

# ANALYZE THIS

A group of students in New Orleans, Louisiana, can tell you anything you'd like to know about Kirby Corporation. In short, they know everything there is to know about the Louisiana bank — and if you were

**Company Description:**  
Kirby is a company employing over 500 staff, the largest Louisiana-based general public and original bank as major player in...

**Price Performance:**  
Line graph showing stock price performance over time.

Market Capitalization	5.7x	\$3.56	\$3.47
Enterprise Value (EMM)	443.32	5.4x	5.6x
Share Outstanding (MM)	782.11		
Estimated Float (MM)	34.50		
Average Daily Trading Vol.	14,388		

**Analysts:**  
Renato Castro  
Tully Forrester  
Omar Nucete

**Investment Research Manager:**  
David Novak

**1- Total U.S. Inland Tank Barge T...**

**Engine Repair**

...high diesel engine repair is the smaller part of Kirby's business, the division...  
...an enviable position among its peers. Moreover, Kirby's clients are exclusive...  
...major competitors threaten to take the firm's market share. In the Marine Systems...  
...subsidiary, the Company competes for business through a bidding process with...  
...approximately 10 independent diesel engine services companies. The Engine Systems...  
...subsidiary's competitors distribute generic and remanufactured parts. Therefore, many...  
...customers choose to buy from Kirby due to the reputable quality of the EMD products it...  
...offers. In the Rail Systems subsidiary, Kirby competes with companies providing...  
...services, along with the rail companies who provide service for their own...

by Sharon Shinn

**I**f it's true that on-the-job experience is the best way to learn, then a group of students from Tulane University is getting an excellent education. These students, enrolled at the university's A.B. Freeman School of Business, are part of a nine-year-old program called Burkenroad Reports that allows students to act as investment analysts for a handful of small regional companies. Some of the students in the program have studied Iberiabank and its assets and liabilities. Others have analyzed the market performance of Conrad Industries, part of the Gulf Coast marine transportation industry, and Petroleum Helicopters, which flies personnel and equipment to offshore oil platforms. Glamorous? Maybe not. Educational? Absolutely.

Students in the Burkenroad program must be accounting or finance majors who have already taken a number of courses in their core disciplines. The fall class includes senior-level undergraduates and some second-year MBA students; the spring semester features all first-year MBAs. Seventy students participate in each session. They're divided into teams of three or four and assigned to do the research

off-shore rigs, visited steel mills, and gone through chicken processing plants. When we're at Sanderson Farms, the CFO takes us out to lunch afterward and makes us eat chicken."

In addition to interviewing top executives, students talk to suppliers, customers, and trade associations to try to assess what's likely to happen in that industry. Eventually, they compile their extensive reports, each about 24 to 30 pages, and each including a buy or sell recommendation.

Because students are dealing with actual companies in real time, they have to be braced for unexpected changes. One Burkenroad company, Callon Petroleum, had a stock price of \$4 a share in January when students first started working on their report. Late in the semester, J.P. Morgan presented a research report on the company, and its stock jumped to \$8 a share. "The students said, 'But we wrote the report based on \$4! This isn't fair!'" Ricchiuti says. "Yeah, but this is live stuff. It can be a little harrowing for them because of that."

Once the student reports are completed, Ricchiuti compiles a compendium publication that includes one-page briefs on all 42 companies. In addition, the information is posted on the Web at burkenroad.org. About 12,000

**Iberiabank Corporation, from market performance to peer institutions to potential risks. wondering whether or not to invest in it, they would recommend that you buy.**

on one of the 42 companies in the Burkenroad portfolio.

The students then have the entire semester to compile a comprehensive report on their company. "There are nine elements in the report, such as company background, peer comparisons, and the income statement. Each week a different deliverable is due," says Peter Ricchiuti, founder and director of the program. "Each week, the pieces are graded and sent back for revisions. At the end I tell them, 'Don't panic. To finish it, all you need is a stapler.'"

