IR update

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the voice of the investor relations profession

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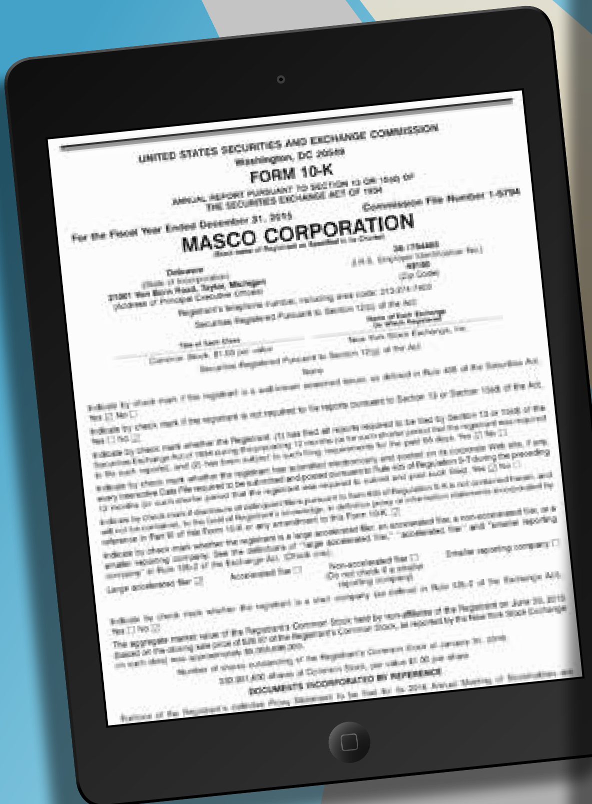

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About NIRI

Founded in 1969, the National Investor Relations Institute (www.niri.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts, and other financial community constituents. NIRI is the largest professional investor relations association in the world, with more than 3,300 members representing over 1,600 publicly held companies and $9 trillion in stock market capitalization. NIRI is dedicated to advancing the practice of investor relations and the professional competency and stature of its members.

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NIRI On the Move

As you read in my last column, NIRI's Board of Directors is actively engaged in the process of "reimagining NIRI." As part of this undertaking, we just completed a strategic review during our September Board meeting to capitalize on the vast opportunities for the organization.

While we are devoting more time to strategically self-reflect, the NIRI Board and staff continue to work aggressively to meet members' needs. Here are a few examples of the many initiatives that are currently underway.

In late August, we opened up registration for the 2017 Annual Conference in Orlando on June 4-7, allowing our constituency to plan their busy schedules accordingly. Early Bird rates have been made available through October 31. The Annual Conference Committee, led by co-chairs Karen Fisher of FSW Communications and Dennis Walsh of Zillow, is working hard to build session topics and recruit general session speakers, so we can share these details with our membership promptly. We created a new honorary Conference chair position, and we are appreciative that NIRI Fellow Mickey Foster of FedEx has agreed to serve in this important role.

Our Investor Relations Charter (IRC) certification program continues to gain momentum. A second class of applicants took the IRC exam in September, and I look forward to announcing the names of the newest IRC holders in early October.

As the leading voice of the IR profession, NIRI is continuing to bring your ideas and sensitivities to regulators and lawmakers. The Board met with Securities and Exchange Commission staff in Washington in late September and we outlined the importance of greater ownership transparency, including the crucial need for better disclosure of short positions.

We have many professional development programs underway that are detailed on the NIRI website. These include finance programs in New York on November 14-17 and our next "Fundamentals of IR" seminar in Santa Monica, California, on January 8-11, 2017

Finally, I am extremely pleased that we have a record number of best-in-class candidate submissions for the NIRI Board this year. This strong group of nominees is a reaffirmation of my first column highlighting that we are a community of "those who have been there, help others get there." I am grateful that so many members want to play an active role in shaping NIRI's future and helping the next generation of IR leaders.

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IR TEAMS WITH A REVOLVING DOOR

SHOULD IRO POSITIONS ROTATE? The easy answer: it depends on the culture of your company and what you hope to accomplish with a revolving door.

By Margo Vanover Porter

Working on the buy side for almost 12 years, Neal Goldner is the first to admit that he didn't like it when the senior IRO rotated positions.

"I found it extremely frustrating as an investor," he says. "You were constantly developing a new relationship. The person at the senior level in IR should have continuity because it's really important for the investment community to have a consistent relationship with the company, and those relationships take time to build."

Now the vice president of investor relations for Avis Budget Group, Goldner doesn't rotate in that position…but his number two person does, which is just fine in his book.

