

INVESTOR RELATIONS: MAXIMIZE INVESTOR ATTENTION AND SHAREHOLDER VALUE

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The shipping industry has clearly come of age in the public capital markets, as evidenced by the flurry of IPOs primarily on the US Exchanges. With the IPO pipeline being still strong, shipping has still quite a way to go. Being public opens a new world of opportunities to shipping companies, but at the same time creates a new set of tasks and responsibilities.

Companies prepare diligently for the IPO process, going through increased and prolonged scrutiny by their accountants, lawyers and investment bankers, not to mention the regulators. They become publicly listed once the IPO process is successfully completed. Once public, they must adhere to increased standards of transparency and financial disclosure, corporate governance, financial communications and investor relations. The market itself sets expectations and standards which in many occasions are well beyond those defined by the regulators.

Companies which do not comply with market expectations for the above, risk to become marginalized in terms of investor attention. They may pay the price, as potentially successful business endeavors will not translate into proportionate shareholder value, thereby

adversely impacting their ability to raise capital in the future. Furthermore, a negative performance in the stock market may over time erode the company's corporate image with wider business implications.

Financial Communications and Investor Relations is a key factor in securing investor interest and in attaining and sustaining a valuation which maximizes shareholder value. Its mission is to establish and manage a two way process. On one hand, to ensure that the company provides a regular flow of meaningful information to the investment community and organize systematic forms of interaction with investors, analysts and the financial media. On the other hand, to monitor the stock market behavior of its peer group -public companies in the same sector- and gather and analyze feedback from the investment community about the company itself, its sector and its peers.

Investment banks are critical for the success of the IPO and for bringing a company public. Once this is done, their role diminishes substantially and the company must then stand on its own feet and create its own structure, internally or externally, for Investor Relations.

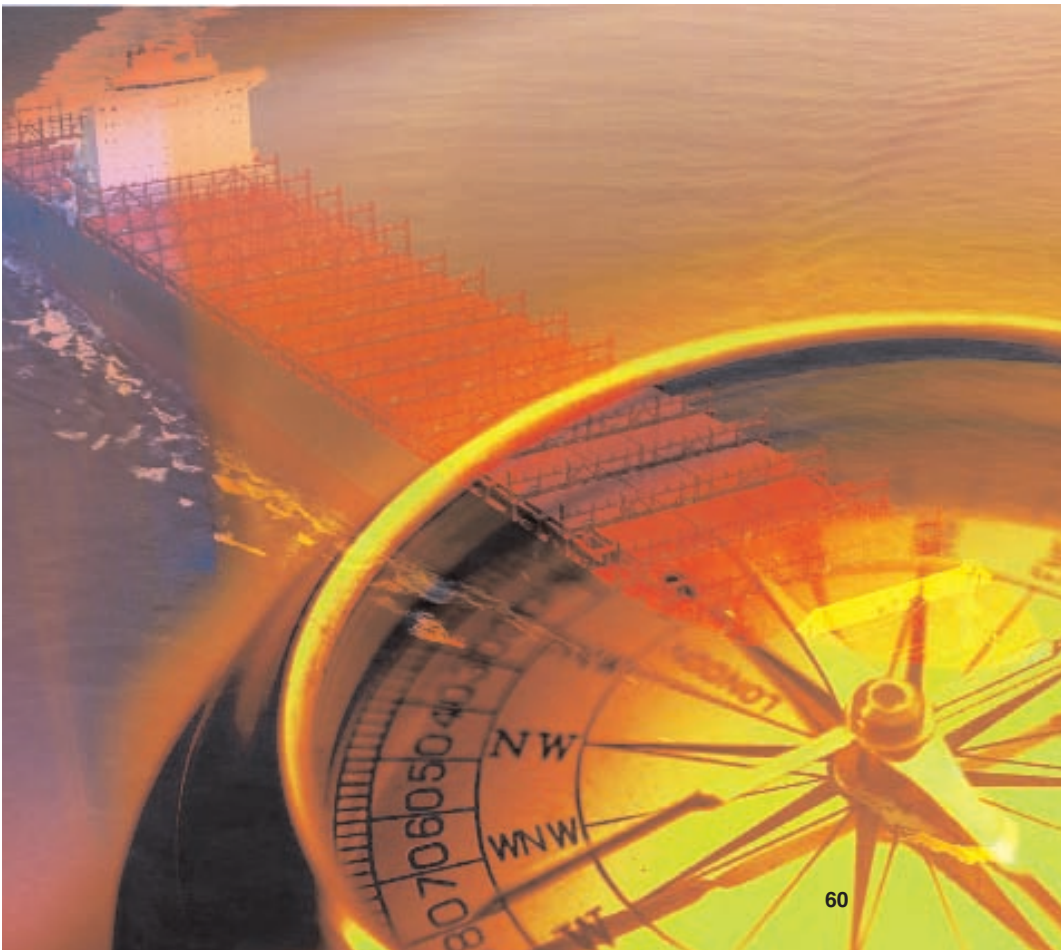
A company starts its life as a public entity with those investors who bought into the specific IPO, who however represent just a fraction of the total investment universe. Therefore, in order to ensure an ongoing liquid secondary market in its shares, the company must reach out to the investment community as a whole, to both institutional and individual investors.

