On

Relationship Roadshows

by

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Discretionary Disclosure Tools

Public Voluntary Disclosure

- Group Presentations
- Industry Conferences
- Country Presentations
- Analyst Presentations
- Group On-Site Visits

Private Voluntary Disclosure

- **Roadshows**
- One on One Meetings
- Private Conference Calls
- Telephone Conversations
- Feed back on Analyst Reports

Roadshows & Relationship Roadshows

Roadshows:

- ► Effort of a listed company to promote its investment case to existing and potential investors
- ► Via private meetings
- ► At the premises of fund managers and analysts

Relationship Roadshows:

- ► Regular visits to mostly existing shareholders in order to update them on annual financial performance and other major developments

Relationship Roadshows	▪ Coincide with announcement of financial results ▪ Can be named tactical or regular ▪ Objective: To update ▪ Initiated & implemented by banks, brokers, …

This paper

Investigates opinions, experience and perceptions of

- Company executives - Insiders
- Analysts
- Fund Managers

Relationship Roadshows

- private voluntary disclosure tool

Relationship Roadshows affect

Insiders	◆ Visibility ◆ Retaining of existing shareholders ◆ Attraction of new investors ◆ Getting feedback from the market
Analysts	▪ Updating business model ▪ Increasing analyst coverage ▪ Feedback to management ▪ Visibility
Fund Managers	▪ Management and firm commitment ▪ Consistency ▪ Credibility ▪ Visibility

Research also finds

Other Important Relationship Roadshows Factors

- Timing of Relationship Roadshows
- Targeting of Financial Centers
- Targeting of Funds
- Targeting of Institutional Investors

Research Contribution

- Examines for the first-time relationship roadshows
- Helps to understand of how listed companies increase market awareness, investor recognition, inform and attract investors
- Helps to understand of how analysts influence the visibility process
- Helps to understand of how institutional investors benefit, form opinions and investment decisions
- How to improve the impact of relationship roadshows

Literature Review

- Verrechia’s (2001) disclosure literature taxonomy
  - “association-based disclosure”
  - “discretionary-based disclosure”
  - “efficiency-based disclosure”

- Healy and Palepu (2001) voluntary disclosure literature

- Bushee & Miller (2007) five identifiable strands of related literature
  - Disclosure
  - Visibility
  - Investor following and ownership
  - Analyst following
  - Media following

Literature Review

IR literature

- firm visibility (Merton, 1987)
- management credibility (Gruner, 2002)
- stock liquidity (Lang and Lundholm, 1993; 1996; Brennan and Tamarowski, 2000)
- firm evaluation (Marston, 1996; 1997; Agarwal, Liao, Taffler and Nash, 2008)
- firm mis-valuation (Verrecchia, 1990; Truemann, 1996)
- stock price (Diamond and Verrecchia, 1991; Amihud and Mendelson, 1986; Hong and Huang, 2002)
- ownership structure (Makhija and Patton, 2004)
- analyst coverage (Brennan and Subrahmanyam, 1995; Lev, 1992; Byrd, Johnson and Johnson, 1993; Botosan, 1997; Healy and Palepu, 2001)

Literature Review

- **Investor Recognition Hypothesis (IRH) literature**
  - liquidity trading and shareholder base (Merton, 1987; Kadlec and McConnell, 1994; Foerster and Karolyi, 1999; King and Segal, 2008; Lehavy and Sloan, 2008; Fang and Peres, 2008)
- **Voluntary Disclosure (VD) literature**
  - management motives and credibility (Waymire, 1984; Hutton, Miller and Skinner, 2003; Mercer, 2004)
  - improved stock liquidity (Kim and Verrecchia, 1994; Healy, Hutton and Palepu, 1999; Gelb and Zarowin, 2002; Welker, 1995; Leuz and Verrecchia, 1999)
  - increased information intermediation (Bhushan, 1989; Lang and Lundholm, 1999; Francis, Hanna and Philbrick, 1997) Healy and Palepu, 2001)

Literature Review

Disclosure literature

- costly signalling (Spence, 1973)
- costless signalling or cheap talk (Crawford and Sobel, 1982; Bhattacharya, 1980; Almazan, Banerji and Motta, 2008; Farrell and Sobel, 1982; Nanda, Nagar and Wysocki, 2003; Miller and Piotroski, 2000; Jensen, 2004)

Literature Review

- “company characteristics” Merton (1987)
- “multiple exchange listing” Kadlec and McConnell (1994)
- “advertising” Grullon, Kanatas and Weston (2004)
- “analyst following” O’Brien and Bushan (1990); Lang and Lundholm (1996)
- “analyst presentations” Lerman, Livnat and Mendenhall (2008); Bagnoli, Levine and Watts (2005); Hong and Huang (2003); Huberman (2001); Brennan and Tamarowski (2000); Francis, Hanna and Philbrick (1997)
- “media following” Carter (2006); Miller (2004); Falkenstein (1996)
- “stock trading” Chordia, Huh and Subrahmanvan (2008); NG and Wu (2007); Ackert and Athanasakos (2004)
- “cheap talk” Almazan, Banerrji and DeMotta (2008)
- “Hellenic related” Marston (2004); Leventis and Weetman (2004)

Research Methodology

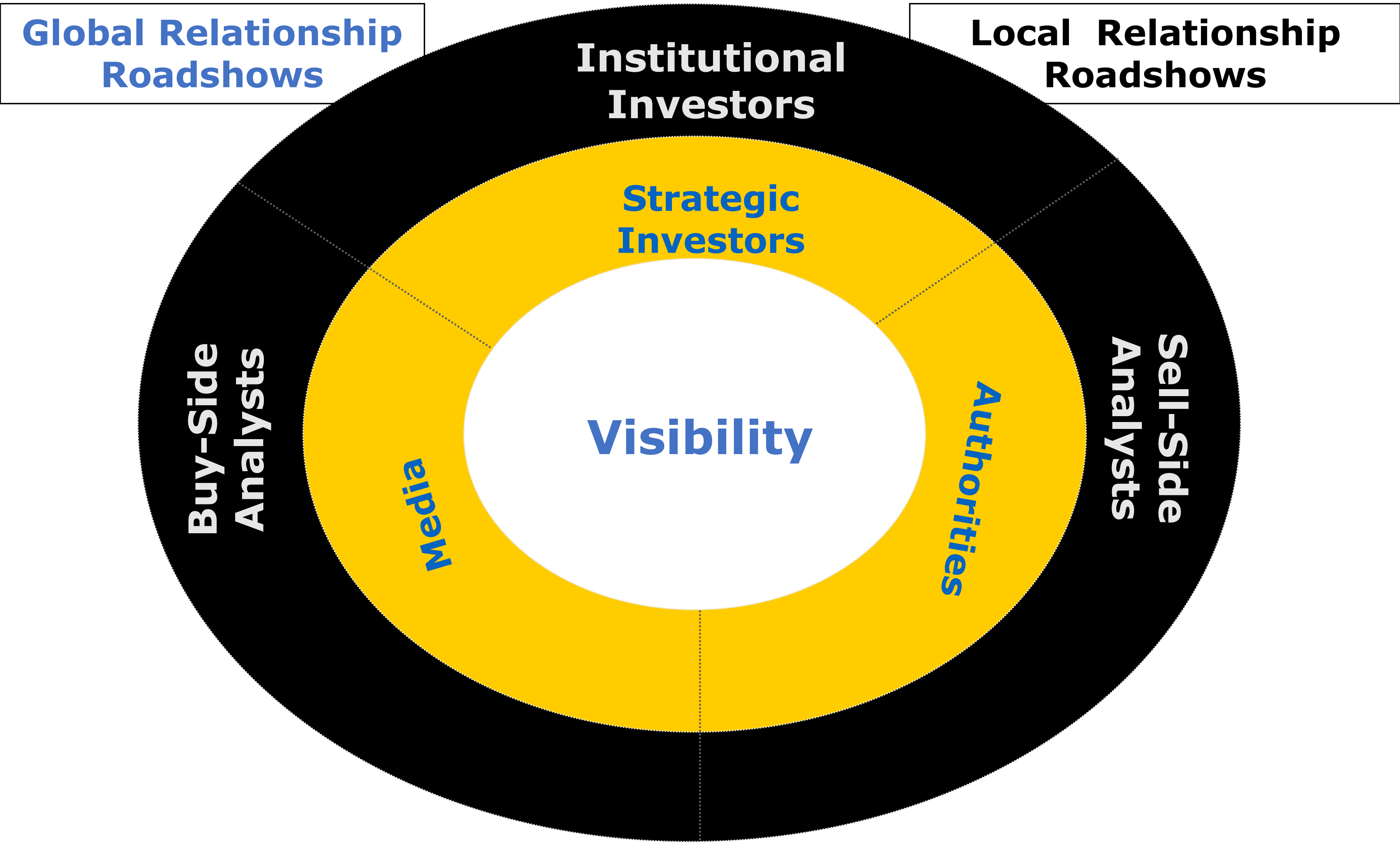
- **Grounded theory methodology**
  - Strauss and Glaser, 1967
  - Strauss and Corbin, 1990
  - Holland, 2005, 1997
- **Semi-structured interviews**
  - Barker, 1998
  - Holland, 1998
  - Marston, 1999

