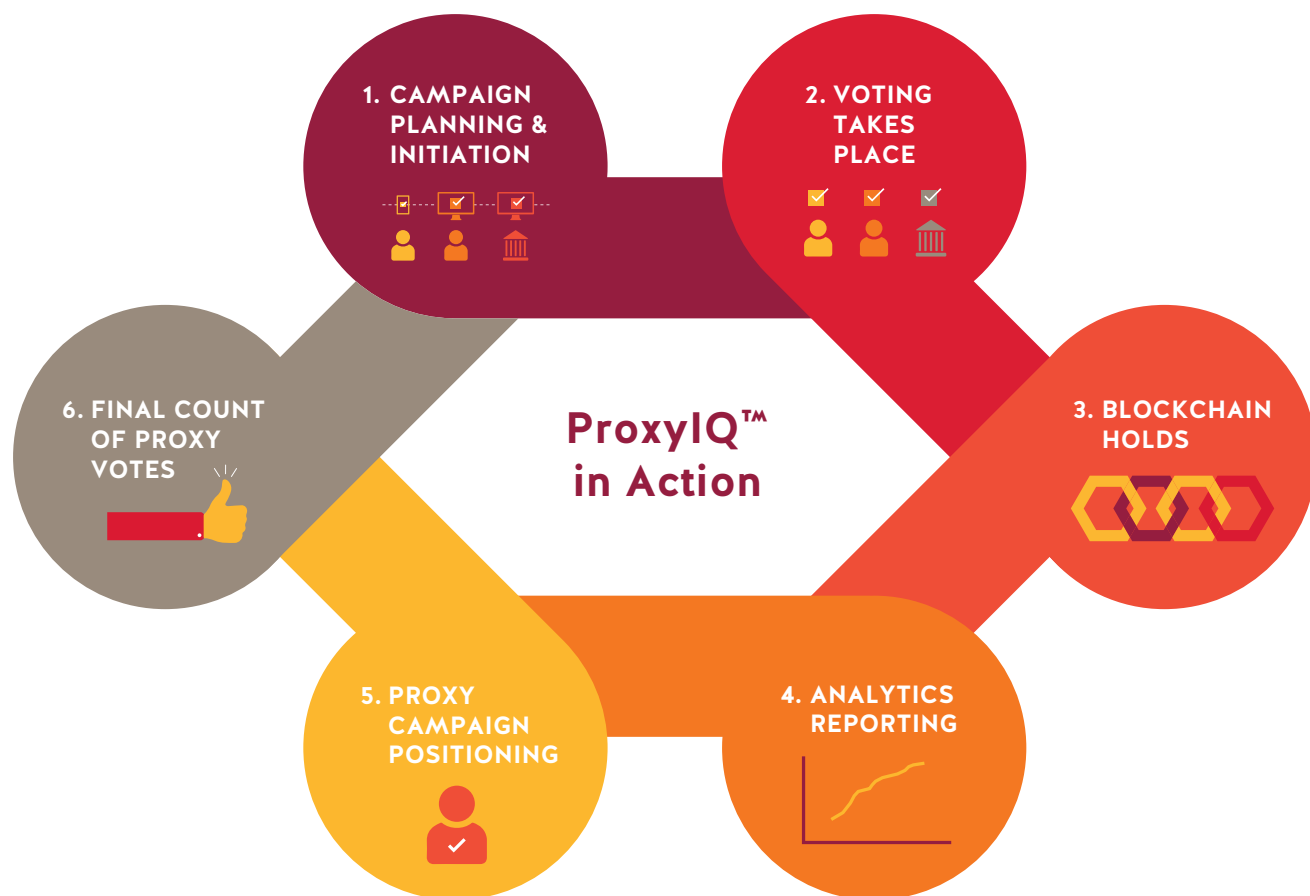
 **INTEGRATED SERVICES  
PROVIDE END-TO-END  
BUSINESS LIFECYCLE  
SERVICES.**

## A Better Proxy Campaign Mousetrap

AST has also launched a **blockchain-based platform for proxy campaign management**, tabulation, reporting and predictive analytics. “We introduced a streamlined proxy campaign process and data flow powered by blockchain technology and offering predictive analytics that help optimize shareholder engagement,” says Flanigan. “We are starting with our mutual fund proxy solicitation service offerings, delivered by **AST Fund Solutions**, and will eventually be extending these capabilities to our corporate proxy services. It’s a direct application of data in the service of achieving corporate strategy.” AST Fund Solutions is currently the market leader for fund proxy services in the U.S.

