

# IRupdate

APRIL 2013


the voice of the investor relations profession

National  
Investor  
Relations  
Institute



**BUILDING  
VALUE  
AT THE NIRI  
ANNUAL  
CONFERENCE**

**PAGE 10**

A large circular target graphic with a green center and concentric circles, serving as a background for the main article title.

## KEEPING TABS ON YOUR COMPETITION

**"Keep your friends close, and your competitors closer."** That old adage, with a slight variation, quickly sums up why companies engage in business intelligence.

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Why Should IR Care?

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Founded in 1969, the National Investor Relations Institute ([www.niri.org](http://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.

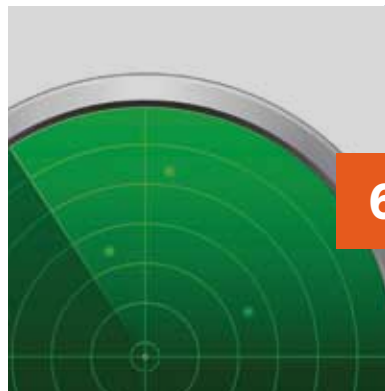
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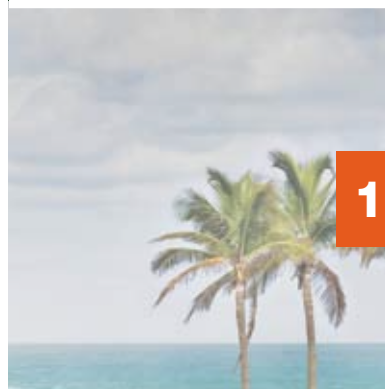
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## Keeping Tabs on Your Competition

"Keep your friends close, and your competitors closer." That old adage, with a slight variation, quickly sums up why companies engage in business intelligence.

**By Margo Vanover Porter**



## Building Value at the NIRI Annual Conference

The NIRI Annual Conference in Hollywood, Florida in June 2013 is coming up fast. Learn what's new and exciting at the world's largest IR education and networking event.

**By Al Rickard**



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# Looking Forward to the NIRI Annual Conference

It was a long hard winter with lots of snow for many NIRI members across the nation, but now that it's spring we can all enjoy some warm weather. As spring morphs into summer, we can also look forward to the NIRI Annual Conference – by far the largest gathering of investor relations professionals anywhere in the world with unparalleled educational and networking opportunities. As usual, the conference will also come with plenty of palm trees!

The conference this year will be held in Hollywood, Florida, perfectly nestled on a gleaming beach between the cities of Fort Lauderdale and Miami. I encourage you to register ASAP to make sure you keep up with the ever-changing IR landscape. For many, it is a time

**Regardless of where you are in your career, this conference has something for everyone.**

to learn how to “EARN a seat at the table.” For others, it is also a key way to “KEEP a seat at the table” that they have worked so hard to attain at their organizations.

Regardless of where you are in your career, this conference has something for everyone. Whether it is social media, regulatory reform, or crisis management, I can guarantee you that one day when you need it the most in your career, you will unearth some gem from this conference that will save the day and make you shine in front of your peers and executive leadership.

In the current issue of *IR Update*, you will also find some compelling reading on the topic of IR and business intelligence - “Keeping Tabs on Your Competition.” You will also get the latest installment in a series of articles spotlighting IR in different fields. This issue focuses on the field of health care delivery.

Given the demographics of the country and the current state of the U.S. health care system, the opportunities for companies in this space doing things in unique and different ways could lead to profound changes, and hopefully, a better quality of life for all of us if they continue to have access to the capital they need to see their visions become reality.

As always, please feel free to call or e-mail me with any questions, comments, or concerns about how we can all work together to better serve the needs of this great IR community NIRI has helped to build.