Response rate to Interviews 2002-2004

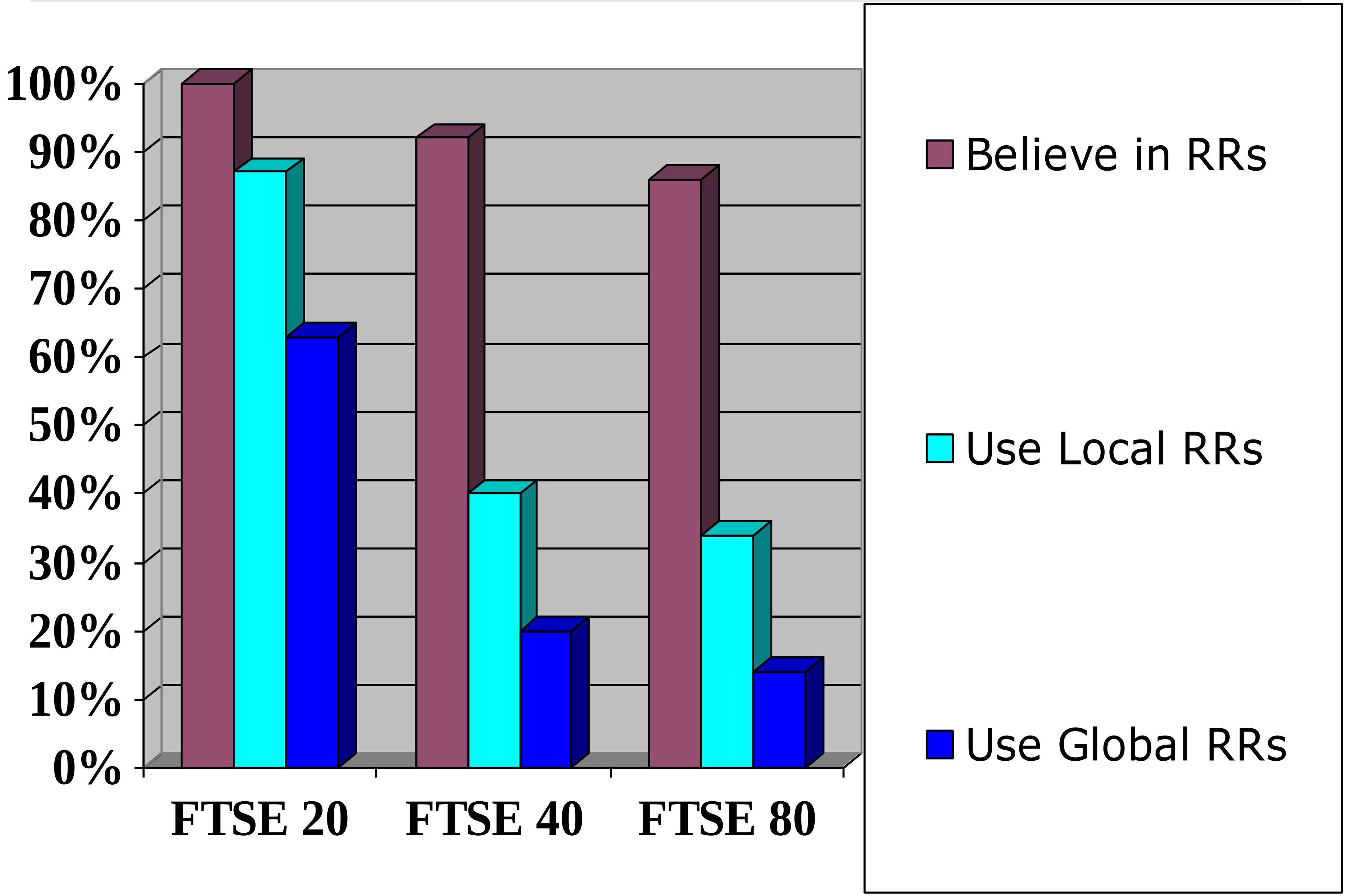
Empirical Results- Main Findings

- Relationship Roadshows (RRs) Types
- Perception & Use of RRs
- Annual Frequency of RRs
- Who Participates in RRs
- Reasons for Participating in RRs
- Targeting funds and fund managers
- Targeting financial centers
- Timing of RRs

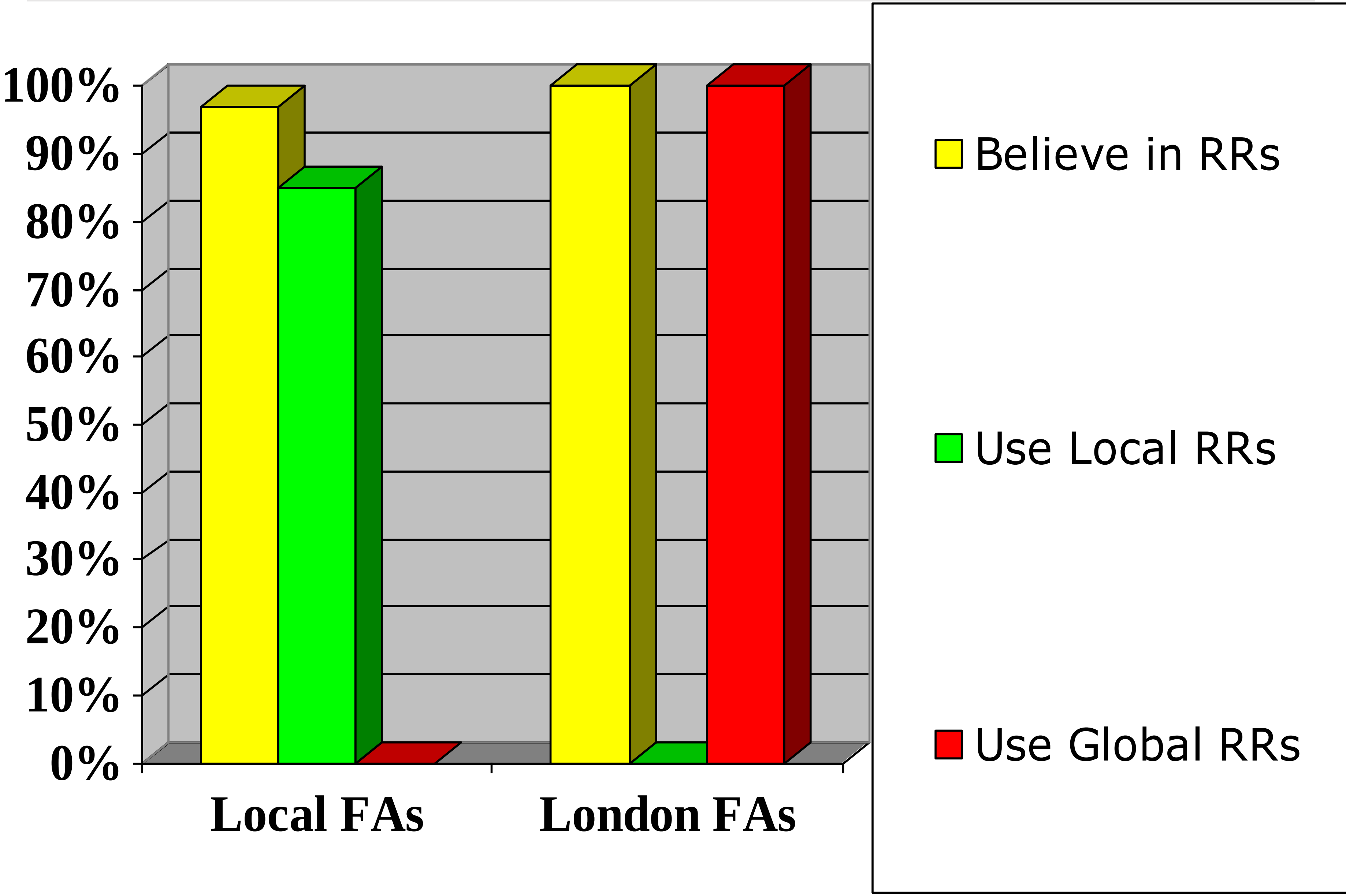
Relationship Roadshows (RRs) Types



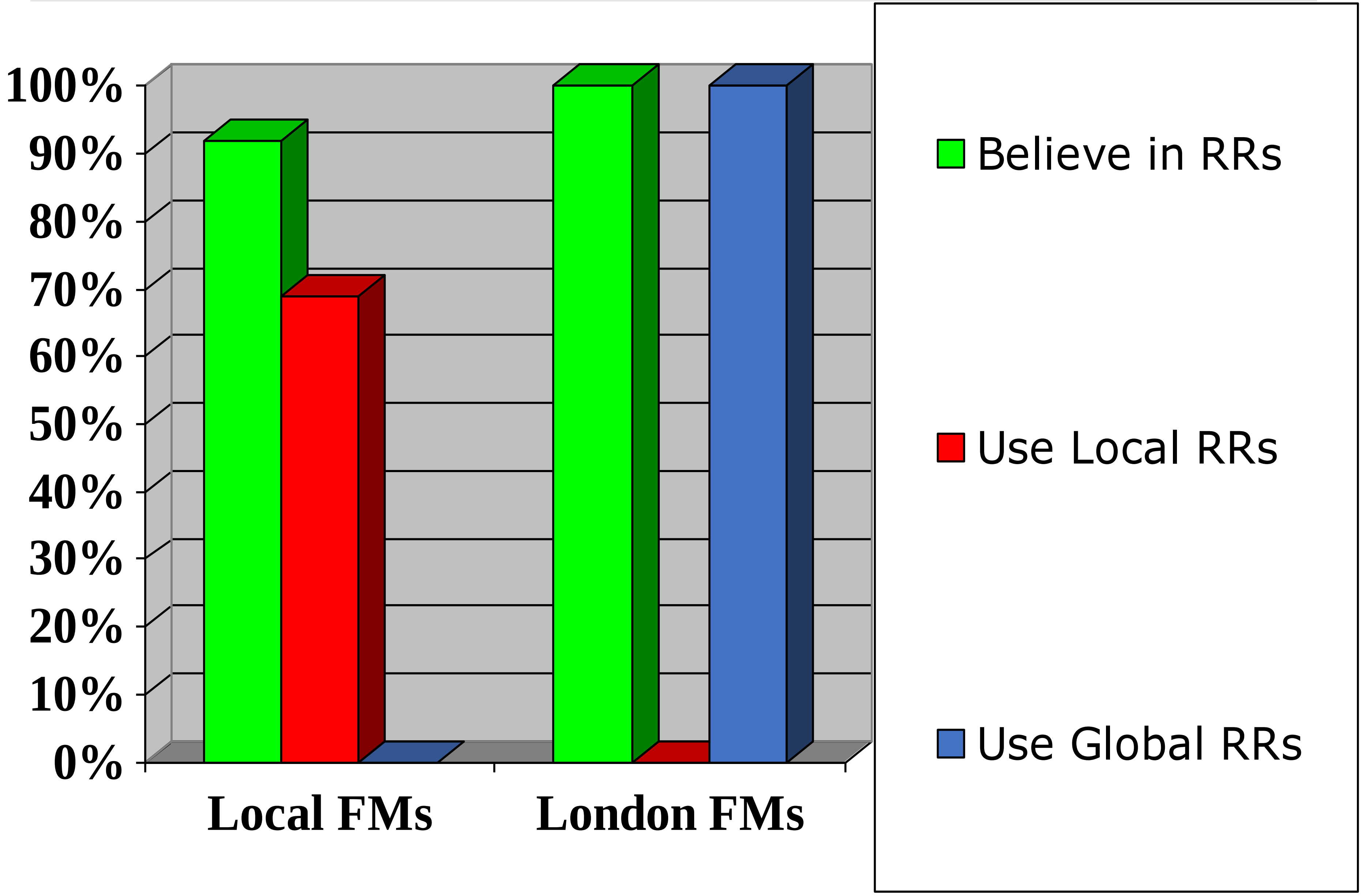
Firms: Perception and Use of RRs (N=76)



