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Off the Beaten Path: Reaching Investors Through Regional Road Shows

By Hank Boerner

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OFF THE BEATEN PATH:

REACHING INVESTORS THROUGH THE REGIONAL ROAD SHOW

BY JOHN SCHOGER AND DIANNE IANNARINO

Whether you are looking to increase your shareholder base or want to build stronger relationships with some of your top shareholders located outside of the largest money centers, you should give careful consideration to the opportunities you have to meet with investors in regional money centers. (These include Atlanta, Charlotte, Dallas, Des Moines, Detroit, Kansas City, Milwaukee/ Madison, Ohio's "Three C's," and Pittsburgh).

Often overlooked, these regions have large pockets of actively-managed domestic and international equity assets from diversified sources, including state and corporate pension funds, super-regional and regional banks, mutual funds, insurance companies, and a range of independent investment managers — all eager to meet with IROs and senior corporate management.

EXPECT MORE IN THE REGIONS

In these regional markets there is often more money under management than you may expect. In the Ohio and Western Pennsylvania region that we serve, there is over $200 billion in internally managed equity assets, including five institutions which each manage more than $30B in equity assets. Fifteen more institutions each manage equity assets of at least $2B, many with concentrated holdings, enabling them to take meaningful positions in small- and mid-cap companies, in addition to their large-cap holdings.

VALUE FOR INSTITUTION TO MEET DIRECTLY WITH COMPANY MANAGEMENT

Now more than ever before, regional institutions have a greater need to meet with corporate management. The recent reduction in their budgets has significantly reduced the investors' ability to visit directly with corporations or attend distant conferences. At the same time, the Street has been more selective in analyst coverage, eliminating many analyst positions and reducing their travel budgets as well. The effects of these changes are more acute within the regional investor community.

Typically, we are seeing that portfolio managers rarely travel. Since the analysts and portfolio managers work as teams in making investment decisions, your company's

Changing Environment for Company-Institutional Investor Meetings

Part I of Two-part article on road shows

INTRODUCTION BY HANK BOERNER

Among the many changes taking place in the capital markets, and presenting greater challenges for the IR officer, are those involving face-to-face meetings with current or potential institutional investors. Do we still maintain a tight focus on the sell-side? How do we better penetrate the buy-side investment community? Do investor labels have meaning any more — *value, momentum, GARP, large-cap investors* — how do we know they really are what the label says?

Over the past year *IR Update* has presented a running series on some of the most critical tasks for NIRI members: The dialogue with institutional investors; in-person, via digital platforms, at group meetings, on the road; and on the road in the European Union if your company is seeking investors (or already has owners on board) from beyond the seas.

These concerns are shared at the CFO level: Recently *CFO* magazine editors commented on such topics as "on the analyst circuit," and meeting with "the right investors." Getting the most out of road shows, analyst and investor meetings, conferences and the like "requires more than getting invited and just showing up," notes CFO's Lori Calabro. "One-on-ones and conferences trump analyst research in value," claims CFO's Alix Stuart, who notes that despite the predictions that Reg FD would curtail discussions, "face time apparently hasn't lost its value."

There are probably as many opinions on analyst and investor meetings these days as we find around the swirling debate on earnings guidance — or not — or quarterly vs. annual if issuers do project future earnings.

In this two-part article we look at a new approach to investor meetings — the payment by the institution for inviting in companies of their choice … and how this is being done at the regional and national level. We begin with "Off the Beaten Path" — a look at sometimes overlooked regional markets for company visits — from partners of a firm specializing in coordinating regional meetings. Next month we will look at new approaches in setting up national meetings.

presence in the regional market can be value-added to their internal research efforts. As a result, their investment teams often have a greater appreciation for your time and commitment — and for the opportunity to sit across the table from you in their own boardrooms.

NOTE PERSONALITY DIFFERENCES

In contrast to the faster pace of money investors and activist hedge funds we commonly find in the big money centers — in New York, Boston, Chicago and San Francisco — regional investors are often more conservative and consider themselves "owners of a company," not simply "renters" of a stock. In general, the majority of regional institutional investors that you will meet have mid-term to long-term investment strategies, low-to-medium portfolio turnover rates and tend not to drive their trading decisions on momentum or quarterly earnings, but instead focus on corporate and sector fundamentals.

YOUR AUDIENCE — WHAT TO EXPECT IN THE REGIONAL MARKETS

Regional markets do not see corporate management and Street analysts as frequently as the larger money center analysts or portfolio managers do, and consequently, corporate visits are a precious commodity to them. These investment teams understand the time constraints placed on company management and welcome the opportunity to meet with an IRO or with C-level management. These investors want to hear about your strategy, initiatives, management focus, financial structure, new products, and growth prospects.

Expect regional institutional portfolio managers and analysts to be knowledgeable about your company, industry and competition, allowing the meetings to be conversational. The IRO and managers will have ample opportunity to tell their company's story. The regional investors are qualified professionals, mostly CFAs who are diligent in their questions and well-versed in the financial markets and their specific industry coverage. The meeting intensity can vary widely but many times the meetings begin with an overview of recent significant events and strategic initiates that leads to more in-depth discussion and Q&A.

REGIONAL DIFFERENCES

Although every regional market is distinct and has its own nuances, they can be the "hidden jewels" for your company, found outside the traditional mega money centers. These regional road shows can bring another dimension to your corporate dissemination of financial information.

