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Title: "Building Credibility and Restoring Value"

4Kids Entertainment, KCSA Public Relations Worldwide, **2002**, 2pgs

Summary: When opportunistic short-sellers battered the stock of 4Kids Entertainment in late 1999 and early 2000, the company retained KCSA to stabilize its share price, communicate business strengths and growth strategy, and re-establish management's credibility.

Full Text: OVERVIEW

When opportunistic short-sellers battered the stock of 4Kids Entertainment in late 1999 and early 2000, the company retained KCSA to stabilize its share price, communicate business strengths and growth strategy, and re-establish management's credibility. After researching 4Kids' stockholder base, KCSA constructed a targeted investor and media relations program that squeezed out short sellers, brought in leading value-oriented investors and communicated the company's strength to the financial public. As a result, management's reputation was re-established and share price doubled while P/E ratio tripled. In 2000 and 2001, Fortune ranked 4Kids as the #1 and #2 fastest growing company respectively. 4Kids' stock price remained strong and stable throughout the fluctuating economy of 2001 and the company continues to grow in reputation, acquiring licensing rights to increasing numbers of important international entertainment properties.

RESEARCH

4Kids Entertainment is the worldwide licensing agent for Nintendo (among other companies), whose largest international entertainment property is Pokemon. When Pokemon soared as the world's leading children's entertainment property in the 4th quarter of 1999, 4Kids' stock soared with it. Believing that 4Kids was a one-product company whose main property was only a fad, short-sellers then drove the share price from \$93 to \$8.31.

Through interviews with management and studying company business documents, KCSA recognized that, although Pokemon represented more than 85% of 4Kids revenues in 1999, the Company's potential for increased market share was growing as management further penetrated the entertainment industry by obtaining licenses to exciting new properties and managing these assets carefully.

Analyzing 4Kids' stockholder base, KCSA found that, because of the fast-paced market activity and overnight success of Pokemon, 4Kids never had an opportunity to convey its long-term strategy to institutional investors and analysts. Research also showed that of the 35,000 4Kids' shareholder base, most were individuals who had purchased shares because their children and grandchildren were raving about Pokemon and its all-encompassing storyline. This situation had created great volatility in the company's share price and enabled short-sellers to strong-arm less savvy individual investors.

To further analyze existing institutional and individual shareholders, KCSA (a) created an dedicated hotline for existing shareholders to call KCSA representatives with questions about the company; (b) reviewed the Company's recent 13-F reports; (c) reviewed past corporate/investor events; and (d) identified and polled reporters that had written negative or unfair articles about the Company and its management team. This included a publicity evaluation analysis. To identify short-sellers, KCSA analyzed the most active market makers, monitored company conference calls for "outspoken" antagonists, and interviewed existing shareholders and their trading desks.

To identify momentum-oriented and value investors most likely to be interested in 4Kids' fundamentals, KCSA used its own proprietary databases as well as Internet based databases. To carry the 4Kids' business story to the financial community, KCSA identified key financial reporters from major print and online business press who were likely to focus on price/cash evaluations and low price/earnings ratios.

PLANNING

Beginning January 2000 and continuing through 2001, 4Kids Entertainment and KCSA established the following objectives: (a) to convey the Company's long term growth strategy; (b) to rebuild management's credibility following a significant share price decline; (c) to initiate a short selling squeeze by building positive momentum in the stock; and (d) to increase institutional ownership as a percentage of total ownership and stabilize the stock price.

Based on the research, 4Kids' management and KCSA's team of investor relations executives mapped out a two-pronged strategy for meeting the objectives and correcting misperceptions about 4Kids Entertainment's growth potential and business value: (a) Bring in new institutional investors to squeeze out the short sellers and stabilize the company's share price, and (b) work with the financial media to get the word out regarding 4Kids' true value, solid management team and excellent business model - KCSA and 4Kids management developed a three-phase

action plan that would be implemented over a period of 18 months: Investor and financial analyst roadshows; special corporate events that would convey the strength of management and the Company's true business value; and (c) news events that would communicate the Company's messages of solid management, business growth and long-range potential broadly to investors and financial media on a continuing basis. Media relations was to take place throughout the entire program concentrating on breaking news as well as continuous pitching of the company story and business strategy.

An initial budget of \$60,000 per year was allocated for researching and analyzing potential outlets. Moving into the execution phase the budget was increased to \$120,000 per year to carry out the action plan, including roadshows, investor kits and updates, media relations, and outreach for product launches.

EXECUTION

With regard to investor outreach, the program focused on live one-on-one meetings with new value investors who were attracted to the Company's strong cash position and low overheads. This phase of the program focused on reducing the control that short sellers had on the shares. At the same time, KCSA actively conducted meetings with known short-sellers to educate them about the real value of the business. Once momentum for the shares was established within the value investing community and short-sellers were addressed directly, the program shifted to building credibility and establishing interest among entertainment industry analysts and investors. This was achieved by moving the Company from a listing on NASDAQ to a listing on the New York Stock Exchange, and by meeting with sell-side analysts to gain support among retail stockbrokers as well as institutional investors.

Simultaneously, the financial media were targeted to communicate the Company's "value" story from a financial point of view and to highlight other licensed properties that favorably impacted the Company's bottom line. Building on media interest in the high profile of Pokemon and the misperception that the property was fading away, KCSA provided reporters with facts demonstrating that there was a fresh and important story to tell, persuading major media to give 4Kids' management a public forum in which to set the record straight.

To bring further credibility to 4Kids' story, KCSA integrated its financial media and investor relations efforts by introducing new investors procured through the IR program to members of the financial media who spoke positively about the Company and helped to establish a valuable third party endorsement about the Company's value.

EVALUATION

Through the financial media and investor outreach, the company's long-term growth strategy was made clear to all targeted audiences, and management's credibility was restored. Understanding of the Company's business by individual and institutional investors has increased, and 4Kids Entertainment has become highly visible in the entertainment industry. In 2000 and 2001, Fortune magazine ranked 4Kids as the #1 and #2 fastest growing company, respectively. In addition, the Company has gained licensing rights to several significant new properties as a direct result of its work with Pokemon and the heightened awareness of the Company's business strength.

The "shorts" have been "squeezed" as their interest in the Company declined by more than three million shares. Leading institutional buyers have accumulated hundreds of thousands of shares, increasing the percentage of institutional investment from less than 20% to more than 33% currently. By the end of 2001, the Company's stock price had rebounded, more than doubling from \$8 to \$20 per share with its P/E ratio tripling. This performance is exceptional especially because the overall stock market was fluctuating and even declining throughout 2001. The financial community's new respect for 4Kids' business plan and management strength, together with the Company's stabilized and growing stock price, more than fulfilled the objectives of 4Kids' initial investor relations effort.