

Avon's Carol Murray-Negron emphasized the importance of face-to-face communication.



# The Quest for Shareholders Abroad

“Crossing Borders” conference offers tips for hitting the European road

Like their aggressive non-U.S. counterparts who travel across the States courting American investors, many U.S. companies are taking to the streets of Europe. Anxious to expand and diversify their share ownership, these companies are finding that rigorous “road shows” are well worth the effort. The NYSE recently sponsored one for **BMC Software**

**Inc. (BMC)** and **Sybase Inc. (SY)** that included five days of back-to-back presentations with nearly 100 fund managers, analysts and financial advisers in six cities.

“It was a terrific opportunity to begin developing long-term investor relationships outside the U.S.,” said John Cummings, director of investor relations for Sybase. “There’s a real market opportunity in Europe, and we feel it’s important to take advantage of it.”

“This was a proactive way of showing our commitment to the market,” added Neil Yekell, BMC’s director of investor relations, “and the feedback was very positive. With a substantial portion of our business coming from international markets, particularly in Europe, we feel that it is important to meet with investors in these regions to discuss BMC’s strategies.”

This trip, the second NYSE-sponsored road show, was part of the European Investor Forum, one of a number of Exchange programs launched to help companies communicate their corporate strengths across cultural lines. Another such program was the “Crossing Borders” conference held November 14 in New York City.



Colgate-Palmolive's Bina Thompson told the audience to showcase local management.

### WHY EUROPE?

A number of factors contribute to Europe's appeal, explained Crossing Borders conference panelists. First, European investors, particularly those in the U.K., have been very underweighted in U.S. stocks since 1995. Some have less than 5% invested in American equities. Second, unfunded pension funds in Europe are under pressure for higher returns, enticing them into equities. Third, the euro is helping to stimulate cross-border investing.

"The U.S. is an important region for our investments, and deregulation and flexibility of the U.S. corporate market

make it attractive right now," explained portfolio manager Emilio Alvarez, executive director of Morgan Stanley Investment Management in London.

For U.S. companies doing business in Europe, targeting the region for new shareholders makes particular sense. "It not only furthers the brand but stimulates greater business opportunities," explained NYSE vice president Thomas Rathjen, who spearheads the Forum. For Sybase, which has offices and sells products in the region, it's easier to plan return trips with top management to "keep those relationships fresh and active," Cummings said.

Conference panelist Bina Thompson, vice president of investor relations at **Colgate-Palmolive Co. (CL)**, which conducts some 80% of its business overseas, told attendees to "showcase your local management. Allow investors to see your local presence around the world." She said that 8% to 10% of Colgate-Palmolive's shares are now held in Europe, a market it entered in 1991, when the company placed 25% of a secondary offering there.

Contributing to Europe's appeal is that investment managers there usually have long-term strategies, the speakers said. European fund managers typically hold stocks for one to three years—compared with eight to 12 months for U.S. fund managers, according to investor-relations firm D.F. King estimates. As a result, European investors consider face-to-face meetings the most effective means of evaluating a company's credibility.

"Meeting management is critical to assessing quality and viability of the corporate strategy," Alvarez said. "We usually challenge management's assumptions and try to assess how realistic an earnings consensus is. We typically would not invest in a company whose management team we have not met and feel comfortable with."

Carol Murray-Negron, **Avon Products Inc.'s (AVP)** vice president of investor relations, also emphasized the benefit of in-person meetings: "It behooves any company to tell its story directly to potential investors, since their information on your company otherwise could be based solely on sell-side research, which can have its own biases."

As for visiting Europe now, "there couldn't be a better time to go," Thompson said. Because many U.S. companies have curtailed travel since September 11, investors there are "starved for contact," she added.

Bottom line: U.S. companies should consider European investors as important as their U.S. investors. "Many opportunities await U.S. companies wanting to diversify," said panel moderator Elizabeth Paton, managing director and co-head of D.F. King's London office. "Those that do come over find the long-term style of European fund managers quite refreshing." □

## Major European Market Centers

	EQUITIES UNDER MANAGEMENT	IN U.S. STOCKS
U.K.	\$2T	\$177B
Switzerland	\$800B	\$70B
Germany	\$750B	\$40B
The Netherlands	\$500B	\$95B
France	\$340B	\$25B
Sweden	\$250B	\$25B
Italy	\$250B	\$25B

Source: D.F. King (Europe) Ltd.

## KEYS TO TARGETING EUROPE

As conference attendees learned, it's important to make the effort.

**Highlight size.** Most European investors do not consider stocks of companies with less than \$1 billion in market capitalization, and some insist on \$3 billion, said Elizabeth Paton, managing director and co-head of D.F. King's London office. While fund managers can be restricted by size, she noted that they are interested in seeing more mid-cap companies, and that a number of U.K. institutions have specialized in U.S. small-cap funds.

**Don't expect results overnight.** Carol Murray-Negron, vice president of investor relations at Avon, encourages U.S. companies to start small and stick with it, keeping their sights set on the long term. "As a first step, go over there and start a program, even if it's small," she said. "It's important to build the relationships. It can take years to get an investor in Europe to buy your stock." Avon first ventured into Europe in 1992 when it attended a Merrill Lynch & Co. Inc. (MER) investor conference in London and has returned to the region nearly every year.

**Keep it simple.** Before beginning a program, companies must develop a clear message. According to Jim Prout, managing director of investor-relations firm Taylor Rafferty, the key component of a good global message is "clarity." He said: "Companies that want to grow themselves overseas must be able to articulate a clear strategy for increasing value to investors and be dedicated to putting energy and resources behind the job."

In Europe, "there is a tendency to think that you are speaking to technology analysts when really they are equity generalists," said John Cummings, director of investor relations for Sybase. "So you need to approach them in a very fundamental way and not dilute the message."

**Develop an appropriate itinerary.** Determining which markets to visit is an important first step. The primary European markets are the U.K. and Ireland, France, Germany, Italy, The Netherlands, Sweden and Switzerland (see table, previous page).

But because European investors are not required to report their investments—unlike in the U.S., where the SEC requires major institutions to report their shareholdings each quarter—it is difficult to determine where the holdings, and thereby potential audiences, are. Panelists recommended undertaking a targeting survey before a trip to elicit investors' perceptions of a stock and gauge their interest in a meeting. Then plan both group and one-on-one meetings. For Sybase and BMC, each day in a recent NYSE-sponsored road show consisted of a primary meeting with a group of analysts and fund managers over breakfast or lunch, plus a series of one-on-ones.

**Know your audience.** Companies can best prepare for investor meetings by knowing what to expect. Emilio Alvarez, executive director of Morgan Stanley Investment Management in London, said he looks for the same qualities in U.S. companies as from any other region—profitability, free cash-flow generation and growth. He expects companies' presentations to disclose adequate information about each, plus macro factors influencing performance and management's long-term strategy.

**Keep in touch.** After the meetings, following up is critical. Contact names and numbers should be added to databases to ensure they receive regular updates, and an e-mail dialogue should be established. Companies should also plan their conference calls with European time zones in mind, and visit the region at least every 18 months.

Panelists also recommended post-meeting surveys to ascertain investor perceptions, concerns and investment intentions. Investors surveyed after BMC and Sybase visited Europe confirmed finding value in meeting management. Several noted that it was their first opportunity to hear the companies' stories, and those already familiar with each welcomed the updates on core businesses, new products, the industry and the competitive environment.