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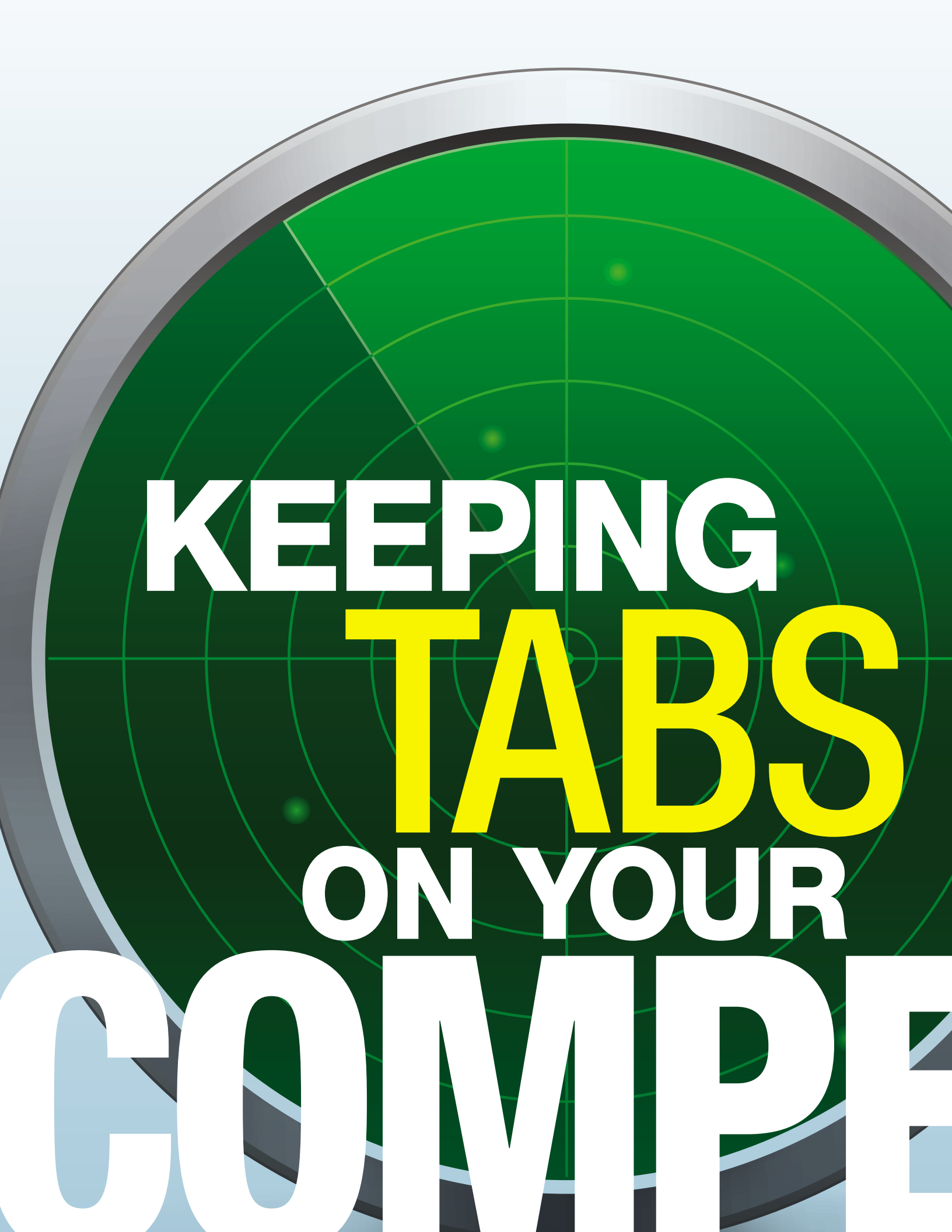


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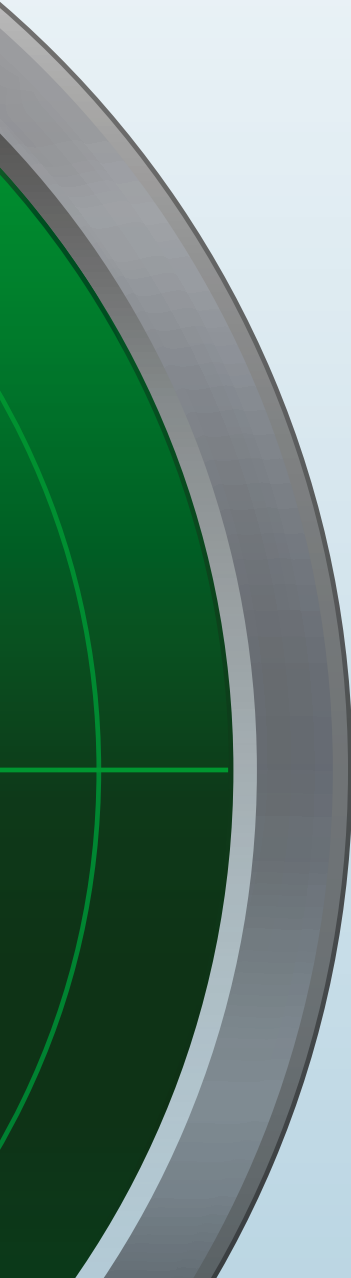
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**KEEPING**  
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**“Keep your friends close, and your competitors closer.”** That old adage, with a slight variation, quickly sums up why companies engage in business intelligence.