Analysts: Perception and Use of RRs (N=44)



Fund Managers: Perception and Use of RRs (N=44)



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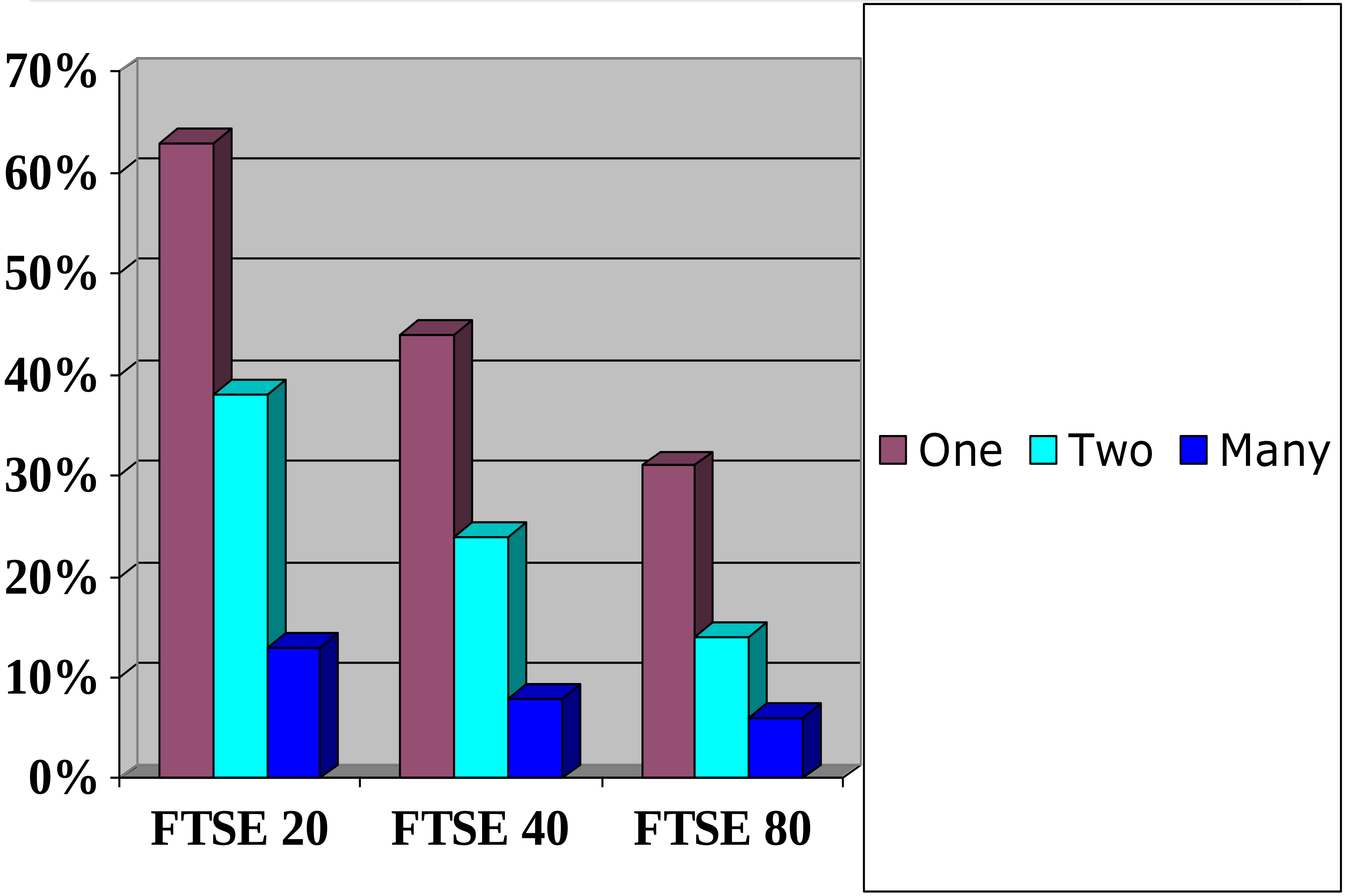

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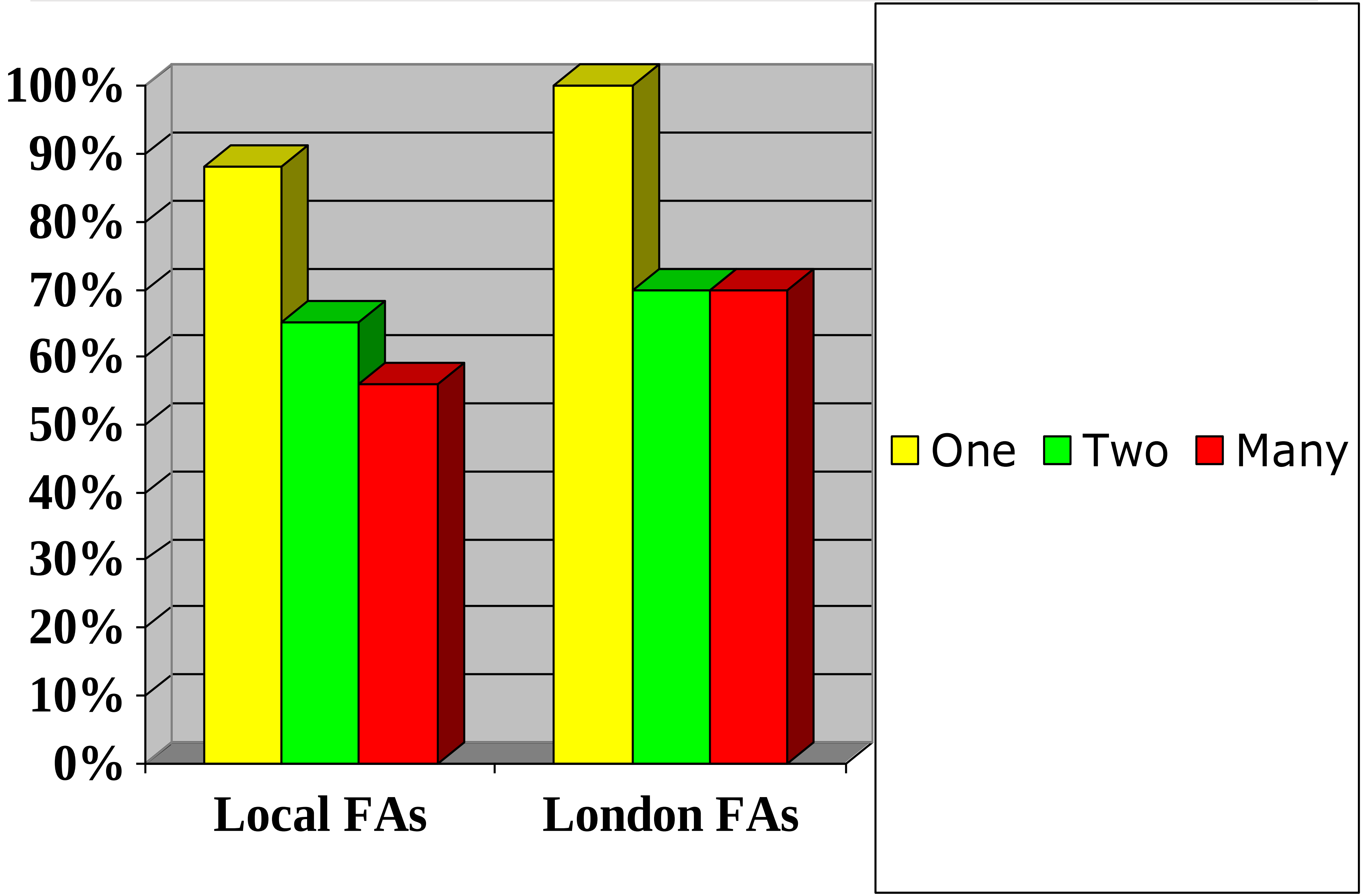