The new platform, called ProxylQ, recently launched. Flanigan observes, “We’ve increased transparency, traceability and transaction speed while providing a new level of analytics that will make possible smarter, more cost-effective proxy campaigns based on more accurate, targeted outreach to shareholders. With predictive analytics, the campaign becomes more intelligent in-flight.”

## PROXY CAMPAIGN PROCESS



## BENEFITS



Increased transparency and traceability



Efficient execution



Streamlined process

## Ownership Data Services for Private Companies

Like their public counterparts, private companies also seek a single provider of ownership data services. To that end, the next step in AST's ongoing evolution of its full-service offer involves expanding its underlying technology and expertise to private companies. "Private companies are still underserved and will significantly expand our addressable market," says Flanigan. "2020 sees the launch of **Astrella**, a Software as a Service-based (SaaS-based) private company ownership platform."

Carine Schneider, President, **AST Private Company Solutions**, notes, "The underserved private company market presents a greenfield opportunity for AST to alleviate the complex and onerous task these companies have of managing their ownership data," says Schneider. "What's amazing, when you think about it, is that trillions of dollars are being entrusted to spreadsheets. Reports are often provided on an individual basis and manually updated for changes, which is costly and time-consuming. Often there's only a limited audit trail, with risk of errors in recordkeeping and calculations. To top it off, none of the company's data may be protected by a cybersecurity framework." AST's SaaS-based solution can change all that with a simple online sign-up to become a client and use the new platform.

- Astrella's open platform provides a "wheel of services" for private companies, their investors and their employees
- Partner network includes best-in-class providers from the private company ecosystem, including transaction, lending, wealth management and fund administrators
- Integrated APIs allow for easy transfers of data completely controlled by your company



**CARINE SCHNEIDER,  
PRESIDENT, AST PRIVATE  
COMPANY SOLUTIONS**



**"PRIVATE COMPANIES ARE STILL UNDERSERVED."**

## Ownership Data and Strategic Planning

Speaking from the helm of **AST**, **Flanigan** concludes: "For any company—no matter their ownership structure or situation—shareholder knowledge is the foundation of successful engagement, persuasion and decision-making. Maintaining corporate momentum always begins with having comprehensive and unique ownership data."

### CONTACT US

Email us for more information at [ownership@astfinancial.com](mailto:ownership@astfinancial.com)



<sup>1</sup> Activist Insight, Shareholder Activism in Q1 2019 Report (April 2019).

<sup>2</sup> "Demanding Charity: ESG Activism Campaigns On The Rise," Melissa Kennedy, FactSet, October 30, 2018.

<sup>3</sup> PwC, Annual Corporate Directors Survey (October 2018). Excludes CEO engagement with shareholders.

# AST CASE STUDY:

## Leveraging Ownership Data with Issuer Central®



### CHALLENGE

A \$34B market-cap managed healthcare company was already using **AST's Transfer Agent (TA) Services** and AST affiliate **D.F. King's Corporate Proxy Services** when an activist shareholder sought to block the company from making a strategic acquisition. The situation raised questions from the C-suite regarding shareholder ownership, with executives ultimately wanting to know if the **annual general meeting (AGM)** record date ownership reports could be produced with greater frequency than once per year, and what other resources were available to monitor ownership.



### SOLUTION

In its long-standing work with AST and D.F. King, the company had been receiving one-time institutional and insider (street) shareholder identification reports as of the record date of its AGM. In light of the activist situation, the company immediately engaged AST's **Ownership Intelligence (OI) Service** to monitor street ownership. OI began to provide weekly reports, which the company paired with registered shareholder reports it received from AST's TA unit.

With the urgent situation addressed, AST then proposed a superior way to monitor shareholder ownership: leverage **AST's Issuer Central platform** as a repository for all the company's ownership data. Issuer Central could present both registered and street ownership data in a single view, including the weekly identification reporting. Its unique analytics capabilities, revealing information such as proxy voting agency influence and cost-basis, could also be leveraged in the activist situation to help gauge management support ahead of proxy contests.



### RESULTS

With Issuer Central, management could assess the level of support the activist might receive from other shareholders. Issuer Central provided a holistic view of the ownership and, in this case, confirmed that 40% of the outstanding shares were held by the top 20 investors, including two hedge funds. Hedge funds typically support the activist, while mutual funds typically support management. By understanding the concentration levels of ownership, the company was able to focus its outreach efforts accordingly. In addition, of the top 20 investors, four were ISS clients, which further helped management understand potential proxy voting outcomes.