"We have a two-person team," he explains. "Without a rotation, our number two would be stuck in a career with no upward movement because I don't plan on going anywhere. We use the position as an opportunity for high-potential employees to take them out of their day-to-day jobs so they can see the whole picture of the organization — what our strategy is, why Wall Street cares, what the global view of the organization is, where we are trying to go, and how it all fits in. After a number of years, they progress to a different position."

The timeframe before a switch occurs is usually around three years, but that's not set in stone, nor should it be, Goldner insists. "It will always be flexible because the number two person has to have a place to go," he says. Plus, he and coworkers have to agree on which up-and-comer gets to progress into the sought-after slot.

Although he tries to keep an open mind about qualifications, Goldner typically prefers high-performing candidates who know the company and its systems inside out and who have a financial background. "The world has changed," he says. "With the way IR has moved over the last 10 years, I'm not sure how the number two person in my organization could not be a finance person because the nature of the conversations are often financial."

Pros vs. Cons

For years, IROs have debated the pros and cons of rotational IR positions, both sides making intelligent, persuasive arguments. On the plus side, IROs argue that employees lucky enough to get the opportunity can gain a bird's eye view that will help them see the big picture in future roles.

"We have a rotational position for succession planning and to build bench strength behind our CFO," says Ryan Miller, vice president, investor relations, Rockwell Collins. "Typically, what's happened is the person who goes through this position becomes a leader in one of our businesses. Having that external perspective helps as they get into longer term strategic planning and setting expectations, which can influence how the company is perceived by the Street."

Miller, who has been in his position for almost 2½ years, was previously the controller of an operations group in the company. His IRO predecessor is now the vice president and controller of the company's commercial systems segment. "Think of that as the CFO who's in charge of business pursuits, financial reporting, and planning for that business," he explains.

Once they complete their stint, rotational IROs can go back out to a segment of the business with a new and improved Street perspective, Miller says. "When we get into long-term planning, expectation setting, and thinking about how to communicate the story, having different people in the organization who can help connect the dots will make our story stronger as we attract investors," he says. "In addition, when you bring new people in, they have new ideas and provide bench strength for succession planning."

According to Miller, the rotation typically lasts anywhere from three to five years. "It's important to keep somebody fairly consistent for a period of time so they can develop relationships with the analysts and portfolio managers," he explains. "We try to bring people who understand our business and can provide a level of understanding to investors that someone from the outside couldn't — people who have real-life examples that they can communicate to investors. That's a benefit."

He points out that Rockwell Collins, which has $5 billion in sales, a $12 billion market cap, and 20,000 employees, makes internal promotions a habit, and the IR rotation provides a ready platform for that progression. "Our organization likes to develop robust succession plans and build our leaders from within," he says.

Goldner agrees that a rotating IR position gives high performers – and their companies – a leg up. "It's important to the organization and important for employees. We're taking them out of their day-to-day jobs so they can see the company's strategy, and IR is a great place to do that. There aren't many jobs where younger professionals get to work with the CEO and CFO on a regular basis."

He remains an advocate of rotating mid-level IR positions, even though he admits that the constant turnover does increase his already heavy workload. "It taxes the senior person, but it's the right thing to do for the organization and for the individual's career," Goldner says. "We want to develop our team and give them challenges that enable them to grow personally and professionally."

Besides the extra workload, the two main disadvantages of IR positions with revolving doors readily come to mind:

Lack of continuity. Sally Curley, senior vice president, investor relations, Cardinal Health, has four direct reports, three of whom rotate through a program for high potential candidates within the finance organization. While the selected employees get great experience and visibility, she indicates the lack of continuity can be a bit of a problem for the Street. "They would prefer continuity from what they've told me," she says. "While they like the engagement, it is always disruptive for them when someone moves on."

That's one reason why her company changed its policy of rotating the senior IRO. "I was brought into my current role because the primary individual previously heading IR was rotational from finance or strategy, and the company needed some structure and a pro in place to build an IR department," she explains. "The continuity with the Street was key to rebuilding and maintaining credibility."

EASING THE TRANSITION

COMPANIES COMMITTED TO ROTATIONAL IR POSITIONS OFTEN RESERVE THE COVETED SLOTS FOR THEIR FINANCE SUPERSTARS.

For example, at Cardinal Health, "they are being groomed for the best positions in finance," reports Sally Curley, senior vice president, investor relations. "The company has had a history rotating IR positions, with the thought that they are creating well-rounded finance athletes by giving them multiple perspectives from their various roles throughout their careers."