By Margo Vanover Porter

**D**o you know what your competition is up to? How they establish the prices of new products or services? What features they are unveiling? When their marketing plans will unfold?

Robert Williams does. As the vice president of investor relations at Dell, he supervises a team of six IR professionals who spend 40 to 50 hours a week following global macroeconomics, as well as 15 to 20 companies in the technology/media/telecommunications space.

“We track what these companies are doing from a financial and strategic standpoint,” Williams explains. “We summarize and report that information to our senior leaders so they can make more strategic decisions and better chart the course for the company. These companies are publicly traded and are reported on widely by everyone from the financial analyst community to industry analysts. We’re not interested in whether a company is a good investment. We’re interested in what we can learn about their strategy, their operations, their businesses, their products, and their technology solutions.”

At Darden Restaurants, Matthew Stroud, vice president of investor relations, supervises an analyst whose primary responsibility is gathering financial intelligence about potential rivals. “We offer insights with a financial bent, such as what Wall Street is thinking about a company. We’ll summarize what we uncover in terms of research for the quarter and disseminate that to senior managers.” He adds that the company’s marketing research arm also engages in business intelligence.

“You can help your management team make better decisions if they are informed about the competitive environment,” Stroud says. “I would argue that in the retail and restaurant space, it’s really important to know what your competition is doing. The competitive intelligence that investor relations teams can have access to through analyst research and other sources can be invaluable.”

### Where to Look

At Darden, the investor relations department obtains information in a variety of ways. “We have access to online subscription services, such as First Call, to get analyst research,” Stroud says.

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“We look at brokerage firm reports written by sell-side analysts who follow our company and others in the industry.”

Another excellent source, he says, are Securities and Exchange Commission filings. “We find good information in 10-Qs, 10-Ks, and proxy statements. Management teams don’t have the time to go through that. We glean what’s important.”

You can also find useful news in trade publications, Williams observes. “There’s a lot out there. It’s like a funnel. You pour data into the top of the funnel, and a certain amount of interesting competitive data falls out of the bottom. The rest you sift through and discard.”

Don’t overlook the obvious, adds Maureen Wolff, president and partner, Sharon Merrill Associates, who recommends talking with your own shareholders to discover what they see and hear, what companies they are monitoring, and where they are gathering information. “Find out who is blogging on the industry and market and monitor those types of information, as well as social media.”

Paul Kinsinger, clinical professor of business intelligence and executive director of Thunderbird Executive Education, believes that advancing technology in the last 10 to 20 years has dramatically enhanced the ability to access good external information.

“Frankly, there’s little excuse for an organization to say, ‘We just can’t find the information,’ ” he insists. “The advent of social media and its exploding impact on how people network and communicate become another gold mine for competitive market intelligence. Although some people are overwhelmed and baffled by it, anybody coming up in the digital generation understands how to access information in our technology-driven environment.”

## Turning Data Into Intelligence

The bigger challenge for many companies, Kinsinger says, is deciding what to do with information once they obtain it. “They get flooded by data,” he says. “They get overwhelmed because they aren’t good at synthesizing what they need to know to drive good decision making. It’s partly synthesis and partly analysis, sorting out what’s meaningful and what’s not so you can get the true insight it has on strategic thinking, strategy, and execution. This is the muscle group that is least exercised in the corporate world.”

To get to the true meaning of intelligence, you need to develop insight, as opposed to just crunching data. “Watch out for the lure that business analytics software can do all this for you,” Kinsinger cautions. “Of course, software can have a substantial impact on the analytical process when you’re working with binary information, but most key decision-making challenges in organizations are not fundamentally data-based. They are risk-based. Therefore, there is a certain amount of unknown, a certain amount of qualitative input and insight that has to be worked out. That’s something no computer system does as well as the human brain.”

