



EXPANDING YOUR STOCK'S **GLOBAL** OWNERSHIP

Targeting international investors is different than outreach in the United States. However, patience, diligence, and relationship-building can pay off.

By Nicole Noutsios and Erik Bylin

A research analyst once told me a story about a trip he took to Scotland with a client.

While making idle conversation, the analyst asked the portfolio manager the longest his firm had held a stock. The answer: 26 years.

The research analyst asked if he currently held any stocks that he thought his firm would hold for a similar period into the future. The portfolio manager said there were and started talking about long-term global food supply patterns.

It is this type of anecdote of long holding periods and insightful, long-term perspective that leads many IROs to believe that Europe is a haven for thoughtful, long-term investors.

In addition to the long-term profile of overseas investors, there is a trend toward

globalization of institutional assets with more capital being allocated to U.S. equities from abroad. Targeting overseas funds will enable you to expand your stock's exposure and broaden your shareholder base.

"As overseas firms compete for funds to invest, they are increasingly mandated by their clients to invest capital in foreign markets," says Lance Spacek, global head of corporate access for Deutsche Bank. "This has led to a much deeper pool of overseas investors seeking investment in U.S. equities. This trend reached critical mass in the last five years and accelerated in the last two to three years with investment personnel moving overseas."

Data supplied by Ipreo further substantiates this trend. According to public filings, the percent of European equity assets in U.S. companies has risen from 12.6 percent to 20.2 percent during just the last five years.

While data for Asia is limited, many believe the relative growth there is even faster.

Justin Vieira, director of corporate analytics at Ipreo, who studies these global ownership patterns, believes that there are a few trends that have fueled this increased interest in U.S. securities over the last few years, including, "value hunters' attraction to historically low valuations, European and Japanese investors looking outside their native countries for diversification and additional growth, and an increase in investable assets from emerging markets and the gradual loosening of investing regulations."

Identifying Opportunities

When considering global investor outreach, Europe and Asia are the two principal areas of growth for U.S. companies. Recent research from Ipreo (see charts, "U.S. Holdings by International Investors")

U.S. Holdings by International Investors

PUBLIC OWNERSHIP INFORMATION AVAILABLE AS OF 11/15/11

Institution	Equity Assets (\$mm)	Turn-over (%)	Style	City	U.S. Holdings (\$mm)
Norges Bank Investment Management (Norway)	278,370.1	24.7	Value	Oslo	90,798.9
BlackRock Investment Management (U.K.), LTD	253,086.9	22.2	Growth	London	53,734.3
Sumitomo Trust & Banking Co., LTD	47,885.2	87.2	Value	Tokyo	43,562.8
Mitsubishi UFJ Trust & Banking Corporation	33,020.5	34.6	Growth	Tokyo	31,968.9
J.P. Morgan Asset Management (U.K.), LTD	79,841.9	50.7	Growth	London	26,948.4
Fidelity International Limited - FIL Investment Services (U.K.), LTD	74,440.7	46.7	Growth	London	26,303.5
UBS Global Asset Management (Switzerland) AG	58,701.5	32.7	Yield	Zürich	25,568.0
APG Algemene Pensioen Groep N.V.	84,112.0	22.8	Yield	Amsterdam	23,038.3
Mizuho Trust & Banking Company, LTD	23,448.0	11.9	GARP	Tokyo	22,252.2
Blackrock Japan Company, LTD	30,120.3	38.7	Growth	Tokyo	20,770.7
HSBC Global Asset Management (U.K.), LTD	32,614.2	53.1	Growth	London	16,856.5
Baillie Gifford & Company	51,371.2	26.8	Growth	Edinburgh	15,509.1
Pictet Asset Management S.A.	31,195.4	32.3	GARP	Geneva	14,351.0
Mitsubishi UFJ Asset Management Company, LTD	32,275.3	48.4	Growth	Tokyo	14,223.9
AXA Investment Managers (Paris)	36,735.6	37.6	Growth	Paris	12,500.4
Walter Scott & Partners, LTD	20,733.0	18.7	Growth	Edinburgh	12,265.2
Schroder Investment Management, LTD	63,202.7	41.4	GARP	London	12,254.7
DWS Investment GmbH	52,001.5	52.8	Value	Frankfurt	11,159.9
Threadneedle Asset Management, LTD	39,123.7	43.7	Growth	London	10,463.4
Amundi Asset Management	53,834.4	32.9	Value	Paris	10,366.4

SOURCE: IPREO

and “Historical Global Investment in U.S. Securities”) indicates that key firms in Asia and Europe are investing significant amounts of capital in U.S. public companies.