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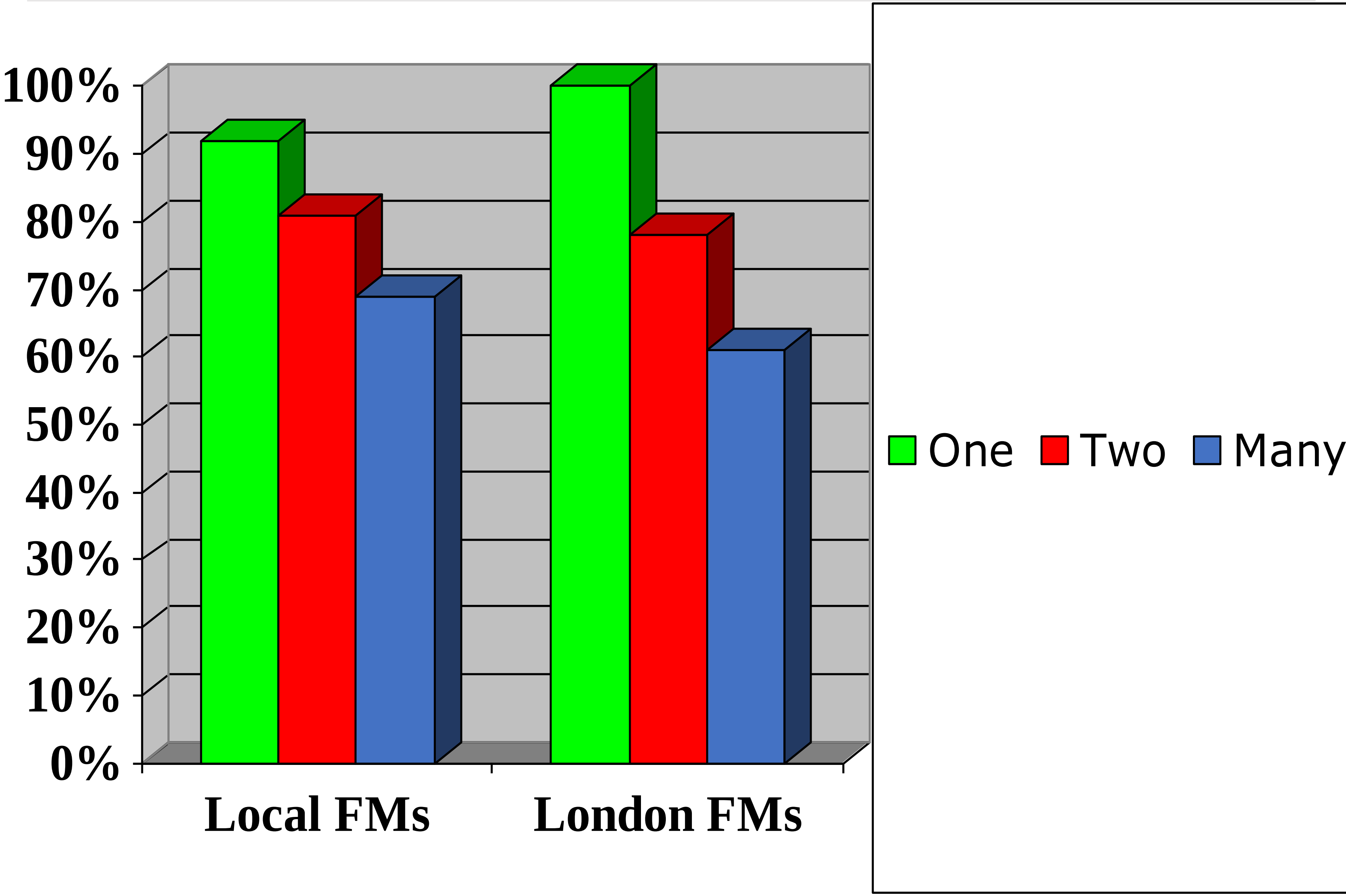
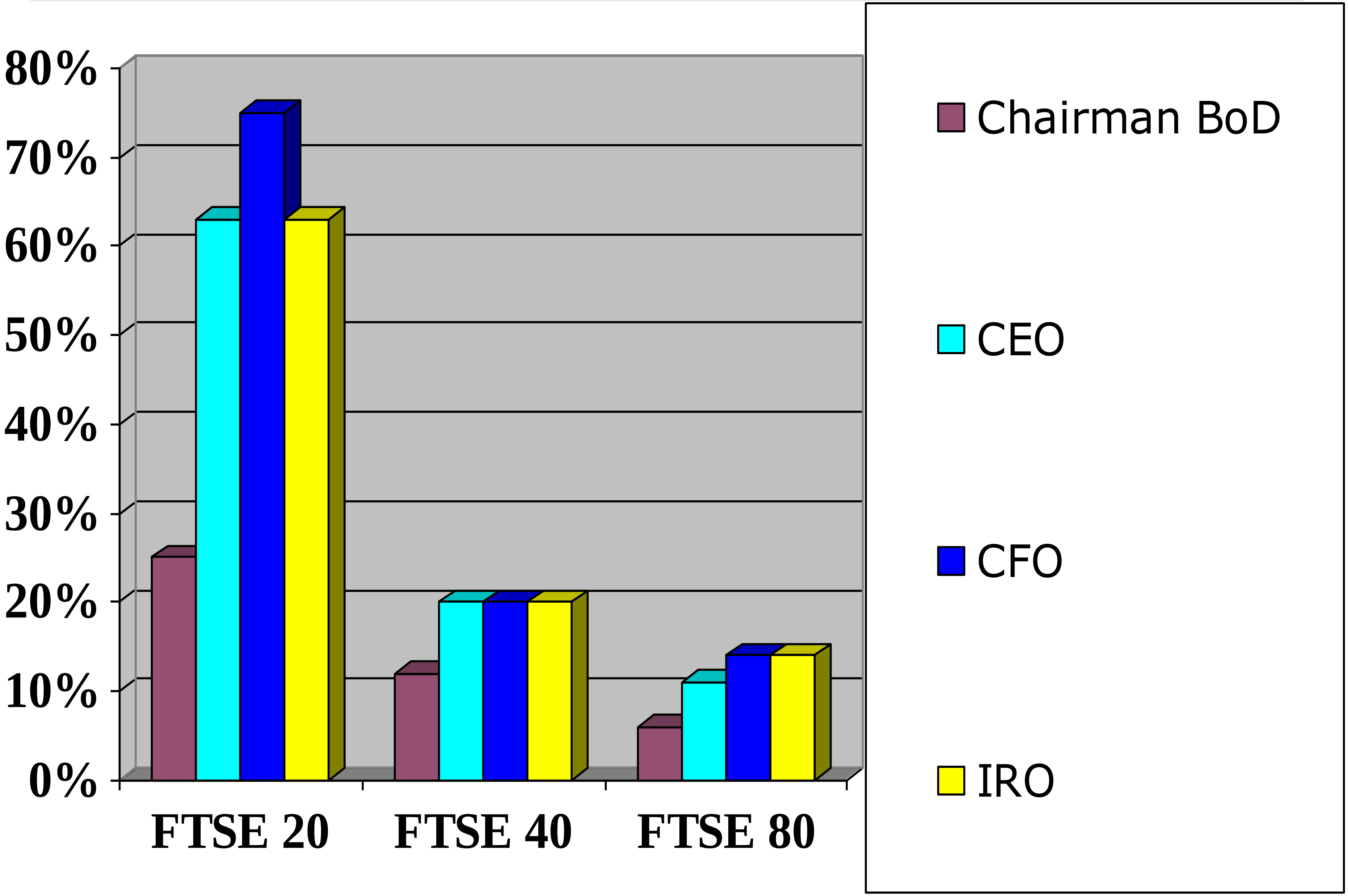


Firms: Who participates in RRs (N=76)



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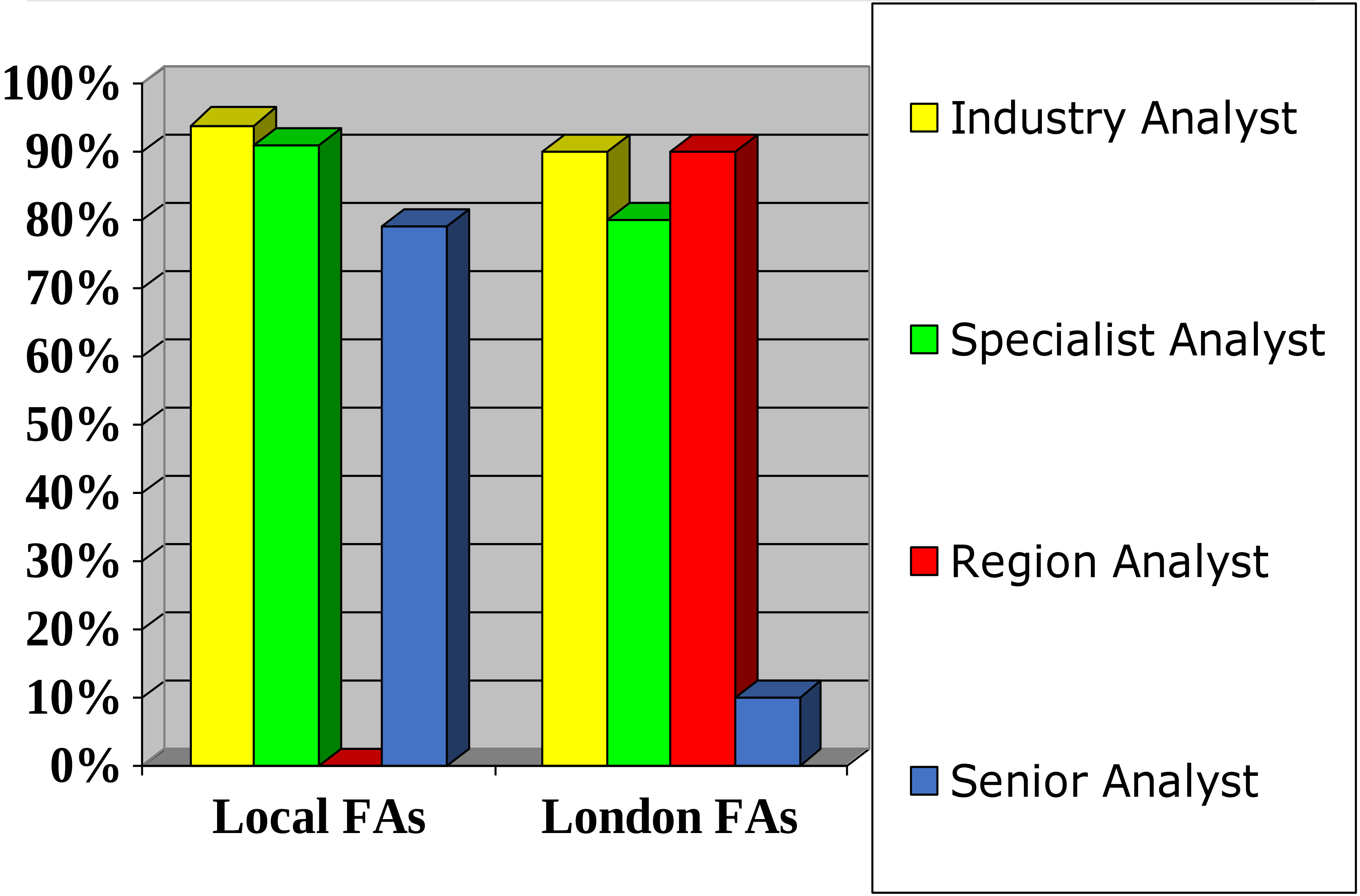