With four direct reports, three of whom rotate, Curley has the transition from beginner to seasoned professional down to a science. Here are six steps she routinely puts into practice with those employees who are rotating into her department:

1. The rotational team member meets with her to do a deep dive on IR, and she begins to leverage NIRI resources by identifying upcoming webinars and seminars to which she can send the individual. "Even for someone who has been in the position for 24 months, having that deep dive taught by a NIRI professional, is extremely helpful."

2. In a one-hour meeting, Curley and the associate general counsel immediately conduct an in-depth briefing about disclosure dos and don'ts. They ensure the candidate understands that he or she is more restricted with respect to trading and now represents the company in every facet, internally and externally. "Because employees know you have inside information, the concept of the shadow of the leader becomes infinitely more important in the IR role."

3. She spells out roles and responsibilities. "We need to have a clear process in place, including clear goals and a clear set of roles and responsibilities," she says. "Otherwise, things can quickly go awry."

4. She provides an IR handbook of processes to the new team members and asks them to review it. A week later, they meet again, and Curley answers any questions the new person may have.

5. She leverages team members already in place – but carefully – always referring the team back to the organization's defined processes. "With such frequent rotation, things can change or fall through the cracks so this step is key," she says.

6. She conducts informal team quizzes about important rules and issues, frequently picking teaching moments during staff meetings, "so they are learning, even if they don't realize it."

Learning curve. Not only do IROs have to develop relationships with the Street, newbies need to quickly learn the ABCs of IR, which is no small feat. "With more than half of my team turning over every 12 to 24 months, it is tough to really delegate anything significant, and so the burden of training and much of the work still falls on my shoulders," Curley says.

When he stepped into his new role, Miller freely acknowledges the learning curve proved to be daunting. "It probably took me nine to 12 months until I felt really comfortable answering all the questions off the cuff," he says. "IR is a skill that you don't pick up within a couple of weeks or months."

To gear up, he went through a 60-to-90-day transition period working side by side with the outgoing IRO. "I sat in and listened to probably 50 calls so I could understand how he explained the story and talked about us," Miller recalls. "He went to the first conference with me and walked me through what to do. In the first month or so, we did a mini road show in New York with the sell side analysts."

During the initial months, he also spent lots of time reading transcripts to understand how to communicate the company's story. "After 13 years, I thought I really knew the company well," he recalls. "I didn't realize what I didn't know until I came into this position. Being an IRO really prepares you for the next level of leadership vs. staying in your comfort zone. It stretches you."

Although it wasn't his first choice for positions, "serving as the IRO has been one of the most rewarding experiences of my career," Miller now says. IRU

__Margo Vanover Porter__ is a freelance writer based in Locust Grove, Virginia; m.v.porter@comcast.net.

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By Margo Vanover Porter

As a result of the new standard on revenue recognition, IROs need to be ready for a whole new line of questions from analysts, predicts Jeff Bray, director of investor relations, Imprivata.

Among the questions he anticipates – and for which IROs should have ready answers – are: How will the standard influence your company's financial results? How and when will you change your reporting? Will you need to shorten your contracts to reduce the standard's impact? How will the standard change your company's long-term growth rate?

Brinkley Dickerson, a partner with the law firm of Troutman Sanders, classifies the new standard on revenue recognition, "the most significant accounting pronouncement" in his 34-year career as a securities lawyer. Public companies need to begin applying the new standard, called Revenue for Contacts with Customers, to annual reporting periods beginning after December 15, 2017.

"Revenue is one of the most important measures used by investors in assessing an organization's performance and prospects," explains Marc A. Siegel, who was appointed to the Financial Accounting Standards Board (FASB) in 2008 and reappointed to a second five-year term in 2013. "However, revenue recognition guidance differs in Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) – and many believe both standards are in need of improvement."

To that end, the FASB and International Accounting Standards Board (IASB) have issued substantially converged guidance on recognizing revenue in contracts with customers. "This is a long-term, multi-decade effort to get the two sets of standards as close to each other as possible," Dickerson says.

"For some companies this isn't going to make a difference," he adds. "The revenue and expense that are reported for a company and its ultimate profitability will be the same. For example, a grocery store chain that sells for cash and credit card payments has a very clear revenue recognition policy. If Bob or Mary buys something at the checkout counter, it's revenue. However, for a majority of publicly traded companies, it will make some difference, and for a few it will make a significant difference."

He notes that the standard may meaningfully influence the balance sheets of companies with multiple deliverables, such as installments of software. "It will also hit companies that provide deferred payment terms," Dickerson says, "because financing can impact when revenue is recognized. And it certainly will impact companies that give discounts and rebates in a very significant way."