If you are beginning international outreach, Europe is the most logical place to start, as it is a deep market with many cities worth visiting and is often the easiest logistically for U.S. companies. The top investor outreach destinations in Europe are London, Frankfurt, Switzerland (Geneva and Zurich), and Scotland (Glasgow and Edinburgh). Paris, Oslo, Dublin, and Stockholm constitute a solid second tier where there are substantial assets, but assets can be more concentrated in fewer accounts. In addition to the numerous bank-sponsored conferences hosted in Europe, many companies note that the NASDAQ investor conference in Europe is always well-attended. This conference can be a good launching point for a several-day road show throughout Europe.

When marketing in Asia, Tokyo, Singapore, Beijing, and Hong Kong are good cities in which to start. Korea and Taiwan are also worth considering if you want to broaden your outreach. A pan-Asian road show can be physically demanding, with extensive travel to get to the region followed by flights of three-to-four hours between investment centers.

As a means to lessen this travel burden and start building relationships, many companies choose to attend an investor conference in the region. Many banks, including Deutsche Bank, UBS, Morgan Stanley, and CSLA, hold investor conferences in this region. Companies often send a senior IRO first, to ensure investors are educated on the story prior to allocating management time.

When determining cities to visit, it is important to keep your company’s global presence in mind. Especially in Asia, you will have the most success if you have solid brand recognition and operational pres-

ence in the area. Natalia Kanevsky, who runs Intel’s Asia investor outreach program, explains, “This is not true for all companies, but I noticed that our company gets a lot of interest from Asian investors because we have a global brand, with sales and manufacturing in the region.”

Challenges to Overcome

Executing a global investor targeting program is a long-term investment. It takes patience and diligent planning to be effective. Repeat trips overseas and follow-up conference calls may be necessary since many international investors require time to take a position in a company’s stock.

“You have to touch these accounts a few times before they will do anything,” says Reuben Gallegos, who runs the European outreach program for Intel. “For instance, in Switzerland and Scotland, we put in extra efforts to this region and got traction.”

The ideal way to embark on a European or Asian outreach program is to make more than one trip per year to see investors. Most IR departments plan well in advance to ensure they are effectively using management’s time before taking them abroad. When companies go overseas with management, they often schedule investor meetings in conjunction with a corporate trip to meet with customers and the media or attend to other business functions.

For over a decade, Cisco has had a senior IR executive dedicated solely to international investor relations. Currently Matt Hardwick, senior manager, international investor relations, holds this role for the company and is based in London, but his coverage expands anywhere outside the United States.

Cisco has an active international program that consists of an international IR day, two road shows in Europe and Asia, more than six global investor conferences, and bus tours along with extensive use

of telepresence technology to hold virtual investor briefings.

“Using technology has expanded our reach and negated some of the travel challenges,” Hardwick explains. “For instance, for some key investors we wanted to target in Europe, IR was able to start the education process with investors and go through the quarterly numbers, freeing up management time to talk to the overall company strategy. Another example: during our last road show in Asia we put our feet on the ground in Tokyo and Singapore, but used telepresence to meet investors in Beijing, Hong Kong and Shanghai. We received strong, positive feedback from investors who could see our technology in use and have, over time, become accustomed to this virtual briefing.”

Identifying the best investors for your company’s profile is critical. The same rules of diligence apply in developing international road shows as for domestic ones – in fact, more so, given the potential lack of quality investor intelligence on the investor audience. You need to research who you are meeting and make sure they can invest in your company. For instance, there are investors in Asia that are restricted from buying U.S. stocks.