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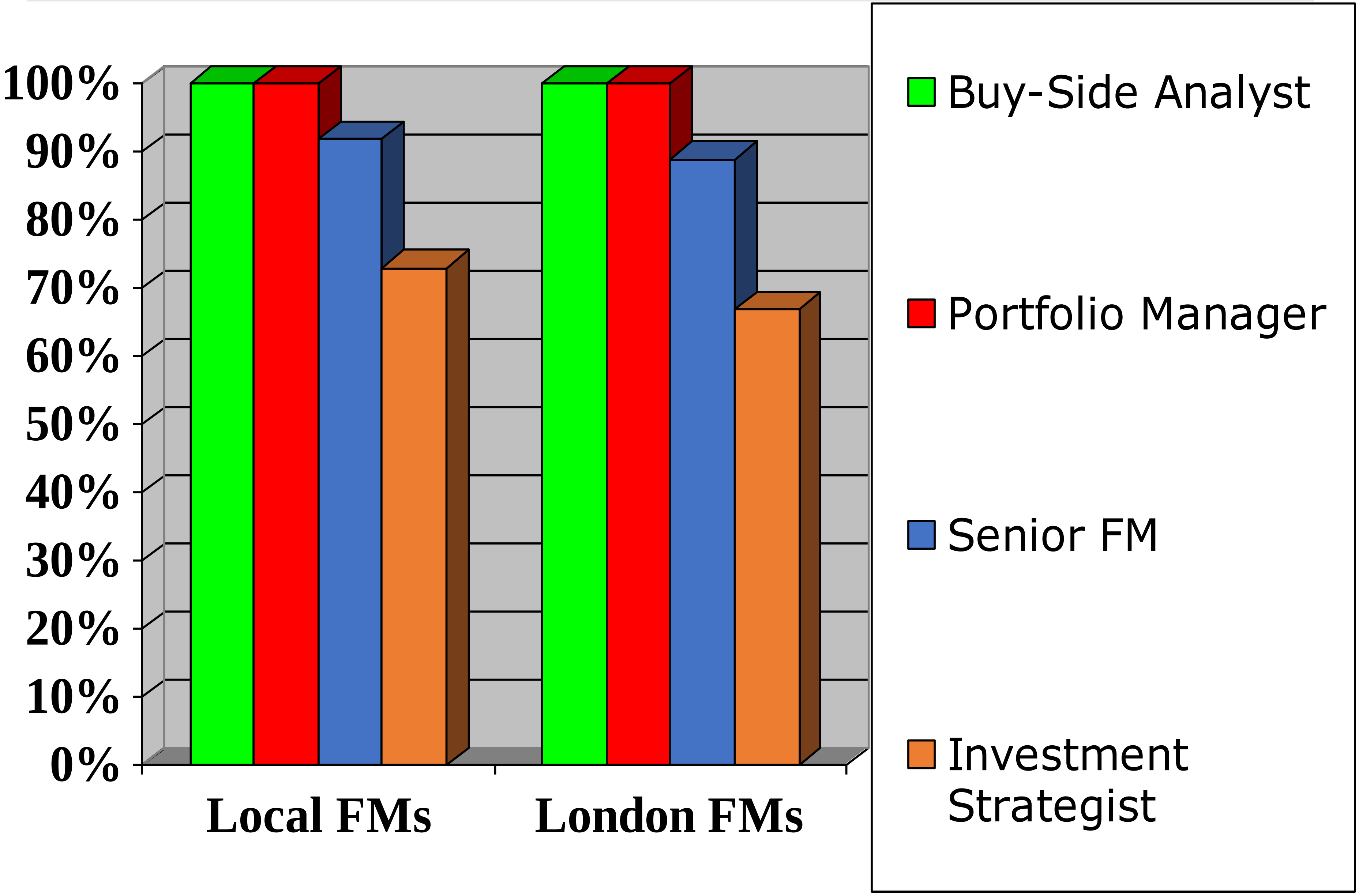
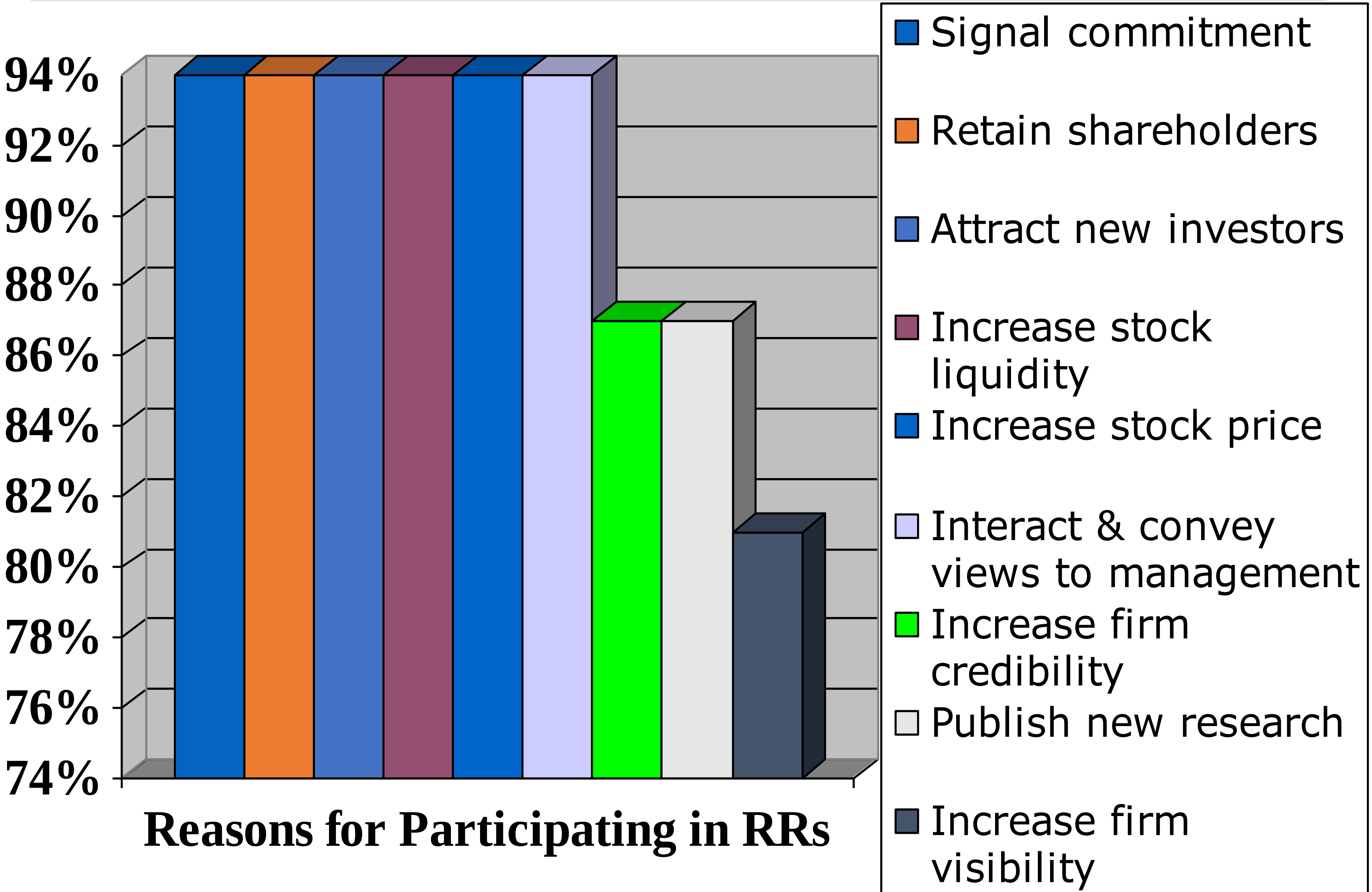
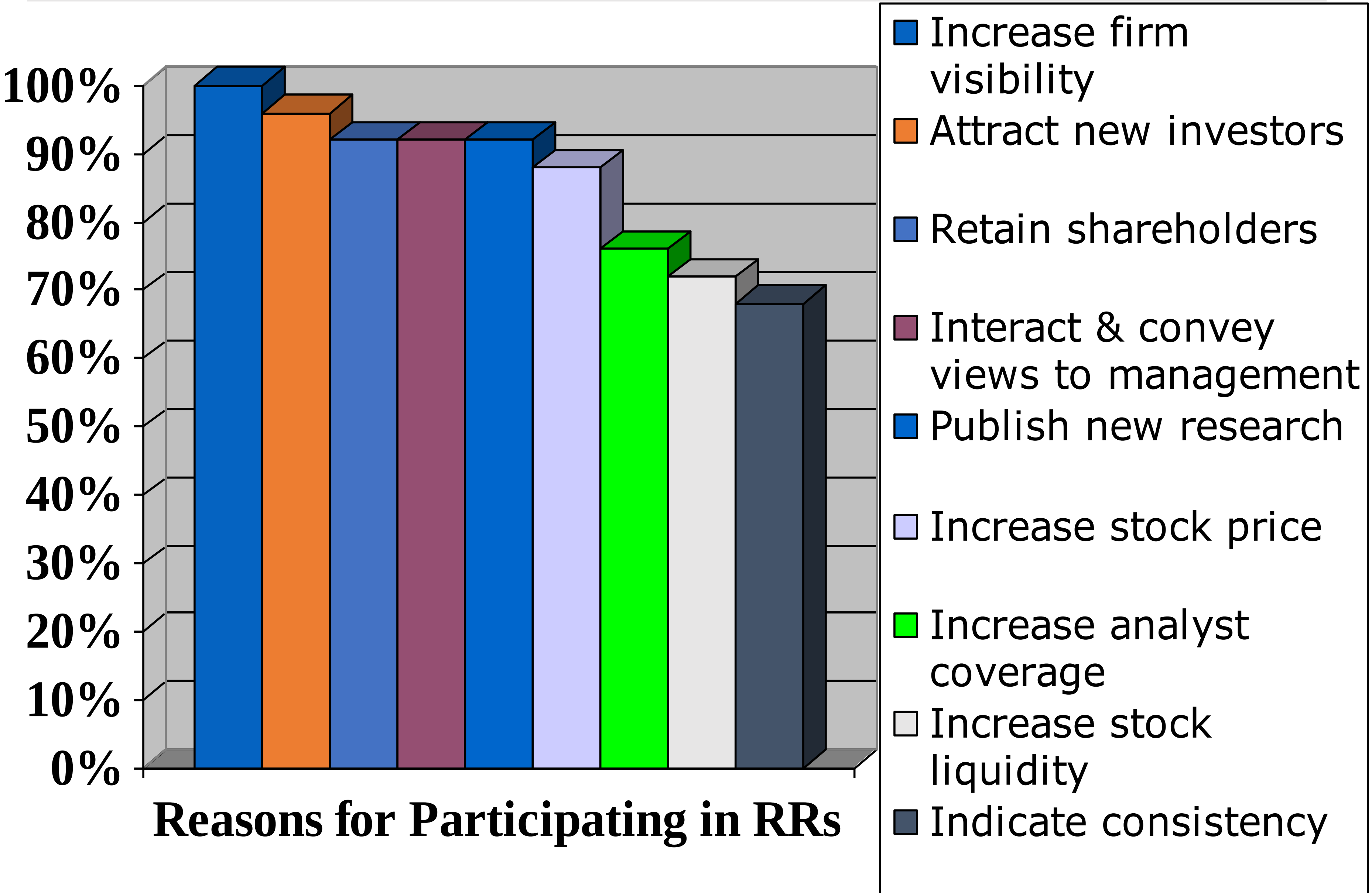