Williams agrees. “The biggest mistake I see is IROs who report on information that’s irrelevant,” he says. “You have to sift through the information and turn it into relevant analysis or insight.”

## HOW TO BECOME AN INTELLIGENCE GATHERER

**“MOST CORPORATE ORGANIZATIONS** do not leverage market and competitive intelligence the way they could, which has always been a head scratcher to me,” says Paul Kinsinger, clinical professor of business intelligence and executive director of Thunderbird Executive Education. “In today’s extremely turbulent global economic environment, it makes increasing sense for companies to pay attention to outside factors, whether they are competitive, regulatory, or market factors.”

Kinsinger offers a four-step plan for IROs who want to become intelligence gatherers for their companies:

- 1. Pay attention to your company’s long-range plan.** “First and foremost, you need to develop an understanding of the key strategic initiatives your organization is working toward,” he says.
- 2. Pinpoint the key external knowledge or risk gaps behind those initiatives.** “There’s always something,” he says. “If we knew more about X, we would feel more confident about pursuing this initiative or pursuing it more quickly or making it a more robust level of priority. Fill in the blank. That starts to create a target list of what corporate eyes and ears should be looking and listening for when they are outside the virtual company.”
- 3. Zero in on the priority targets for intelligence collection.** “Some of the information might be readable, but much of it is probably learnable or observable when an investor relations professional is sitting with a key external player,” Kinsinger says.
- 4. Think through typical networking interaction approaches that might help you get access to this information in a more effective and efficient way.** “If you spend upwards of 40 percent of your time outside the four walls, real or virtual, of your organization, you are in a perfect position to be the eyes and ears of the organization. It seems to me investor relations folks are in that category. In short, investor relations professionals who are out mingling with customers, competitors, regulators, stockholders, vendors, or anybody in their corporate ecosystem ought to be prime intelligence collectors for their organizations.”



He cites a hypothetical example of a competing company that reports gross margins on 28 percent and operating expenses of 25 percent, giving it an operating income of 3 percent. “You could spend an hour writing information about the financial results, and I would look at you and ask, ‘Why does it matter?’ It’s easy to say, ‘Their business is up 15 percent.’ I want to know why it is up 15 percent. The results of a company aren’t terribly interesting. I’m more interested in why something happened. Why did profit improve? Why are expenses down?”

## Spreading the Word

How you disseminate the results of your analysis depends on your target audience, Wolff says. “Some IROs gather the information for their departments to help them develop their scripts and news releases. Some are gathering intelligence for their business development group or other group leaders, including sales and marketing. The competitive intelligence that we do on a regular basis typically goes to the executive management team and the board, who look for an executive summary with supporting information. We either put it in a PowerPoint presentation or a Word document, depending on the management style of the company and whether they will be e-mailing it or posting it to a portal. For some clients, we develop a weekly Friday e-mail where we send out market and financial analysis information on competitors and peers.”

Stroud makes it a point to communicate his department’s accumulated business intelligence to coworkers. “If we can tell our brand leaders what the competition is doing from a promotional perspective, maybe give them a heads up on the what and why and how, that might help them make a better decision in terms of our promotional calendar and activity,” he says. “For example, if somebody is offering a \$5 coupon, should

“They get overwhelmed because they aren’t good at synthesizing what they need to know to drive good decision making.”

– Paul Kinsinger, clinical professor of business intelligence and executive director of Thunderbird Executive Education

we be doing the same thing? If somebody is offering a coupon, how might that influence our business?”

Too often, people keep their research to themselves rather than share it with coworkers, Kinsinger says. “It’s human nature. It’s a function of not really thinking too much about who is working in the next cubicle. This is a difficult challenge in many corporations, particularly in the Western world where we have more individualist culture and corporate culture. That’s a barrier to organizations being able to leverage external intelligence.”

Williams circulates his department’s research via e-mail or presentations with need-to-know individuals within Dell. “Because of the work we’ve done over the years, we have a voice,” he says. “We have a seat at the table across the organization. We provide a weekly recap of key competitive information to the finance committee of the board of directors. We provide a weekly equity and capital market e-mail to the full board of directors with stock performance, relative valuation, company and competitor sentiment, company news, and upcoming macroeconomic and industry issues. On a quarterly basis, in conjunction with the earnings process, we conduct a quarterly call with the audit committee of the board of directors.”