“When I held my first road shows in Asia, I felt like some of the investors were not interested in investing in U.S. companies or their investment remit did not allow them to, but they were far more interested in our supply chain and gauging end-demand for technology,” Hardwick recalls. “I learned over the years that we need to be very particular about who we meet with and challenge the broker organizing the road show to confirm that each meeting truly represents a potential investor that has a global investment focus. When I market abroad, I almost always use a bank to assist with logistical hassles, but I always give

them a list of investors that I have thoroughly researched.”

Measuring Your Results

Measuring the effectiveness of your global outreach program can be challenging, because international investors do not have the same reporting requirements as U.S. companies. Many companies that have active international IR programs use surveillance in Europe, but for Asia you need to rely on other sources of measurement. A common method to judge progress in Asia is to contact the target directly, solicit feedback on the meeting, and then ask them if they have picked up shares.

“Our department has regular reviews of our progress, but, with international IR, measuring progress can be tricky,” says Reuben Gallegos, investor relations man-

ager for Intel. “We do use surveillance, but we have a heavy focus on getting direct feedback from investors. After meetings and road shows, either I will call or I would have the firm who managed the outreach find out the investors’ holdings and their general impression of the meeting. If we are not held or under-owned compared to peers, we need to understand why.

“Over time we have experienced solid results with international investors moving into our stock. For instance, we had a number of long-term shareholders in Europe take sizable positions in Intel in 2009 when the stock was depressed. And it gets our attention when investors buy that much stock. We have been tracking our progress and, based on our data, we have 18.9 percent ownership from Europe, up from 8 percent six years ago. And for the

most part, these are long-term shareholders with a value bent.”

There are a number of reasons why companies should expand their investor targeting program overseas, but there are a broad set of challenges to consider. The preparation required is more substantial, the playing field is certainly different, and the trips can be arduous. Once relationships are established, it takes diligence, persistence and even technology to sustain them.

The reward, however, can be considerable for your shareholder base. And, as investors increasingly take a global perspective, the audience will continue to grow even more receptive to investing in U.S. companies. **IRU**

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Historical Global Investment in U.S. Securities

FIGURES REPRESENT BILLIONS OF U.S. DOLLARS. PUBLIC OWNERSHIP INFORMATION AVAILABLE AS OF 11/15/11

	2006	2007	2008	2009	2010	Nov. 2011	Country	Region
London	243.1	279.1	184.0	285.8	371.7	362.4	United Kingdom	Europe
Tokyo	25.7	30.4	25.5	94.9	137.9	172.6	Japan	Asia
Oslo	38.6	62.7	41.3	73.9	100.3	98.8	Norway	Europe
Paris	32.5	46.0	21.7	47.3	51.6	62.0	France	Europe
Zürich	36.2	41.9	25.5	32.3	43.5	44.0	Switzerland	Europe
Edinburgh	15.1	19.1	12.7	24.1	38.8	37.4	United Kingdom	Europe
Stockholm	26.1	26.5	15.8	22.4	32.4	30.3	Sweden	Europe
Frankfurt	31.8	30.9	17.5	24.3	29.0	28.8	Germany	Europe
Amsterdam	22.5	29.3	18.4	26.5	31.3	27.7	Netherlands	Europe
Dublin	21.0	27.9	17.3	20.5	22.6	20.9	Ireland	Europe
Copenhagen	18.0	18.1	11.3	18.6	21.4	20.5	Denmark	Europe
Sydney	1.9	4.3	3.1	5.2	15.6	18.3	Australia	Pacific
Geneva	20.1	23.7	14.3	17.4	19.6	17.7	Switzerland	Europe
The Hague	8.2	8.3	6.6	10.4	10.0	10.2	Netherlands	Europe
Brussels	8.2	9.7	5.1	7.5	8.2	7.5	Belgium	Europe
Beijing	0	0	0.2	5.8	9.7	7.3	China	Asia
Milan	6.3	6.0	3.8	5.7	6.5	5.9	Italy	Europe
Luxembourg	4.3	4.2	2.8	4.3	5.7	5.7	Luxembourg	Europe
Seoul	0	0	1.8	4.1	5.5	5.2	South Korea	Asia
Singapore	1.5	5.5	3.7	6.2	9.0	3.6	Singapore	Asia

SOURCE: IPREO