



How Communicating Thought Leadership and Intangibles Dramatically Increased Valuation for an Industrial Giant: It's Not Just About Financial Performance

The Challenge

For several years, this Fortune 500 industrial manufacturer's market valuation on a P/E basis had been lagging its peers by approximately 15 percent. The company appeared to be doing everything right. Its financial performance was good. Quarterly and annual earnings were meeting analyst projections. Plus, it had solid relationships with Wall Street analysts who covered the company.

Yet, senior management was confounded as to why the stock price was suffering. How could their company be valued at such a discount to their competitors? Management and the company's Board of Directors decided to address this concern head-on.

Our Approach

Our team started by first understanding what types of messages were emanating from the company's investor relations and corporate communications functions. We also researched analyst reports, the media and major trade publications.

The problem became obvious: Most of the company's messages focused on financial performance, its products and its global reach. However, traditional financial reporting - audited financial reports, analyst reports and press releases - and corporate communications neglected to capture the company's intangible assets, which were its key value drivers and differentiators. This "information gap" extended to communications with other stakeholders, including partners, suppliers, customers and employees.

The intangible factors that positively impacted the company's competitive position and performance included:

- ✓ Strategic thinking in each of its business areas
- ✓ R&D that drove product innovation
- ✓ Brand equity and patents
- ✓ Relationships that instilled customer and supplier loyalty

We subsequently worked closely with the CEO, CFO, communications head and investor relations officer to develop a messaging platform that captured the company's strategies, vision and other intangible value drivers.

During the following year, these messages were incorporated into all analyst reports and discussions, as well as communications with other external and internal stakeholders.

Impact on the Company

Within one year, shareholder value for the company reached parity with industry competitors. This represented a \$5 billion increase in market value.

Additionally, a review of analyst reports and financial media coverage showed a marked improvement in Wall Street's confidence in the management team and perceptions about the company's future prospects, all due to a better understanding of its intangible assets.

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