## Intelligence Tips

To launch a competitive intelligence program within your department, you might want to first locate an internal champion in the executive ranks, emphasizes

Kinsinger. “It doesn’t have to be the CEO,” he says. “It does have to be somebody who fundamentally gets the role of intelligence in decision making and strategy development, who has a passion for the role of intelligence, and who is able to champion it until it gets sufficient traction.”

Other tips for initiating and operating a successful investor relations operation include:

- Try not to duplicate efforts and systems, Wolff advises. “Leverage the technology and resources you already have in-house,” she says. “Find out what other departments are using for business intelligence gathering. Leverage different departments’ information and databases to make sure you have the broadest view of the industry.”
- Deliver actionable information. “The biggest mistake people make is they think competitive intelligence is reporting on results,” Williams says. “That has only a passing interest to our executives or me. We want something actionable. If it’s not actionable, it’s just data. It’s not intelligence.”
- Base your program on your capabilities. “If you’re a relatively small investor relations function, you may not be able to tackle everything we do in our group,” Williams admits. “Start small and focus your efforts on the areas of highest impact for your executive management team. It’s all about insight. Provide insight that is actionable and allows your executives to make better strategic decisions.” **IRU**

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# BUILDING VALUE

## AT THE NIRI ANNUAL CONFERENCE

The NIRI Annual Conference in Hollywood, Florida in June 2013 is coming up fast. Learn what's new and exciting at the world's largest IR education and networking event.

By Al Rickard

In these uncertain economic times, succeeding is all about building value – in our companies and in our own professional lives.

Results in both of these areas will be delivered at the upcoming NIRI Annual Conference, June 9-12, 2013 at The Westin Diplomat Resort and Spa in Hollywood, Florida.

The “Building Value” theme kicks off the conference on Monday, June 10 in a general session, “Leading Issues Building Value in the Current Global Environment,” a discussion of the leading issues for global equity markets, including capital formation and what the future may bring. Tim Ingrassia, co-chairman Global M&A at Goldman Sachs; Jon Moeller, chief financial officer at The Procter & Gamble Company; and Nick Sargen, chief information officer at Fort Washington will present the session.



Investors will provide their perspective on what constitutes value in the Tuesday general session as they share their views in a moderated panel discussion.

The other side of building value is delivering the message about value, and the conference has that covered in a Wednesday general session, “Message Building Lessons from Michael Sheehan.” A renowned coach to presidents and senior executives, Sheehan will discuss the key elements of building messages. In a two-hour session filled with video clips and audience interaction, he will share techniques for developing everyday messaging, handling controversy, and dealing with a full-blown crisis.

A full slate of 35 concurrent sessions and workshops in the areas of capital markets, career management and organizational development, communication, global IR, the investment process, IR marketing and outreach, and regulations and governance will provide in-depth learning opportunities throughout the conference.

Many concurrent sessions will be shorter (60 minutes vs. 75 minutes) than in years past, with a tighter focus. Select topics will feature a “technology, entertainment, and design” (TED) format to enhance learning and inject excitement into the conference.

See the sidebar, “Seven Sessions You Won’t Want to Miss” on page 12 to sample some of the intriguing topics that are part of this year’s conference.

## Networking and Connections

It will be easier than ever this year to network with your peers and build relationships, thanks to an extra reception in the Services Showcase (exhibit hall) on Monday from 4:30-5:00 p.m. This precedes the popular NIRI Signature Event on Monday from 6:30-8:00 p.m., which is an opportunity to network with your IR colleagues.

The Services Showcase will be a hub of activity throughout the conference and an opportunity for IROs to learn about the latest in products and services for the IR profession. The Services Showcase opens with the Welcome Reception on Sunday from 6:00-8:00 p.m. and concludes with the final reception on Tuesday from 5:00-6:00 p.m.

Book signings in the Services Showcase are a chance for IROs to meet authors of today’s IR busi-

ness literature, including Laura Rittenhouse with her new book, “Investing Between the Lines.” Rittenhouse will also speak at the by-invitation senior-titled practitioner IRO lunch on Monday. See the conference agenda for additional book signings.

