

2024 IR Workshop: IR at an Inflection Point

Understanding Your Stock Price Trading Volatility and Valuation Perception How to Data Gather and Analyze

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Goals for today's talk

1.

Understanding Market Participants

- Identify key players in the trading ecosystem
- Learn about the roles of various market participants

2.

Understanding Your Stock's Investor Makeup

- Gain insights into the composition of your stock's investor base
- Understand the types of investors holding your stock

3.

Gathering Information on Trading and Volatility

- Explore steps to collect relevant data on trading activities
- Utilize different channels to access information on market volatility

Stock Price = Valuation

“An estimation of something's worth, especially one carried out by a professional appraiser”

- Webster's Dictionary

“Valuation is the analytical process of determining the current or projected worth of an asset or company. You can calculate valuation in many ways.”

- Investopedia

The question IROs face most often:

Why is my stock
trading this way?

Who are the players in the market ecosystem?

Institutional Investors (aka 13F filers)

Active & Passive Long-only Institutional Investors	Hedge Funds	ETF and Index vehicles	Proprietary Trading Firms
<ul style="list-style-type: none"> Contribute to significant price swings based on directional movements Represent a stable and rational group in pricing behavior 	<ul style="list-style-type: none"> Drive day-to-day market volatility as risk-takers Influence setting new highs and lows, contributing to short selling 	<ul style="list-style-type: none"> Largest segment in US markets, impacting intra-day volatility Short-term ETFs drive volatility in Small-SMID-Mid caps significantly <ul style="list-style-type: none"> Rapid changes in top shareholders can affect prices 	<ul style="list-style-type: none"> Drive technical levels and induce high volatility in stocks or sectors Quant traders active in microcap space, often impacting downside moves
Retail Investors	High Net Worth Family Offices and Retail investors	Options Traders	Company Insiders
<ul style="list-style-type: none"> Typically characterized as buy-and-hold long-term investors 	<ul style="list-style-type: none"> Significant players in Micro and Small Cap stocks Can act as both long or short participants, influencing stock movements 	<ul style="list-style-type: none"> Key in setting paths to new highs and lows Institutional Put and Call holders visible via quarterly filings like 13Fs 	<ul style="list-style-type: none"> Anyone love those questions you get on your exec's form 4 sales?

Honorable mention to Market Makers, Specialists, and Buy Back Agents



How do you figure the Retail-Trader-Non Institutional investor portion of your stock?

$$\text{Total Shares Outstanding} - \text{Insider and Treasury Shares} - \text{The summation of 13F holders' shares as of quarter end}$$

Nasdaq IR Intelligence

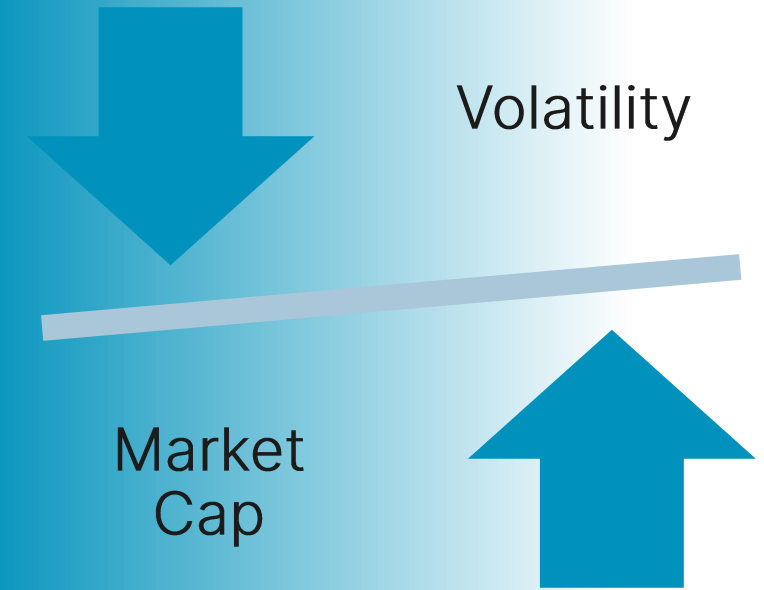
Market Cap & Volatility

Less Volatile Sectors:

Community Banks, Utilities and REITs

More Volatile Sectors:

Cannabis, Crypto, Biotech



Nasdaq has observed the following ownership make-up in liquid, less volatile stocks

- Insider Ownership (5%-20%)
 - Low range raises skepticism about management's confidence
 - Over 20% may lead to perceptions of insider control, deterring global investors
- Retail Ownership (Under 40%)
 - Excessive retail ownership suggests institutional disinterest
 - Balance needed to attract diverse investor base and secure market stability
- Hedge Funds Ownership (Under 50%)
 - Hedge funds can act as long-term investors
 - High turnover indicative of volatility; maintain a balanced ownership mix

Note: If more than 70% of your shares are held in total by your Top 10 shareholders, you likely have a liquidity issue.



Nasdaq has observed the following investor types driving volatility across market caps

- Micro-Small Cap
 - Proprietary trading firms
 - Retail
 - Some hedge funds
- Mid-Cap:
 - ETFs
 - Large hedge funds
- Large to Mega Cap:
 - Largest active institutional long only investors
 - High net worth broker asset allocation models

How to tackle 2 common questions on volatility

Question #1

CFO enters IRO's office and says:

"Hey, we are now down 5% do you know why?"

Last time you looked it was down 1%, in line with market.

How does the IRO investigate?

- Call MID Desk or Floor Specialist
- Check newswires for peer/sector/macro news
- Look for advertised sells by broker and call that desk
- Call sell-side
- Call current shareholder
- Call known trader
- Check chat rooms
- Check your options trading
- Check daily sort interest data
- Call surveillance provider – a good one will have called you already

How to think about the trading

- Is my trading stock-specific?
- Is my trading tied to my close peers or broader industry?
- Is there a news or event catalyst driving my trading (Fed Rate Comment, Triple Witching, Sector Downgrade)
- If my trading is "Noise" – I can move on.
- If my trading is "Material" – Who could be moving?
- Are there signs that can better point to the WHO?
- (Block Trades, Options Activity, Short Sales, Holder Across Peers)
- You can tie back after 13Fs or go to a Surveillance Provider for correlation



Question #2

CEO asks:

"I don't get it. Most of the sell-side thinks we should trade at \$20 a share, but we trade at \$16.50 and get hammered anytime we cross \$17. Our Peers have a higher valuation. Why?"

How does IRO go about answering this?

Trading and ownership data you can explore:

- Review 13F change data
- Look at the index inclusion of peers vs.
- ETF Exposure vs. Peers
- Short Interest and Options activity
- Surveillance provider insight

Getting to the WHY:

- Speak with:
 - Current Investors, Former Investors, Investors Who Know the Story Well But Haven't Bought In, Traders, the Sell Side
- Check chat rooms
- All of this can be done formally through a perception study, and yes - Nasdaq does provide this service.



Thank You

If you are interested in exploring your shareholder base in more detail or understanding your trading volatility, you are more than welcome to reach out to Nasdaq.

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