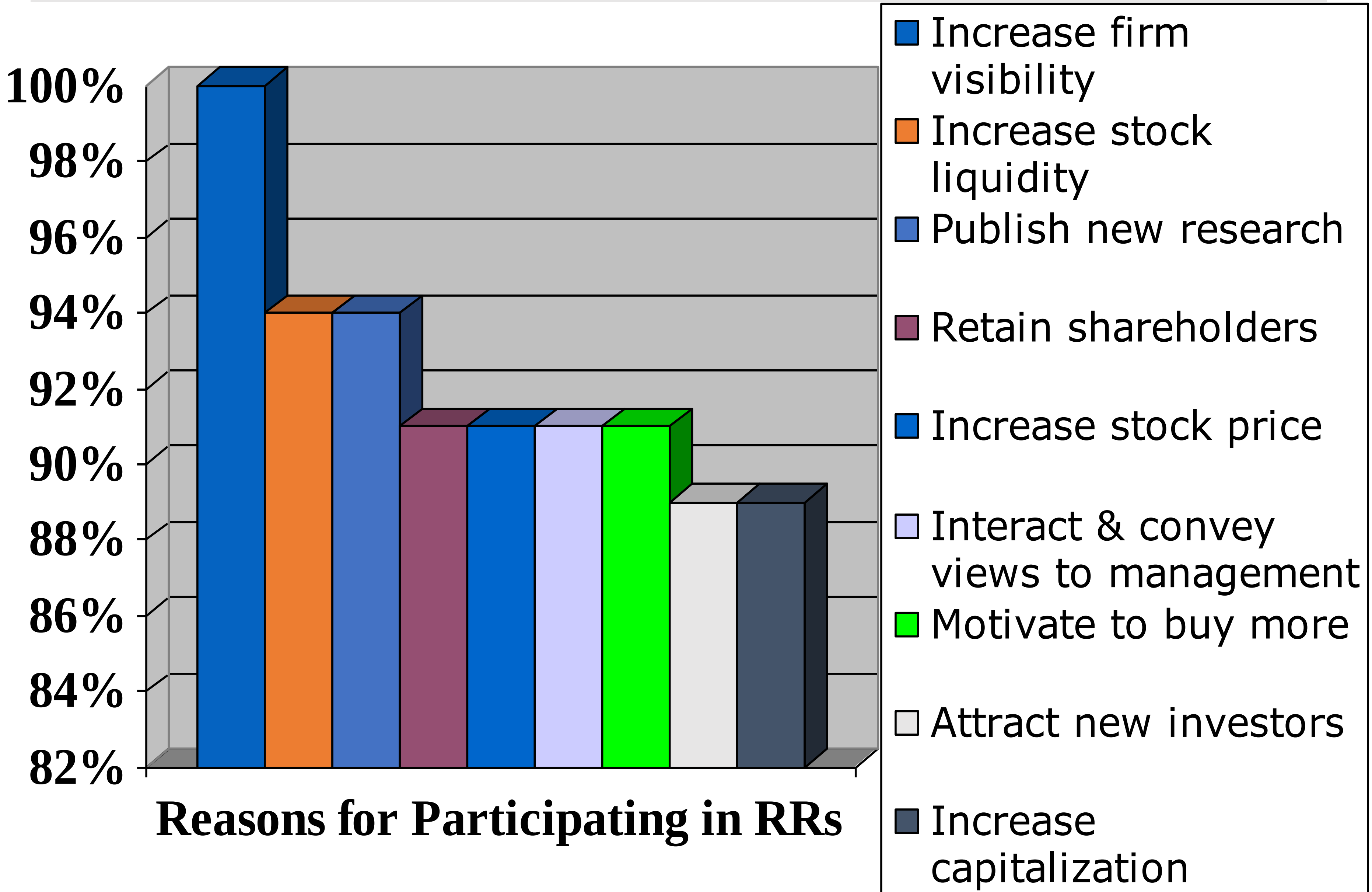
FTSE/ASE 20: Why RRs?



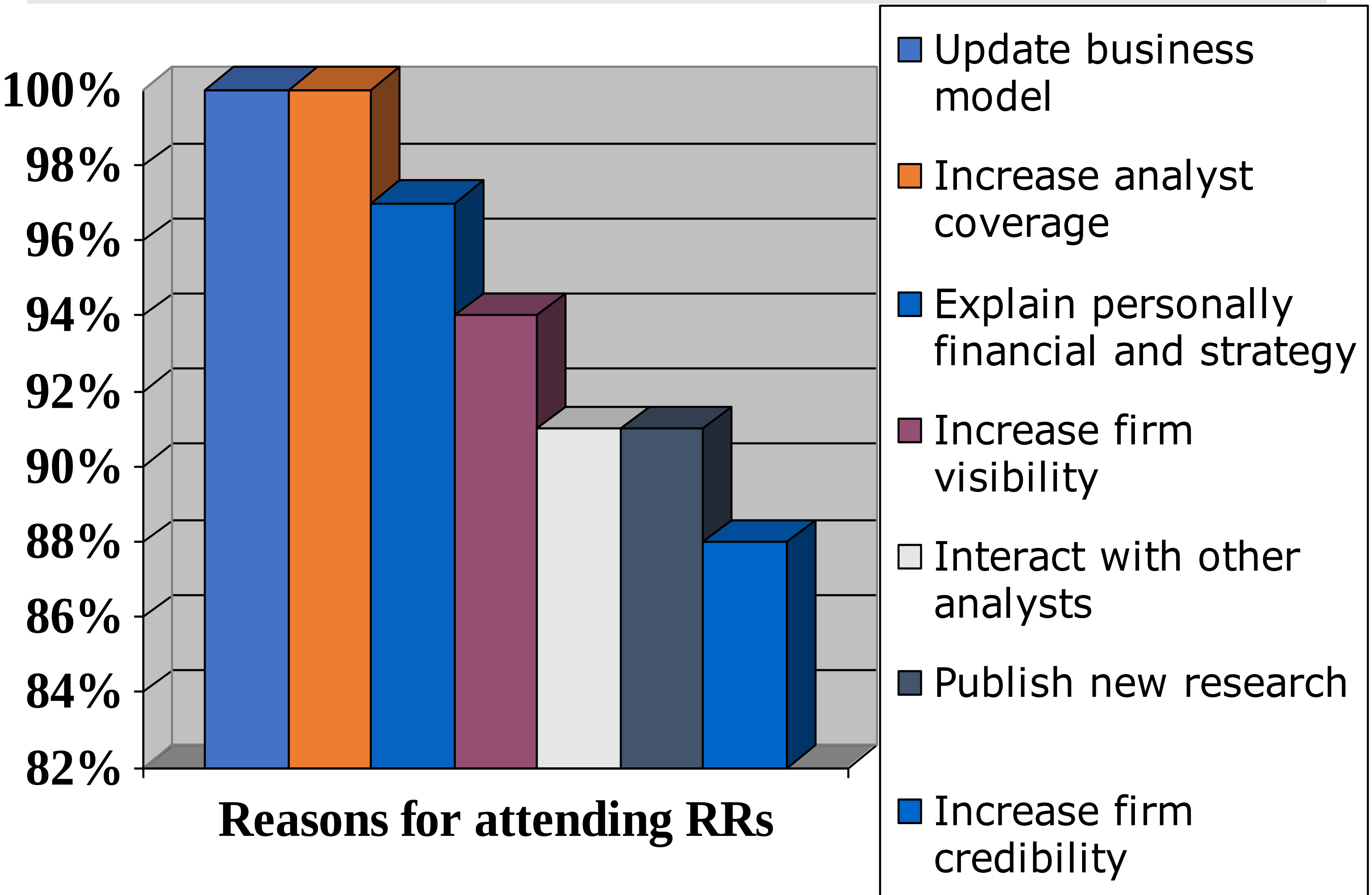
FTSE/ASE 40: Why RRs?