Throughout the conference, many of the meals (breakfast on Monday and Tuesday and lunch on Monday) will be held in the Services Showcase, as will all breaks between concurrent breakout sessions.

## More Learning Opportunities

New this year are topic-specific “breakout conversations” on Monday before lunch. These topics will be defined by attendees, so you’ll have a voice in the subject matter of these discussion groups.

## START YOUR LEARNING EARLY AT NIRI PRE-CONFERENCE SEMINARS

*Why wait until the NIRI Annual Conference begins to start learning? Especially if you are new to investor relations, consider registering for one of two popular pre-conference seminars:*

**FINANCE 101** Learn the basics of financial markets, corporate finance, financial statements, and valuation. This course will give you the confidence to participate in financial discussions and enable you to engage with investors, analysts, the business media, and the C-suite.

**THINK LIKE AN ANALYST!** Learn to look through the eyes of one of your key target audiences. Find out how analysts think, how they build their models, and what pushes their buttons.

Both seminars will be held June 8, 2013, in The Westin Diplomat Resort and Spa from 9:00 a.m. – 5:00 p.m. For more information, visit [www.niri.org](http://www.niri.org) or call 703-562-7700.

## SAVE \$100 ON REGISTRATION

Be sure to register for the NIRI Annual Conference by May 12. The fee rises \$100 on May 13! Visit [www.niri.org/ac\\_reg](http://www.niri.org/ac_reg) to sign up.

## SPECIAL WEDNESDAY CONFERENCE SESSION:

*Message Building Lessons From Michael Sheehan*

You won’t want to miss this special session from one of the nation’s leading communication trainers and strategists, Michael Sheehan. A renowned coach to presidents and senior corporate executives, Sheehan is known for his skill in message development and spokesperson training in critical business situations such as IPOs, shareholder meetings, media interviews, government/regulatory hearings, and hostile takeovers. This interactive two-hour session will cover the key elements and techniques of building messages, handling controversy, and dealing with a full-blown crisis. This special conference session takes place Wednesday from 8:00 – 10:00 a.m.



## SEVEN SESSIONS YOU WON'T WANT TO MISS

The NIRI Annual Conference offers 35 in-depth concurrent sessions covering a wide range of topics. Seven sessions (one in each topic area) are highlighted below to provide a preview of what's in store at the meeting.

### CAPITAL MARKETS

**360 View of the Capital Markets** – The proliferation of exchange-traded funds (ETFs) and derivatives has complicated the market. Many institutional investors also rely on technical trading patterns to make investment decisions. This session will demystify ETF, derivative, and technical trading, and use “plain language” terms that an IRO can understand and articulate.

### CAREER MANAGEMENT AND ORGANIZATIONAL DEVELOPMENT

**Career Path of an IRO – IR Only or Stepping Stone** – Roles and responsibilities of an IRO are both broad and deep, with skills transferable across several organizational functions. Some view IR as a long-term platform to move to the C-suite or elsewhere. Others view it as a fulfilling career on its own. This session will discuss successful “archetypes” of IROs who have leveraged the role differently throughout their careers.

### COMMUNICATION

**Managing an Earnings Surprise** – Many public companies have had quarters or years when financial results were far outside the range of analysts' consensus estimates – either above or below. These “earnings surprises” can lead to wide swings in a company's stock price, trading volume, and volatility. In this session, seasoned veterans who have experienced these situations will offer advice and lead discussions on best practices for dealing with earnings surprises.

### GLOBAL IR

**Attracting Investors in Europe and Asia** – The money management industry is changing and IROs need to be aware of it and respond to it. The demand for capital is becoming more competitive and

globalization makes targeting appropriate investors much more difficult. This session will show how to address these challenges.

### INVESTMENT PROCESS

#### Short Selling – Past, Present, and Future

– Short selling remains an important tool for alpha generation in many portfolios. How does the investment process differ for short selling versus going long on a stock and does this process differ post-financial crisis? What impending Securities and Exchange Commission regulations could further change how investors can short your stock? Market directors, regulators, and buy-side investors discuss the past, present, and future of short selling.

