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"*Geographic Proximity and Analyst Coverage Decisions: Evidence from IPOs*"

Abstract
We study how geographic proximity influences analysts' decisions to cover firms, and how local analyst coverage influences firm visibility, using hand-collected data on locations of 4,986 analysts covering 3,108 U.S. firms that went public during 1996 – 2009. We find analysts 80% more likely to cover local firms than non-local ones. Local non-underwriter analysts initiate coverage one to three weeks earlier than distant ones. These effects are more prominent for smaller, less visible firms. Because early analyst coverage helps attract other analysts and new institutions to newly public firms, less visible firms may use local coverage as a stepping-stone to increased visibility.