Siegel agrees, adding that software companies and construction contractors will be affected more than simple widget manufacturers. "However, all companies will need to assess how implementing the standard may change their accounting."

Bray points out that many companies, such as Imprivata, in the software space are modi-

A NECESSARY EVIL?

ALTHOUGH MANY PEOPLE WOULD ARGUE IT WASN'T NECESSARY, the new standard does offer the advantage of converging the accounting system of the United States with every other major country in the world, says Brinkley Dickerson, a partner with Troutman Sanders.

"It draws a more refined and consistent line around when to recognize revenue and how to deal with things, such as discounts or embedded financing costs," he says. "Public companies should find more consistency in a lot of areas."

For example, he points out that the International Financial Reporting Standards (IFRS) doesn't include concepts like deferred revenue. "You either recognize revenue or you don't," he says. "Today there are fairly fundamentally different concepts in the accounting regimes, and the only way for convergence to progress is for big issues like this to be worked out."

According to Marc Siegel, one of the seven members of the Financial Accounting Standards Board (FASB), the objective of the new guidance is to establish the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers.

In his opinion, the new standard will:

- Remove inconsistencies and weaknesses in existing revenue requirements.
- Provide a more robust framework for addressing revenue issues.
- Improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets.
- Provide more useful information to users of financial statements through improved disclosure requirements.
- Simplify the preparation of financial statements by reducing the number of requirements to which an organization must refer.

"The standard should simplify a company's accounting because after adoption of the standard, a company would apply the same revenue recognition model to all transactions instead of disparate rules by transaction type," he concludes. "It also puts companies on a level playing field with their international competitors because of the convergence between IFRS and Generally Accepted Accounting Principles."

fying their models by converting revenue to subscription contracts. "We are shifting more of our revenue toward subscriptions," he says. "Investors like that because there is more visibility and people will put a higher multiple on recurring revenue."

Does It Influence Your Story?

Because of its broad applicability, the standard will change how many companies report their top line.

"IR professionals need to ask very simple questions of their accounting staff so they can get their arms around what will change the most and get ready for how they might want to present the company prospectively," Dickerson suggests. "2016 should be a year of education for IR professionals so they can identify what the major issues are going to be for their specific companies."

IROs need to press forward to obtain a high-level understanding of the issues because in 2017 they will certainly start getting questions from analysts. "When companies are putting out guidance for 2017, IR professionals will need to be able to quantify, at least roughly, the impact of the new guidelines on their companies," Dickerson says. "Before the end of 2017, they will need to know how this impacts the story they tell and their approach to communication."

He predicts that when the system is put in place, the revenue of some companies could change by as much as 5 or 10 percent. "The IR professional needs to anticipate that and alert the investment community of what and when it will happen and be prepared to respond to questions as people develop models that reflect the new accounting guidelines." He also recommends that audit committees be alerted.

While the investment community knows the standard is waiting in the wings, analysts haven't yet started factoring it into their analyses.

What About Your 10-Ks?

Siegel cautions IROs to be aware if their companies have made any mention of the new standard in recently filed 10-Ks because companies are required to describe new accounting pronouncements that have been issued but not yet adopted.

"It is possible that this initial discussion will be only a few sentences, but investors could seek it out and monitor the disclosure in future filings with the SEC," he explains. "Organizations may already be in a position to say that the new standard will or will not materially affect their revenue recognition. Others might not be far enough in their process to come to a conclusion."

As they continue to assess the implications of the new guidance, Siegel believes companies likely will become more expansive in their disclosure. "However, this year's annual report represents an important starting point for investors and organizations as they begin to engage in a dialogue about how the transition to the new financial language of revenue will occur."

For example, he says, it will be necessary for investors to understand how much com-

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parable information will be available when companies transition to the new standard. “Organizations will have a choice in how they transition. They could report using a form of retrospective application of the new standard. In that case, the organization would essentially restate prior year information so as to present some additional trend analysis under the new standard as of the transition date.”

On the other hand, the company may decide to transition in a way that would not restate prior period income statements. In that case, the company would be required to disclose revenue information in the first year of adoption under both the new revenue guidance as well as the old revenue rules. That would provide trend information at the transition date using the prior revenue rules, but not the new rules.

As a result, investors might begin to ask IROs and company management about their current thinking on whether they plan to do retrospective transition or not. “If there are no plans for a retrospective transition, investors perhaps could be satisfied if, when adopting the new standard, the organization provides comparable trend information in an unaudited, non-GAAP format.”