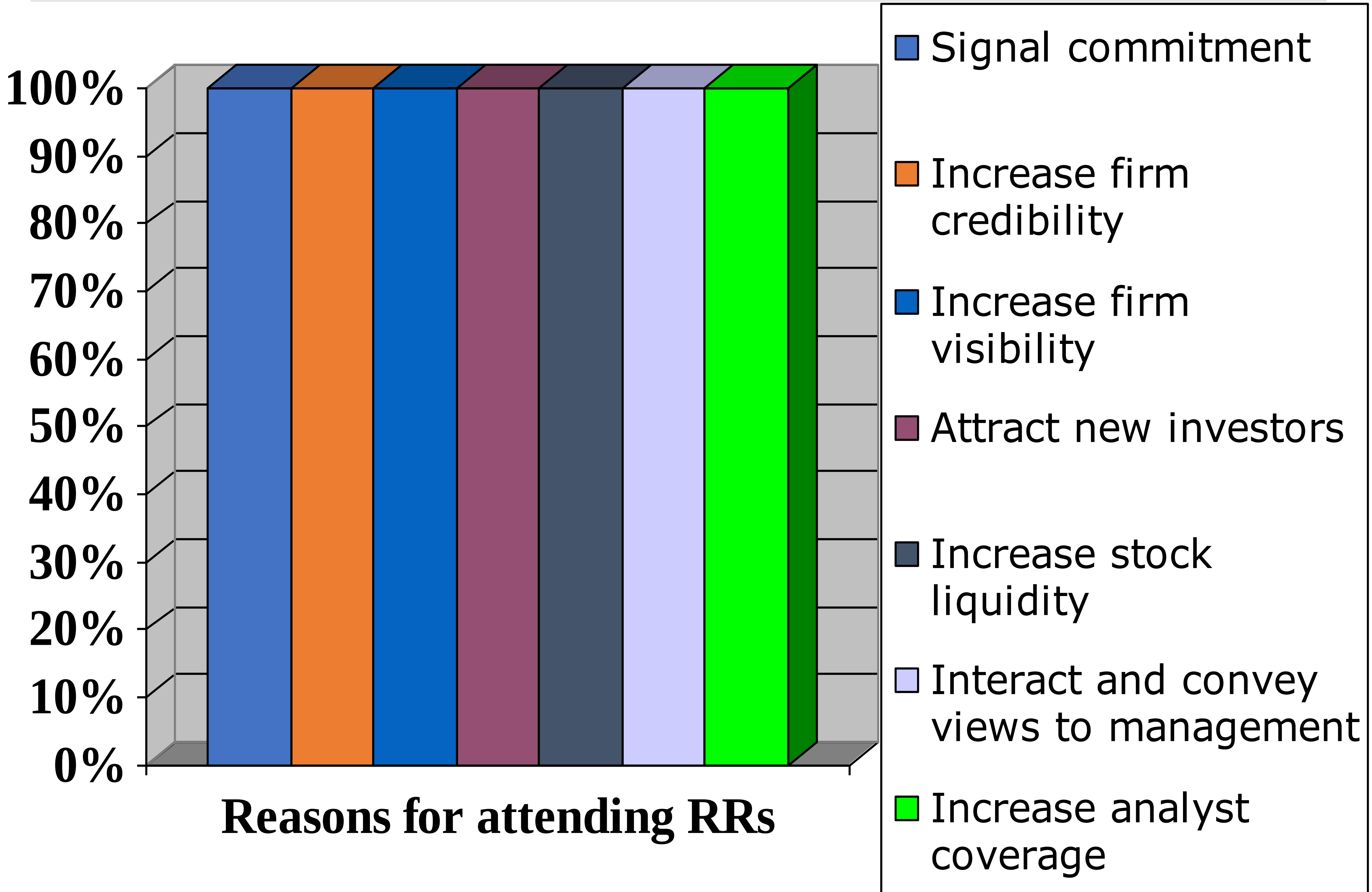
FTSE/ASE 80: Why RRs?



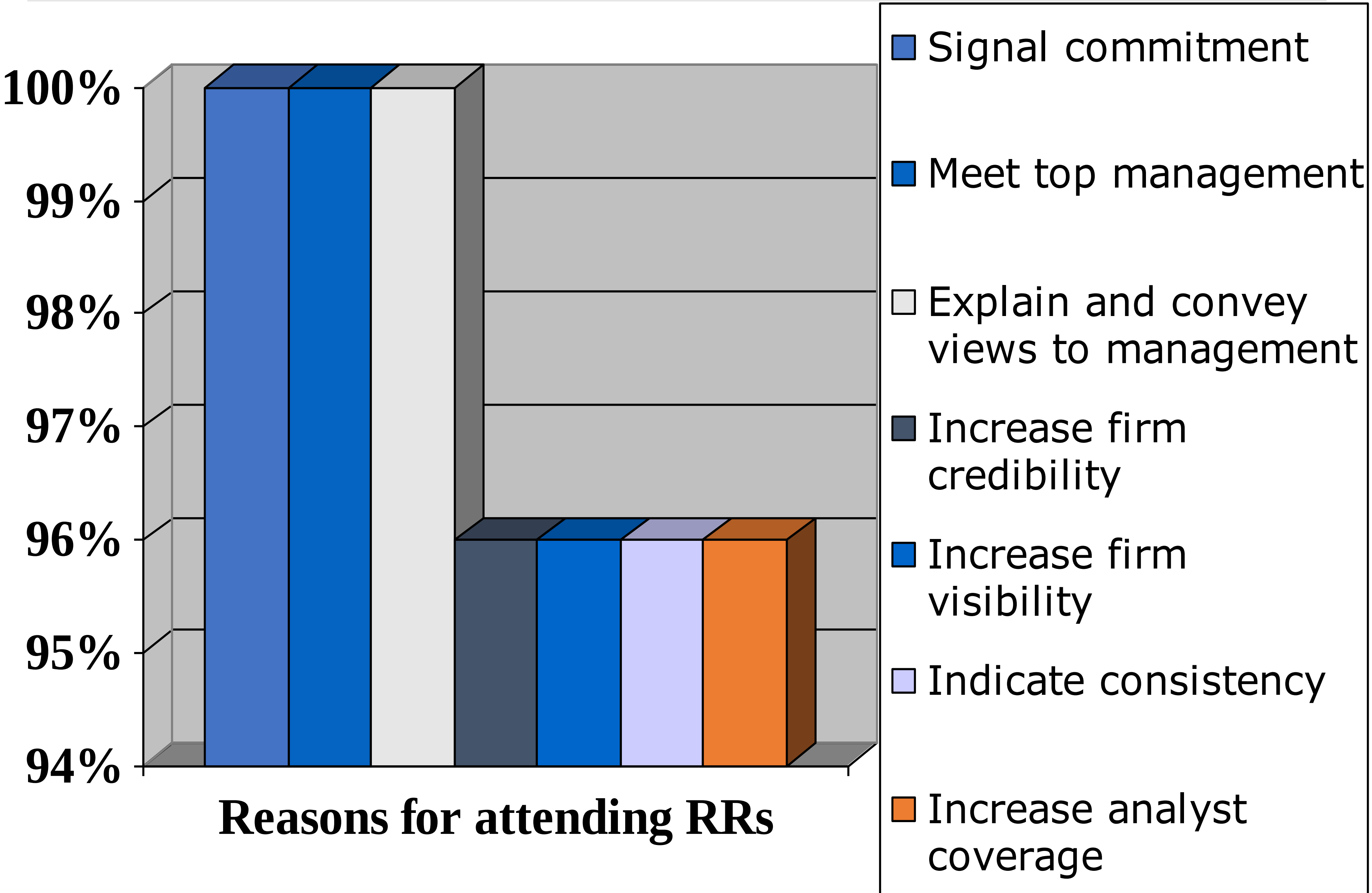
Local FAs: Why RRs?



London FAs: Why RRs?



Local FMs: Why RRs?



