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## MIA Analysts Give Companies Worries

By [JEFF D. OPDYKE](#) and [ANNELENA LOBB](#)

A year ago, investment analysts from seven brokerage firms shadowed the financial progress of [Intevac Inc.](#), a small, Santa Clara, Calif., technology firm. Today, a lone analyst is all that remains.

"That coverage was pretty important to us," says Jeff Andreson, Intevac's chief financial officer. Among other woes, losing coverage "hurts liquidity, making it harder for our institutional investors to build or sell positions," Mr. Andreson says.

Intevac isn't unique. Whether due to layoffs, attrition, retirement or brokerage firms moving analysts around, Wall Street's map of corporate coverage is shrinking these days.

The process is standard for market upheavals and was made worse by the demise of Lehman Brothers and Bear Stearns, which covered hundreds of companies. It is leaving smaller companies like Intevac with fewer analysts to help tell their stories to investors.

Between September and mid-May, a period capturing the worst of the troubles for Wall Street and the economy, there were more than 2,200 cases of analysts formally dropping coverage of a company, representing about a quarter of research reports during the period, according to data compiled by FactSet Research Systems Inc.

By comparison, from September 2006 to mid-May 2007, capturing the run toward the Dow Jones Industrial Average's all-time high above 14000, just 6.4% of research reports were issued to announce an end to coverage.

Small companies aren't the only ones feeling the pinch. Midcap and large-cap companies have been losing analyst coverage as well.

There were nearly 1,350 instances of analysts dropping coverage of midcap stocks, or 17% of all analysts reporting in the period, more than triple the pace of 2006-07. More than 15% of analysts tracking large-cap stocks dropped coverage, more than double the previous rate.

[Verizon Communications Inc.](#) lost five analysts in recent months, according to FactSet. Yet Verizon still has more than 20 analysts shadowing the company, so it barely feels the loss. In an email, a spokesman for Verizon said the number of analysts covering the company has remained "fairly consistent. Several firms dropped coverage, but have been replaced by others."

Lost coverage can be meaningful not just to smaller companies but to their investors. Analysts

link corporate management with both institutional and, to a lesser degree, retail investors. Though they are faulted at times for being too cozy with companies and too bullish on their stocks, analysts build a mosaic of information and analysis that can help drive interest in a particular company. The good ones do an even better job of understanding when corporate operations are struggling and thus warn investors away.

When coverage fades, stocks feel the impact.

Research from finance professors Kent Womack at Dartmouth College and Ambrus Kecskes at Virginia Tech has found that in the year coverage is dropped on a stock, those shares typically underperform the industry average. Moreover, "liquidity begins to dry up," Mr. Womack says. That has the knock-on effect of warning away institutional investors, who fear they won't be able to build a position without sharply moving the share price, or more importantly, exit a position quickly if necessary.

Scholastic Inc., a publisher of children's books including the U.S. editions of the Harry Potter series, has lost coverage from Goldman Sachs, J.P. Morgan and Citigroup, among others, leaving only three analysts still tracking the company. One result: company executives now spend more time on the road, meeting with potential institutional investors, since Scholastic has fewer Wall Street analysts to pitch their story.

"It has changed how we communicate with investors," says Jeffrey Mathews, Scholastic's vice president of corporate strategy and investor relations. "We spend much more time with institutional investors than we did five years ago." Goldman said the Scholastic analyst left the firm and coverage was dropped. Citigroup declined to say why it stopped following the company and J.P. Morgan declined to comment.

Of course, some companies aren't very concerned with the current state of affairs. LeCroy Corp., a Chestnut Ridge, N.Y., maker of electronic testing devices, has just two remaining analysts after losing several in the past year. But when an analyst pulls out, "it's barely noticeable," says Tom Reslewic, LeCroy's chief executive.

**Write to** Jeff D. Opdyke at [jeff.opdyke@wsj.com](mailto:jeff.opdyke@wsj.com) and Annelena Lobb at [annelena.lobb@wsj.com](mailto:annelena.lobb@wsj.com)

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