In any event, investors may at a minimum begin to monitor how organizations describe the implications of the new revenue standard in upcoming SEC filings. For some companies, investors may focus on the timing of revenue and whether there will be a change from the new standard.

Disclosure Requirements

In applying the new standard, public companies will use consistent principles for recognizing revenue, regardless of their industry or geography. “Other than disclosures in accounting policies and segment reporting, most companies and other reporting organizations provide limited disclosure about revenue contracts today,” Siegel says. “The new guidance includes a cohesive set of disclosure requirements that will provide users of financial statements with useful information about the organization’s contracts with customers.”

Today, goods or services promised in a contract with a customer are evaluated to see if they are separate “deliverables,” he explains. Under the new guidance, companies will identify each of the goods or services promised to a customer, determine whether those goods or services represent a distinct performance obligation, and recognize revenue when each performance obligation is satisfied.

UNDER THE NEW GUIDANCE, COMPANIES CAN CONSIDER USING A SINGLE MODEL FOR VARIABLE CONSIDERATION, WHICH INCLUDES REBATES, DISCOUNTS, BONUSES, OR A RIGHT OF RETURN.

“Currently, in a multiple element arrangement, the amount of consideration allocated to a delivered element is limited to the amount that is not contingent on delivering future goods or services,” Siegel says. “Under the new guidance, organizations also will allocate the transaction price to each of the performance obligations in the contract on the basis of the relative standalone selling price of the underlying goods or services, except when a discount or a variable amount of consideration relates entirely to one or more of the performance obligations in the contract.”

He explains that accounting for variable consideration differs greatly across industries under current accounting. Under the new guidance, companies can consider using a single model for variable consideration, which includes rebates, discounts, bonuses, or a right of return. “Variable consideration will be included in the transaction price to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur,” he says.

Gather Information Now

The standard, originally scheduled to be effective for fiscal years after December 15, 2016, was delayed for one year when the FASB recognized the earlier date could not be achieved, Dickerson says.

Although 2017 will fall under the existing standards, Dickerson encourages public companies to act now. “When you do your financial statements for 2018, you include on a comparative basis prior year results,” he says. “In order for those prior year results to be comparable, your company has to have a system in place today that accommodates the comparison in a couple of years.

“In your published financial statements, you have three income statements and two balance sheets,” he continues. “For companies that decide to apply the fully retrospective transition method, as a technical matter, the 2016 financial statement will be recast using the new revenue recognition standard. As a result, companies need to be gathering the information they need to produce that result. While we may describe this as not applying until 2018, it in fact applies today in that accounting systems have to be updated to start reflecting the new revenue recognition.” IRU

Margo Vanover Porter *is a freelance writer based in Locust Grove, Virginia; m.v.porter@comcast.net.*