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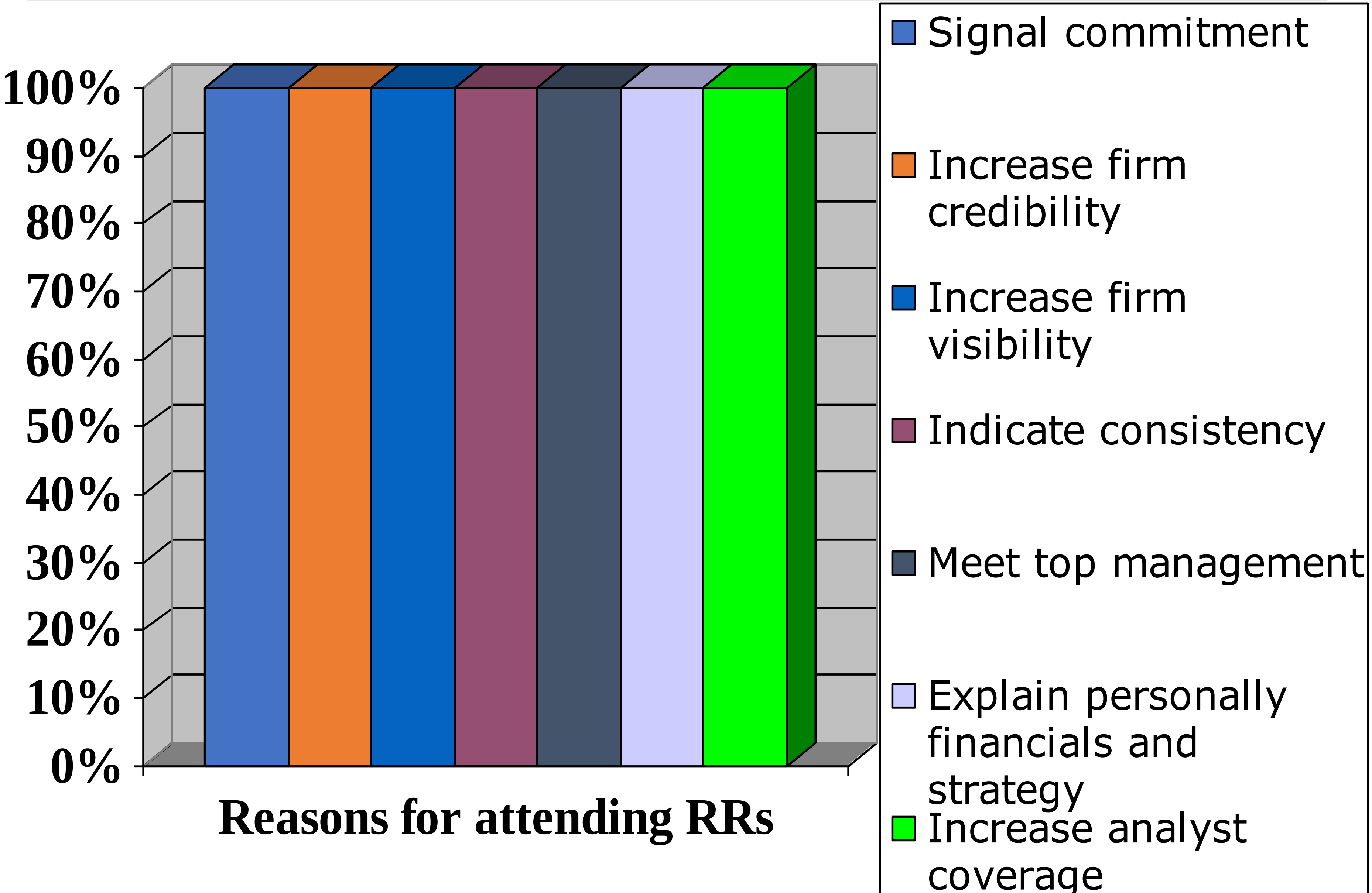
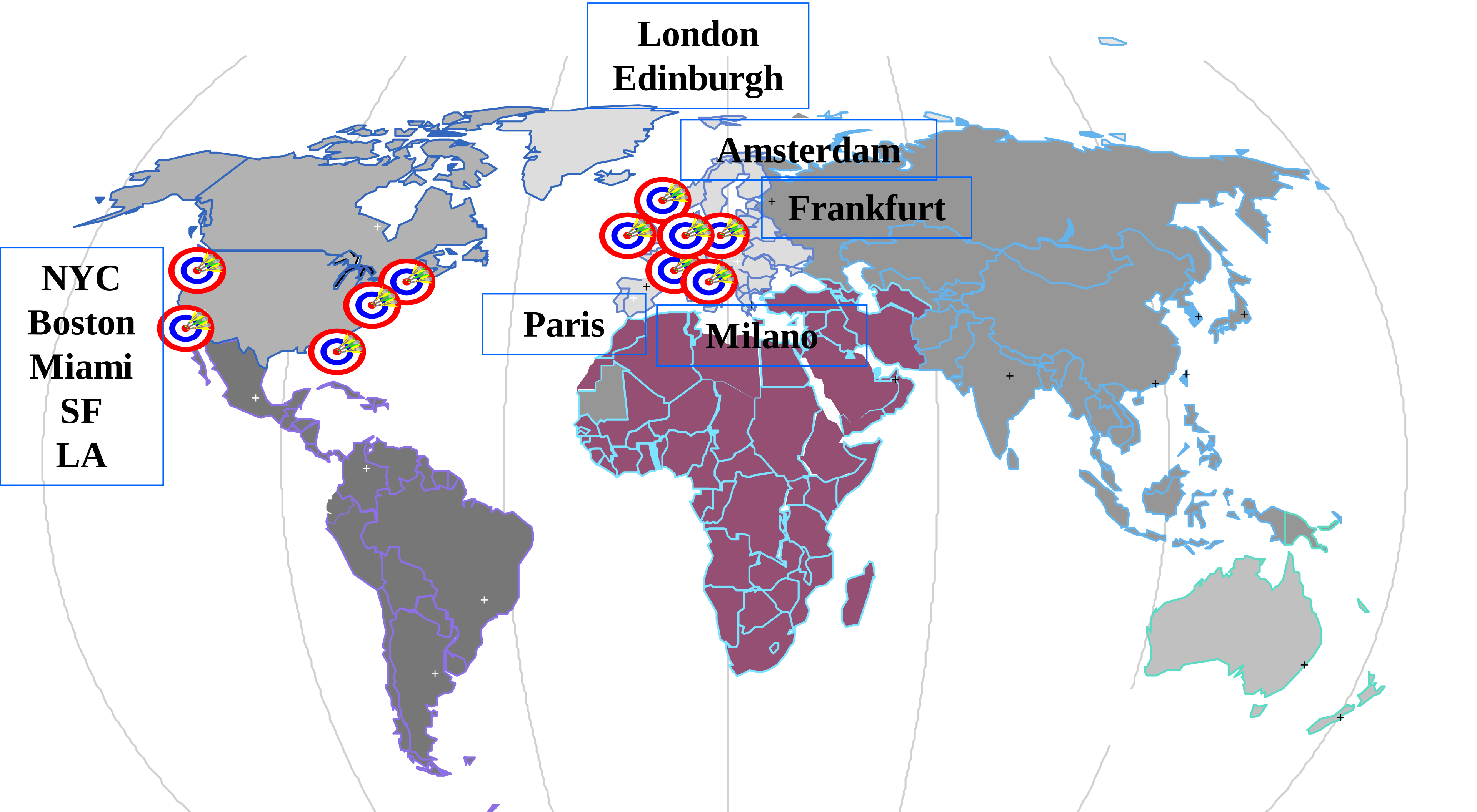
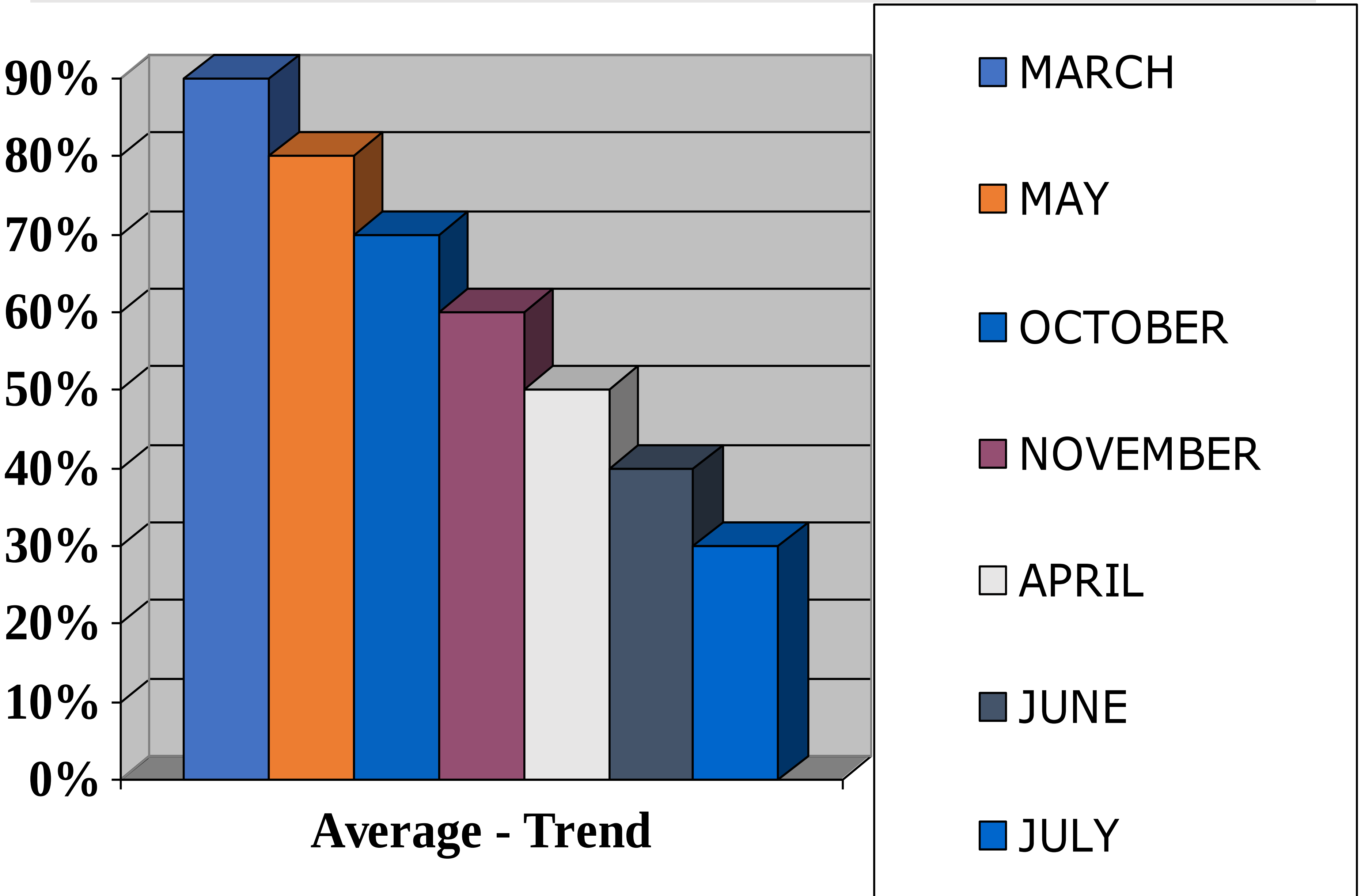


Targeting Financial Centers



Timing of Relationship Roadshows (N=164)



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