### IR MARKETING AND OUTREACH

**How to Reach Retail Investors** – Retail investors continue to be an important part of the equity market and can provide a company with a base of stable, long-term shareholders. IROs need to understand the most effective ways and cost-efficient tools to identify and reach retail investors. This session will show how to use new technologies and social media, including YouTube and Facebook, to reach investors. IROs have many ways to reach investors in addition to retail investor conferences such as The Money Show.

### REGULATIONS AND GOVERNANCE

#### SEC Investigations: What Every IRO

**Should Know** – This panel discussion examines case studies ranging from whistleblowing to financial statement misstatements/errors in order to establish best practices for all corporate stakeholders, including the investor relations professional, during crisis management. It will provide IR professionals with tools to safeguard their companies and comply with regulatory requirements during an SEC investigation.



In addition, conference veterans will host a table discussion for newcomers on getting the most out of their first conference.

The popular industry-specific discussion groups will be held on Tuesday morning after the general session. This is your chance to connect with your industry peers in person at one of 25 industry discussion groups.

The Lunch and Learn and Breakfast Brief Sponsored Sessions, where companies serving the IR profession talk about how they are addressing some of the critical issues facing IROs, will be held on Tuesday.

On Wednesday, be sure to attend the final set of workshops, which are scheduled earlier this year (10:30 a.m. – 12:30 p.m.), so it's easier to partake in this final learning opportunity before hitting the road . . . or the beach.

## Fun and Fitness

Think the NIRI Annual Conference is all about learning and networking? Well

## RESPECT OUR COMMUNITY AT NIRI ANNUAL CONFERENCE

NIRI appreciates the support that sponsors and exhibitors provide at the NIRI Annual Conference. Accordingly, only exhibiting companies may engage attendees in the exhibit area. Attendees are asked not to accept invitations to events from vendors not sponsoring or exhibiting at the conference. Vendors not sponsoring or exhibiting should not promote their products or services. Lists of sponsoring and exhibiting companies are shown on page 13.





it is. . . but you can also stay in shape with a few fitness-oriented events and activities you won't want to miss. You'll not only get a workout but can also build some new networking relationships.

How about beach volleyball? Join your fellow NIRI members on the beach on Sunday from 10 a.m.- 12 noon for some fun in the sun.

The popular annual 5K Run/Walk will be held on Tuesday at 5:45 a.m.

Then join your peers on Wednesday at 5:50 a.m. for the Group Beach Walk at sunrise along the beach.

## Register Now and Save

If you haven't yet registered for the NIRI Annual Conference, don't delay – standard registration ends May 12, and after that date you'll pay a premium to register. Visit [www.niri.org/ac\\_reg](http://www.niri.org/ac_reg) for registration rates and to sign up.

The NIRI Board of Directors and all NIRI leaders and staff look forward to seeing you there! **IRU**

**Al Rickard** is the Editor-in-Chief of *IR Update*; [arickard@associationvision.com](mailto:arickard@associationvision.com).

## STEPPING UP

The comprehensive, high-quality programs at the NIRI Annual Conference would not be possible without the generous support of several companies that stepped up to sponsor the event. The companies shown below had signed up as sponsors as of March 8, 2013. When you see their representatives at the conference, please thank them for their support.




## SERVICES SHOWCASE EXHIBITORS

The Services Showcase at the NIRI Annual Conference is a once-per-year opportunity to see firsthand the many products and services produced by companies that serve the IR profession. The companies shown below had signed up as exhibitors as of March 8, 2013.

Alpha IR Group	Laurel Hill Advisory Group
American Stock Transfer & Trust Company	LOYAL3 Holdings
BATS Exchange	Marketwire
Broadridge Financial Solutions	Meta Response Group
Business Wire	NASDAQ OMX
CFA Institute	News Quantified
Chorus Call, Inc.	NYSE Euronext
CITI	On Stream Media
CLS Communication	OpenExchange Communications
Computershare   Georgeson	Phoenix Advisory Partners
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# Taking the *PULSE* OF IR in Health Care Delivery

This complicated, intense industry requires IROs to be knowledgeable sources of information.

By Apryl Motley



**I**t's complicated. That's the likely reply when you ask any investor relations officer whose company is directly involved in health care delivery about the industry and proposed reforms that seem to be coming from all directions.