For the students, a key part of learning about the company is making a trip to its headquarters. Firms in the Burkenroad program are all in the five-state regional area of Texas, Louisiana, Mississippi, Alabama, and Georgia—as Ricchiuti says, "anywhere we can get to by car or a cheap Southwest Airlines flight."

During the company visit, the students tour the operations and meet with CEOs and CFOs to get a better understanding of how the company functions. "We have the best field trips in the free world," says Ricchiuti. "We've taken helicopters to

investors take a look at the finished Burkenroad reports, issued in December and in May of every year.

The information also is disseminated at an annual investment conference that is held in New Orleans and is open to the public. The top managers of all the featured investment companies make appearances at the conference and give short presentations to the 700 to 800 investors in the audience. "All kinds of folks attend, from individual investors to people who work in the investment industry to alums who come back for the conference. We've got local people walking around in fuzzy slippers and people from San Francisco investing \$20 million," says Ricchiuti.

### From the Beginning

Ricchiuti began the Burkenroad Reports program in 1993 with a small grant and a lot of ambition. He had been teaching part-time at Tulane while acting as the investment officer for the state of Louisiana. "Constituents would call and ask where they could find investment research on this or

that small Louisiana company, and there wasn't any information to be had," he says. That spawned the idea of an investment analysis organization staffed by students. With a \$45,000 grant from the state and a full-time commitment to teaching the program, he was up and running.

The grant money mostly paid to subscribe to Bloomberg Financial Services, and Ricchiuti began to research the companies he wanted his students to follow. His parameters were companies that were headquartered in the five regional states, had market caps of under \$300 million, and were being followed by two or fewer analysts. In the beginning,



however, some of his target companies weren't exactly thrilled at the prospect of devoting so much time to squirreling students around the premises every few months.

"I spent that first summer knocking on doors, talking to CEOs. Every conversation would begin, 'Hypothetically...'" It was a tough sell at first," Ricchiuti says. But the program has been so successful that he now has companies approaching him, asking to be included in the portfolio.

The student interviews do require a great deal of time and commitment from corporate executives, Ricchiuti concedes, but the Burkenroad Reports pay back handsomely in terms of exposure. "These are companies that really need to get their stories told," he says. "Our students are always surprised that these companies don't have a lot written about them. And one thing they have come to realize is that, if a company isn't doing a new stock offering or doesn't have enough shares to be actively traded, Wall Street firms aren't going to bother to come down and talk to them, no matter how good the story is. They're not going to send some \$500,000-a-year analyst down to Pineville,

Louisiana, to figure out how Cleco Corporation works."

Several of these companies have benefited from the light shone on them by Burkenroad Reports. "Fourteen companies have been bought out since we started our reports," says Ricchiuti.

Even greater exposure is on its way for the program and its participants. Last January, Mississippi's Hancock Bank created the Burkenroad Fund, a mutual fund made up almost exclusively of the stocks followed by the student teams. Although the fund, which trades under the ticker symbol HYBUX, legally has its stock picks made by the bank's portfolio manager, the manager is using student research to make decisions. Six months after its creation, the fund posted a 13.47 percent return and is ranked among the top one percent of small-cap growth mutual funds, according to Bloomberg.com.

That's not the only success the program can claim: "In 1999, 2000, and 2001, our indexes outperformed the S&P 500, the large-cap index, and the Russell 2000, the small-cap index," Ricchiuti says.

### **Making the Commitment**

Such a successful program can't be run without a tremendous amount of time and organization, Ricchiuti admits. "It takes 100 percent of my time, 80 percent of the time of one of our finance professors, and contributions from a couple of staff members," he says. "But we've come up with a plan that works really well. We take about a dozen second-year MBAs who were exceptional as analysts in their first year, and we make them Investment Research Managers. They're each in charge of three to four teams of students. I meet every week with the IRMs to try to ferret out problems or discover if any teams have fallen behind. It's a great system for us and for the IRMs. Nothing teaches you a subject better than teaching it yourself."

