

Investors in Small Cap Software

With small caps; limited stock liquidity, valuation, the same old investor faces and sellers impacting the share price are perennial issues. Therefore, many companies ask themselves how they can more effectively allocate time to meeting investors in order to solve the issues they face.

Some conclude more meetings are better but then find time a limiting factor. More research solves the time problem but is this really having an effect? Who, how and when to engage are key questions.

Below, we show the top 40 investors in the small cap software sector. The top 5 investors represent 25% of the ownership and 33% of the buying. Therefore, these funds should be the first names in the diary. That is one day of the meeting schedule.

But what about the rest? Which ones? Are they worth it?

Well the answer is yes ... two thirds of the buying activity come from holders 5 - 40 and is broadly spread throughout the top 40. In fact, those investors ranked 31 to 40 in terms of their overall ownership (4% of the peer group), accounted for 16% of the buying activity (four times their natural weight).

Seeing all of these investors would suggest an additional 7 - 9 day roadshow! Clearly, not every investor will be appropriate and that is before considering the time cost. Therefore targeting, advocating and engaging with these funds ahead of any potential meeting is critical to ensure the right investor is met at the right time.

In a world where size seems to be everything, we believe there are significant opportunities for those willing to look beyond the big institutions. There is life beyond the top shareholders – in fact this is where the day to day activity and marginal buying comes from. This is our focus at Radnor Capital Partners. We target and engage such untapped investors for our clients. We are not constrained by MiFID II, allowing us to pick up the telephone to any investor. Investor targeting is key and underpins everything. There is no point wasting time on investors who are irrelevant.