As Mark Steinkrauss, vice president, corporate relations, Telephone & Data Systems (and NIRI member) notes: "I think it is important to seek out these regional investors. Not only do they appreciate the effort and face time, but they also tend to be well-prepared and serious about evaluating your company. For a Midwestern company (TDS), it's good to know there are committed investors with billions under management just next door."

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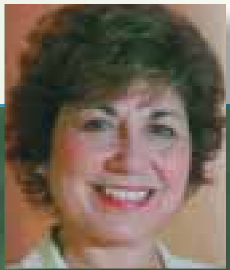
Tips for Regional Investor Meetings

- **Time is valuable.** Do some advance work; visit regional markets on your own to evaluate the investment climate and to determine where there is significant interest to warrant management's time on future trips that take you to/through the region.
- **Begin your road show in a regional market.** This allows you to become comfortable with your story, get a flavor for the topics and questions on the minds of investors and prepare management for the more intense meetings typical of the money centers.
- **Consider stopping by a regional market while traveling to/from a scheduled meeting or conference elsewhere.** Triangulating another city can be a very efficient use of your travel time.
- **Be more productive by visiting two cities in one day** … Pittsburgh/Cleveland, Cleveland/Columbus, Columbus/Cincinnati, and Milwaukee/Madison are a two hour drive from each other and very do-able for investor meetings.
- **Send an electronic copy of your presentation ahead of your visit to familiarize your audience with the company's story,** which allows the meeting to be more productive. This is especially true for small-cap companies that have less analyst coverage and are not as well known.

John Schoger



Dianne Iannarino

A QUICK TIP: DIVERSIFICATION

BY PAT REUSS

Usually, when people in the financial world hear the word *diversification* they think about monetary diversification. But the word applies to more than just portfolios and has an impact on more that just bottom lines.

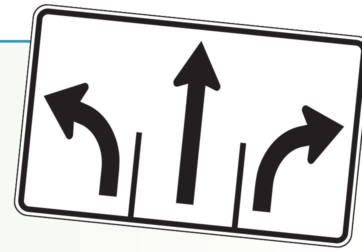
Diverse, diversification, diversity. All refer to the "quality, state, fact or instance of being different." Generally, though, when people talk about differences among people it's called *diversity,* rather than *diversification.* And, just as a diversified portfolio can provide financial health, so too can a *diverse* workforce lead to corporate health.

What are the facts about diversity in publicly-held companies today? Although companies with gross annual revenues of $20 billion or more report a larger percentage of women and minority directors on their boards, there are still fewer than five percent of women in C-suite positions in the *Fortune 1000.* And the situation is even bleaker for African-Americans and Hispanics: less than two percent.

Is your organization committed to diversity among its employees? What about the IR department in your organization? What do your statistics look like? What can you do to make sure that your company does not ignore the vast talent pool that is available? Here are some starting points:

- *Look at yourself first.* It's a normal human reaction to feel comfortable around people who remind us of ourselves. So we can start by cultivating a willingness to be around people who don't look like us. Different genders, different racial and cultural backgrounds, different ages.

- *Forbid yourself to lean on stereotypes.* Stereotypes are lies built on misconceptions. You've heard them: "Fat people are lazy." "Women are too emotional." "Older people can't learn new things." "African-Americans (or Hispanics or any other racial group except yours) can't make it in the business world." All completely false. And if we aren't careful, we come to rely on, rather than challenge, these stereotypes because we have come to accept them on a subconscious level.



- *Make decisions to hire for diversity.* No, not affirmative action. But recruiting, training and hiring from a diverse pool of people will ultimately make your company more competitive and innovative. Seek out minority candidates. Find ways to reach out to women.

- *And then pay people what they're worth.* Statistics from 2005 indicate how far from equal corporate pay rates can be. When applied to managers, women earn about 76¢ for every $1.00 earned by white males. African-American men earn about 82¢ for every $1.00 earned by white counterparts.

- *Stay ahead of the curve.* Some prognosticators have predicted that as more and more companies "go green," and pressure decreases in that area, that no small degree of attention will turn to the human equation part of corporate social responsibility.

Being honest about diversity can be difficult. But true leaders don't shy away from challenges. Be a leader in your organization. Work toward diversity in your department and in the company as a whole. It will be a decision that will make you and your company stronger. IRU

Pat Reuss is managing director and partner for *Write for You,* a Washington DC area consulting firm specializing in writing and editorial services, and a speaker on a variety of business issues. Additionally, she is director of training development for Renaissance Training, a provider of training materials to businesses nationwide. She can be reached at **pmreuss@write-for-you.net.**

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As we have seen from hosting over 200 companies — domestic and international, large-cap to small-cap, growth to value — most IROs have been pleasantly surprised by the quality of the meetings, and they are pleased to find how friendly everyone is in regional capital markets when you get off the beaten path. IRU

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Voyager Institutional Services LLC arranges and hosts IR road shows exclusively in the Cleveland, Columbus, Cincinnati, and Pittsburgh markets for U.S. companies and ADRs. Voyager was the first to offer no-fee, non-deal road shows in 2002 to U.S. companies or ADRs for regional coordinating services; buy-side institutions are their clients. More information at ***www.voyagerllc.com***