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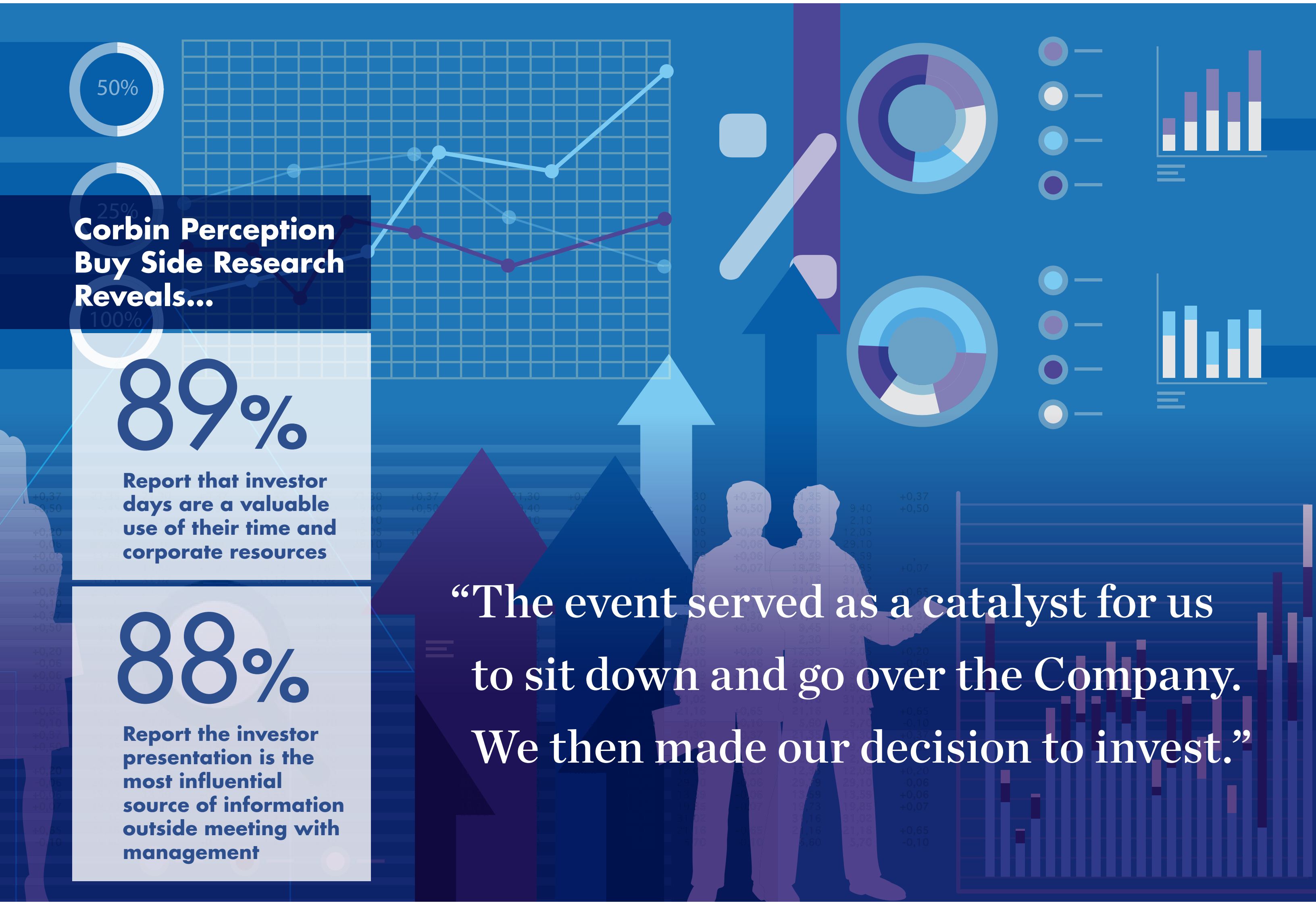

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By Al Rickard

John Chevalier, vice president, global investor relations at The Procter & Gamble Company (P&G), was named a NIRI Fellow at the 2016 NIRI Annual Conference. He has spent a highly successful career at P&G spanning 27 years as he rose through the ranks of financial management positions – including international assignments – to lead the IR program, earning numerous awards in the process. He has also distinguished himself through many NIRI volunteer roles, culminating with his service as NIRI national board chair in 2013-14.

Chevalier joined P&G in 1989. Prior to working in investor relations, he was finance manager of P&G's Baby Care, Feminine Care and Tissue & Towel businesses in Northeast Asia, based in Kobe, Japan. His earlier assignments with P&G included global strategic planning and financial analysis in the Baby Care business, finance leader for two acquisition integrations, and finance manager of two manufacturing facilities.

Chevalier has been recognized as a P&G "CFO Circle Fellow," the highest award within the P&G Finance & Accounting technical mastery recognition program. He joined the P&G IR team in 2002, and Chevalier and P&G's IR program have consistently been recognized among the best in the Institutional Investor Magazine "All-America Executive Team" rankings.

Chevalier also joined NIRI in 2002, and has served as president and program chair of the Cincinnati Tri State NIRI chapter, co-chair of the NIRI Annual Conference, and NIRI national board chair. He has been a speaker at NIRI chapter and national events and is currently a member of the Cincinnati Tri State chapter and the NIRI Senior Roundtable.

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John Chevalier Fellows Profile

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He graduated from Miami University in 1989 with a Bachelor of Science degree in Business Administration-Finance and a minor in Decision Sciences. He is married with three children.

What inspired you to enter the field of investor relations?

I have to admit that I was "assigned," not inspired, to enter the field of investor relations. After 13 years in a variety of financial management positions with P&G, I was living in Japan and preparing for my return to our Cincinnati headquarters. I was working with my manager to choose between several corporate finance roles, including M&A, treasury banking, IR, and a few others. I recently found my notes listing the pros and cons of the various roles, and I'd actually crossed IR off of the list. Fortunately, however, my manager had spent two years in IR, and he sold me on the role. Now, more than 14 years later, I guess I owe him a big "thank you" for pushing me in this direction.

What do you like most about the profession?

I like the dynamic nature of the work. You never know exactly what your day will bring when you wake up the morning. It could be questions due to something specific to P&G, or it could be questions driven by competitors or something in the macro environment – a massive currency devaluation in Russia, political disruption in Turkey, Brexit, etc. I also enjoy the quality of people I get to work with inside P&G and in the investment community. It's intellectually stimulating work, and you can tell when you've made a difference.

