

# A CEO Guide to What Investment Decision Makers Really Want: Long-term Roadmaps

Why not give investment decision makers what they really want? A long-term roadmap cuts through the noise by presenting a company's core drivers of growth and competitive advantages, long-term objectives, the strategic plan to achieving those objectives, capital allocation priorities, and a handful of KPIs that allow investors to track progress. Benefits of a long-term roadmap:

- Gives existing shareholders **what they want**
- **Attracts** long-term investors by using long-term language
- Acts as a **deterrent or buffer** against activist attacks
- More accurately shapes a company's **valuation**
- Provides strategic **clarity** to internal audiences

	Possibilities include...	Example
<b>Core Drivers of Growth and Competitive Advantages</b>	<p><b>How the company's business model creates long-term value</b></p> <ul style="list-style-type: none"> <li>• Patents, trademarks, other intellectual property</li> <li>• Demographic shifts</li> <li>• New market opportunities</li> <li>• Supply chain or sourcing advantages</li> </ul>	<p><b>Nidec</b> Japanese motor manufacturer Nidec Corp. defines core drivers of growth as follows:</p> <ul style="list-style-type: none"> <li>• Automotive electrification</li> <li>• Expansion of robot applications</li> <li>• Power-saving demands from home appliances</li> <li>• Labor constraints driving further automation<sup>40</sup></li> </ul>
<b>Long-term Objectives</b>	<p><b>Strategic goals with three- to five-year targets tied to core drivers of growth</b></p> <ul style="list-style-type: none"> <li>• Market share targets</li> <li>• Top line growth or revenue targets</li> <li>• Targeted revenue from new products</li> <li>• EBITDA, operating cash flow, net profit</li> </ul>	<p><b>DSM</b> Dutch health, nutrition, and materials company DSM shares two high-level long-term objectives:</p> <ul style="list-style-type: none"> <li>• EBITDA (earnings before interest taxes depreciation and amortization)</li> <li>• Average annual adjusted net operating free cash flow<sup>41</sup></li> </ul>
<b>Strategic Plan</b>	<p><b>The set of actions planned to achieve the long-term objectives</b></p> <ul style="list-style-type: none"> <li>• Enter a new geography</li> <li>• Build a new factory</li> <li>• Launch a new product line</li> </ul>	<p><b>TATA MOTORS</b> Indian automotive manufacturing company Tata Motors presents its strategic framework detailing the following:</p> <ul style="list-style-type: none"> <li>• Objectives by segment</li> <li>• Segment-level key initiatives</li> <li>• Areas of focus for each segment moving forward<sup>42</sup></li> </ul>
<b>Capital Allocation Priorities</b>	<p><b>An explanation of how investment will create long-term value, including sources and uses of cash</b></p> <ul style="list-style-type: none"> <li>• ROIC hurdles</li> <li>• Target payout ratio</li> <li>• M&amp;A criteria</li> <li>• R&amp;D and/or capex spending (\$ or %)</li> <li>• Target capital structure</li> </ul>	<p><b>THE HOME DEPOT</b> North American home improvement retailer The Home Depot shares the following information:</p> <ul style="list-style-type: none"> <li>• Total forecasted spend (in USD billions)</li> <li>• Breakdown by spending category</li> <li>• ROIC guidelines</li> <li>• Target payout ratio</li> <li>• Criteria for buybacks<sup>43</sup></li> </ul>
<b>Key Performance Indicators (KPIs)</b>	<p><b>A mix of financial and operational metrics tied to the core drivers of growth</b></p> <ul style="list-style-type: none"> <li>• Growth in headcount</li> <li>• Number of new products launched</li> <li>• Marketing or advertising spending</li> <li>• Margin growth</li> </ul>	<p><b>bp</b> British energy firm BP regularly reports against 15 financial and operational KPIs, including:</p> <ul style="list-style-type: none"> <li>• Reserves Replacement Ratio</li> <li>• Underlying Replacement Cost Profit</li> <li>• Metrics tied to compensation plans<sup>44</sup></li> </ul>