Institutional investor targeting is a key component of an effective investor relations strategy. The company must reach out to those investors whose investment criteria and strategy matches the company's profile. Just reaching out to those who invest in shipping stocks maybe not be enough, particularly if the company positions itself as a dividend play. Furthermore, within the major investment houses there are several portfolio managers, each one with different strategies, who however could be interested in the company's shares. Therefore, besides identifying the proper institutions, the company must also identify the proper contacts within each institution and position itself properly so that it can fit into their strategy and portfolios.

Research coverage by brokerage houses is another key factor. In the post-IPO period, the company must establish arms length relationships with all major brokerage houses and ensure that its stock is included in the proper peer group and if possible analyzed in detail. It must be remembered, though, that broker research, important as it is, is only one of the many inputs in the decision making strategy of institutional investors. Most of them rely on their own internal analysts and procedures, so the company must ensure that it maintains direct contact with them and supplies them with the proper information on a continuous basis. Externally provided research cannot make up for the lack of proper communication by the company itself.

In the United States, individual investors account for about half the daily trading volume on the Exchanges. Therefore, it is vitally important for a company to ensure that the same message it delivers to targeted institutional investors is also made available to the investment community as a whole. Furthermore, in the United States, Regulation Fair Disclosure stipulates the equal treatment of all investors when it comes to the dissemination of information.

Financial media play an important role as well, as they ensure that information is delivered to a wider institutional audience -including prospective investors- and to the community as a whole. You cannot create proper shareholder value without maximum publicity and institutions who invest in particular stocks want to know that the proper mechanism exist to externalize the company's message and alert the community as a whole



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on the company's prospects and developments.

Finally, to formulate the proper Investor Relations strategy a company must monitor investor behavior in its peer group and continuously collect and analyze analyst and investor feedback.

Once a company decides to go public, its management must spend part of its time on communicating with investors, analysts and media. The company may designate an executive as the Investor Relations contact, or in some cases this becomes another function of the Chief Financial Officer. In any case, the Chief Financial Officer and on occasion the Chief Executive Officer must play an active role in the company's investor relations.

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Investor Relations firms can provide the company with material assistance in all aspects of the process, such as defining the proper message, identifying the proper target group, ensuring maximum publicity, securing analyst coverage, organizing contact with investors with conference calls and roadshows, advising the company how to properly position itself among investor portfolios, gathering and analyzing investor feedback and maximizing the company's visibility through the proper financial media. Another key role is to address investor requests and filter the proper ones to the company itself, thereby ensuring efficient utilization of management time and resources. All this support is particularly valuable and effective when the shipping company is headquartered outside

the US and its Investor Relations advisor is located in the US.

Working with an Investor Relations firm which has other clients in shipping is a definite advantage, as it enables all shipping clients to benefit from the established investor penetration, the accumulated knowledge and the synergies and economies of scale. The objective is not to pin one shipping company against the other, but to help them define their positioning in a complementary manner, so that more of them can become part of an investor's portfolio. Shipping is not yet a well known sector among US investors, therefore the Investor Relations firm can assist both companies and investors to differentiate based on several factual criteria, such as fleet composition and profile, fleet employment, dividend payout etc.

Investors follow a multitude of companies across many sectors and countries and therefore there is tremendous competition for their attention and time. An Investor Relations firm with established penetration among shipping investors can materially assist its clients by facilitating access to this investment universe.

In the earlier stages, when few shipping companies were public, investors had limited choices. Now, as more companies join the public markets, investor choices expand. In an effort to build diversified and balanced portfolios they may well decide to include several shipping companies with different and possibly complementary (from an investment point of view) profiles and strategies.

In conclusion, it is vital that shipping companies which become public commit themselves to proactive and consistent Investor Relations. Judging from companies with successful Investor Relations track records, what ultimately pays is careful planning, transparency, consistency and persistence. Any company that adopts and implements these principles in its investor relations strategy will be clearly appreciated by investors, not just temporarily but in the long haul.

Nicolas Bornozis is the President of Capital Link, Inc. in New York, an international Investor Relations and Financial Media firm which services several public companies and focuses on shipping. He has been active in the US financial and capital markets since 1982, and for a period of ten years, he managed the New York based broker/dealer subsidiary of Credit Commercial de France. He is a graduate of Harvard Business School and has been a lecturer on International Banking and Finance at the City University Business School in London (Department of Shipping, Trade and Finance).