How did NIRI membership and the NIRI leadership positions you held help your career?

From my first Cincinnati Tri State Chapter meeting and my first NIRI Annual Conference, it was obvious to me that the networking and peer coaching aspects of NIRI would be valuable to me as I worked to do my job better. My leadership positions in my chapter, on the Annual Conference Committee and as Annual Conference co-chair have allowed me to continue my learning and to give back to others who've recently joined this great profession. My role on the NIRI National Board of Directors added a new dimension to my appreciation of NIRI and the great deal of work it takes to keep the association running well.

Your IR program has been frequently honored as the "Best Investor Relations Program in the Consumer Sector" by *Institutional Investor* magazine over the past 14 years. What do you believe sets your program apart and allowed it to win these awards?

I don't think it's anything more complicated than treating each investor or analyst with courtesy and respect. We try to be prompt and helpful regardless how ridiculous their questions or requests may be! (I'm only joking a little!) We also try to offer many methods of corporate access, including non-deal roadshows, visits to our headquarters, larger analyst meetings every two years, senior management attendance at conferences, and IR-only participation at conferences. We cover a lot of ground.

During your career you were based in Japan for a time as finance manager for the Northeast Asia business for several P&G products. How did this experience help you in building the P&G IR program and what advice do you have for IROs about the importance of international experience?

My time in Japan helped me appreciate how important our international business is to the future of P&G, which helped me shape our stories for investors. More importantly, I learned how to better interact with people from other cultures, which is important given our global shareholder base. International assignments are good for your intellectual intelligence, but they are especially good for your emotional intelligence, and strong emotional intelligence is especially important in IR.

What is the biggest change you have seen in investor relations?

Reg FD has had a huge impact on how IROs (and analysts and investors) do their jobs. I joined IR just as Reg FD was being deployed, but it was a difficult adjustment for people who had been interacting with P&G for many years. Today, everyone understands and abides by the rules. Unfortunately, it's only the exceptions make the news.

What is the most important professional lesson you've learned?

Business is a team sport. We might want to achieve a certain level of personal success, but we'll never do it on our own. Investing in relationships today – both inside your company and externally – will pay big dividends in the future. A title or role may gain a person some leverage to get what they need in business, but to truly succeed, you need to build relationships that make people want to work with you. I think I've done a decent job at it, but it's for others to judge, not me. IRU

Al Rickard *is editor of* IR Update*, president of Association Vision, the company that produces the magazine; arickard@assocvision.com.*

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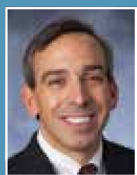
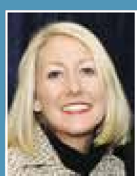
Quick Takes

What is the greatest length you have gone to in order to satisfy an investor request?



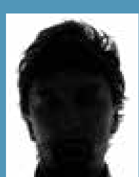
Neal Goldner
Vice President, Investor Relations
Avis Budget Group

▶ "I have taken calls from investors at 11 p.m. in my driveway and continued the discussion in my garage. I have had plenty of calls at other off hours too. I am definitely operating 18 hours, 7 days a week but it's my job and I love it!"



Heather Kos
Vice President, Investor Relations and Corporate Communications
Ingredion Incorporated

▶ "I had to step out of my twins' birthday party for 30 minutes when a top shareholder called. Luckily, my husband and 20 of their friends were there so my disappearance wasn't too obvious."



Anonymous

▶ "Cancelled a vacation to attend a road show meeting the investor insisted I attend (for reasons still uncertain)."

Professional Development Calendar

For program information and registration, visit www.niri.org/calendar.