Ricchiuti also works hard at forging good community relations—but the resulting bond benefits both the school and the city, he believes. "We're quoted somewhere two or three days a week in a local newspaper or magazine," he says. "If something happens with one of the companies we follow, frankly, we're the only game in town." When Piccadilly Cafeterias bought another company, a *Wall Street Journal* reporter called to ask Ricchiuti what this meant for the cafeteria industry. "I said this would make Piccadilly the largest cafeteria 'in the universe,' and that's what went in the *Wall Street Journal*," he says.

Such accessibility has made the media willing to support the program, and various newspaper and radio stations have



responded by offering free ads. “The local TV station did a snazzy public service announcement showing students going up in helicopters. A newspaper just agreed to give us a half-page ad during the week of the conference,” Ricchiuti says. “We’ve also had exposure on CNBC, CNN, and radio shows. Recently we were featured on a radio program called ‘Ray On the Money,’ hosted by Ray Lucia.”

The Burkenroad program requires not just a commitment of time, but of money, since travel and printing both can be expensive propositions. However, offsetting income almost allows the program to break even. The major source of revenue is the endowment provided by the family of William B. Burkenroad Jr., a Tulane alum and supporter, for whom the program is named. “We started off as the Freeman Reports

The business school has to be prepared to support the program financially and emotionally for about three years before expecting it to run smoothly, he says, and it also must hire the right director. “You need a nontraditional faculty person, not someone who’s just interested in why stocks go up every other Monday when it’s colder than 40 degrees. You need somebody who’s a salesperson, who can sell the faculty, the benefactors, and the sponsors on such a program.”

He also thinks such a program is likelier to be successful if it’s located away from the big financial centers and if it focuses on small regional businesses that need the exposure. “You could do the same program for bigger-name corporations, but you’d be less likely to get the appreciation of the companies,” he says. “Some of our kids want to write about Microsoft. I tell them, ‘There are 60 people writing about Microsoft! But we’re the only people writing about the chicken at Sanderson Farms.’”

Another reason it’s so valuable to profile small firms, Ricchiuti believes, is that students get a chance to see business owners who are intimately connected to the fortunes of

**“There are 60 people writing about Microsoft! But we’re the only people writing about the chicken at Sanderson Farms.”**

until we got the endowment,” says Ricchiuti. Additional money comes from conference sponsors and the \$100 contribution investors are asked to make for getting the printed reports. Starting this year, the program also will receive a licensing fee from the Burkenroad Fund.

### **Duplicate Success**

The commitment of time and money makes it a program that’s difficult to replicate elsewhere—but not impossible. “We just got a grant from the International Development Bank to create Burkenroad Reports Latin America, where we’ll be training the faculty of nine business schools of Latin America to create this program on their own,” says Ricchiuti. The schools are now in the process of doing research on small public companies in their own countries, and their reports will show up on the Burkenroad Web site. Eventually, some of the Latin American CEOs will make presentations at the New Orleans conference.

Other schools looking to craft such a program should anticipate a few bumps in the road early on, says Ricchiuti.

their companies. “When we were at Piccadilly, the CFO took us to the cafeteria, and we all walked through the line with our trays. The CFO stopped at the drink counter and said, ‘I’ve been running some numbers, and I’ve been thinking. If half the people who got water bought iced tea instead, we could add seven cents a share.’ The students get to meet the people who have a fire in their bellies, the people who wake up three times a night with a little pad of paper next to them, jotting down ideas about how to get the price of stock to go up.”

The Burkenroad Reports program isn’t successful only because it introduces students to engaged CEOs or because it brings small companies to the attention of curious investors. It’s also successful because it directly helps students find jobs. “The investment market is a tough nut to crack, and kids need some sort of edge to get in,” Ricchiuti says. “The report creates a great vehicle to send with a resume. It contains a writing sample and it shows the ability to model. The thing I’m most proud of is that we’ve sent more than 300 students from this program into jobs in investment business.” 