November 2016

14 Finance 101 for IR Professionals – New York, NY

15-16 Finance Essentials for IR and Corporate Communications – New York, NY

17 Think Like an Analyst – New York, NY

December 2016

7-9 NIRI Senior Roundtable – Scottsdale, AZ

January 2017

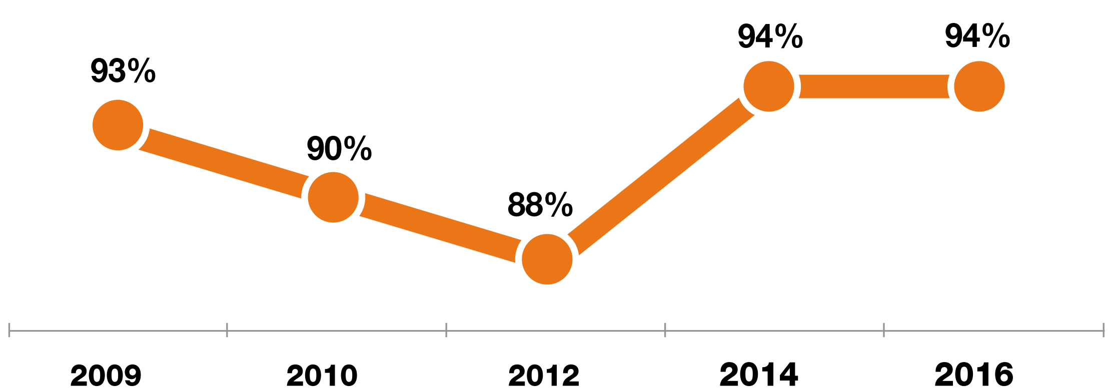
8-11 Fundamentals of Investor Relations – Santa Monica, CA

June 2017

4-7 NIRI Annual Conference – Orlando, FL

IR Research At-A-Glance

COMPANIES THAT PROVIDE FINANCIAL OR NON-FINANCIAL GUIDANCE BY YEAR



Source: NIRI Earnings Process Survey (2016). Compiled by NIRI, August 2016 N=360.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IR IDEAS @ WORK

THE RISE OF NON-DEAL VIDEOCONFERENCING

By Spencer Sias and Neil Madle

REMEMBER THE OLD DAYS when blurry figures on video screens would move stiffly, their utterances out of sync with their lip movements? Together with the inevitable delay between each party's comments, first-generation videoconferencing capabilities made real-time discussions painful at best, impossible at worst.

Today, video meetings take place as if each party is sitting in the same room. No delays and no issues with picture or sound quality. What's more, it's easy and intuitive to use. Now, real-time interaction with management doesn't necessarily mean hitting the road. It's becoming the age of the non-deal videoconference.

Our company, Varian, has a videoconferencing network of 325 video endpoints around the world deployed across 66 sites involving about 1,800 active mobile clients. Varian uses Cisco high-definition video originally developed by Tandberg. It's an open standard that helps to ensure maximum compatibility when connecting to external companies, partners, customers, and investors.

"High-quality HD video was a huge improvement over previous systems," says Varian IT Director Steve Henderson. "The infrastructure is highly reliable and the design is simple enough to ensure the system is always properly configured.

"We located systems where they are needed in general conference rooms rather than specialized video room locations. Together with the high ease of use, all these things combine to ensure the technology stays in the background and the interaction is at the forefront."

Investor Connections

Investors are also rolling out videoconferencing. One question we ask at every investor meeting is "can you take video meetings?" If they say "yes," then the next step is to offer convenient and regular access to the CEO and CFO.

"Videoconferences are a great way of keeping in touch with our key investors," says Varian CEO Dow Wilson. "You really are virtually sitting in the same room. It makes us much more accessible. It doesn't mean that management doesn't go on the road at all, but it certainly provides greater year-round access and we are finding that many investors appreciate this."

Rema Rajeswaran, a partner at Varian investor Generation Investment Management in London, agrees, saying, "We have invested heavily in videoconferencing technology and are certainly using this more frequently. We still prefer to meet management in person when we can, but given schedules, travel time, and different geographic locations, this is not always an option. We are certainly amenable to using videoconferencing as an alternative."

Stefan Blum, from Zurich-based asset management firm Bellevue, doesn't believe videoconferencing is a great tool for first meetings between companies and investors, but he values the greater access to senior management it provides for existing investors.

"Such meetings are easy to set up and you are able to get quick responses from the top guys while the topic is 'hot,'" he says. "It's getting harder for small investors like us to secure one-to-one meetings with senior management, so videoconferencing is a good way to get some 'private' time with them. It builds stronger ties than just having phone conversations and enables you to read body language if you know the management well."

With videoconferencing, new investors can be targeted based more on their profile than their geographic location. A single day can involve meetings with investors in Europe, New York, Boston, and Los Angeles, with time left over for Asia. This technology enables companies to not only save heavily on travel costs, but also benefit from extending their geographic reach to a global investor base.

Over the past decade, Varian's non-U.S. share ownership has risen from just 4 percent to approximately 35 percent, despite only being traded on the New York Stock Exchange. This increase was achieved through a campaign to ensure that share ownership reflects the company's international business, and non-deal videoconferences are playing an increasingly important role.


Spencer Sias *(left) is vice president of investor relations, and* ***Neil Madle*** *(right) is international investor relations director, Varian Medical Systems. Reach them at spencer.sias@varian.com and neil.madle@varian.com.*

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