"Health care is very complicated," says David Myers, vice president of investor relations for Express Scripts, a full-service pharmacy benefit management company, "and I am in a unique role to help the financial community understand its complexities."

Chief among the complexities from an IR standpoint is the variety of audiences interested in how his company and others in the health care delivery market operate. "It's not just investors listening to us. So are clients and the legislature," Myers says. "In health care, costs are rising and assuming a bigger part of the economy; health care companies that make money are heavily scrutinized."

According to him, Express Scripts is a standout among other companies as the debate about the affordability of health care continues because "the company has demonstrated success by helping our customers cut costs."

"We have saved our clients significant dollars," Myers says. "We're one of the few entities that exist to drive out costs."

Still he recognizes that despite the good story that Express Scripts has to tell investors, change is on the horizon, and the company must be prepared to take advantage of it. "It's been interesting that regardless of your party affiliation and whether you support health care reform, it's coming," Myers notes.

Given the inevitable, he says the com-

pany "has partnered with our managed care clients to develop innovative products and solutions that will deliver healthier outcomes, both financial and clinical."

"We believe that we are well-positioned with our managed care clients to gain our share of new lives coming to market in 2014," he continues. "Our products and services will continue to differentiate Express Scripts and align with our clients' goals, which will help them succeed in this health care environment."

And a very different environment it is. "Health care was static for decades," says Patrick C. Lee, vice president, investor relations for Omnicare, which provides pharmacy-related services to long-term care facilities and other customers in the health care environment.

"You had an industry that was based on a fee-for-service reimbursement model," he says. "Now, the economy is more challenged, and there's a lot of scrutiny on how we can change the existing structure to make health care more affordable."

Lee, who began his career in IR at a specialty retailer and then went on to work for a firm specializing in strategic human capital services, says his current role is more intense than other industries in which he's worked: "Health care is much more demanding from an IR perspective because you have to stay very informed about gov-

ernment affairs and strategy." Here's a look at how Lee and others in this field navigate the demands of their positions.

## Washington Watch

With increased concern about costs and heightened public scrutiny of how health care companies are managed, IROs working for health care delivery companies have found that much of their time is devoted to educating themselves about the various legislative proposals and actions being considered by Congress and the White House. Political discussions about health care reform, popularly coined Obamacare, have posed challenges for their companies to varying degrees depending upon their areas of focus.

"The governmental factors that are impacting the industry and our customers seem to never end," says Ruth Venning, director, investor relations, for Hospira, a provider of generic injectable drugs as well as infusion therapy technologies and medication management solutions.

"We have had to keep abreast of many of the ramifications of the health care act in order to be able to explain their impact on us and our customers," she says. "Having strong relationships with internal business partners is very important in this respect. Doing so allows IR to clearly explain how the changes impact the company and our customers."

Lee notes that even though the company has a government affairs office, the most challenging time for IR at Omnicare was when various health care reform proposals were being put on the table in Washington. "I still would learn about new proposals from our investors because their consultants knew before we did," he recalls.

"As reform was finalized over the last year or so, it hasn't been too challenging for Omnicare because we do not have a lot of





direct exposure to the outcomes of health care reform,” Lee continues.

“My focus has been on how some of the proposed rule changes impact our customers rather than Omnicare specifically,” he explains. “For example, had there not been a resolution to the fiscal cliff, there would have been a two percent cut in reimbursement [amounts] paid to our customers.”

On the other hand, Mary Ann Arico, chief investor relations officer for HealthSouth Corporation, the nation’s largest owner and operator of inpatient rehabilitation hospitals, says because the company is “highly dependent on Medicare, every time Washington speaks, there’s a flutter in our stock price.

“Until we know what Washington is going to do, we can’t tell investors how it will affect our future earnings,” she says. “When the uncertainty drags on forever, it’s frustrating. The situation is played out publicly in the media and in our stock price.”

According to her, HealthSouth has reported good earnings 19 quarters in a row, and that helps with credibility. “We haven’t overstated what we could do,” Arico emphasizes. “With all the uncertainty in Washington, we’ve increased our disclosure about how potential legislation could affect us.”

Still, Arico acknowledges that “because we get a large percentage of our revenue from Medicare, investors have to be comfortable investing in a regulated health care company.

“As you can see from our history, there is not a correlation between earnings and stock price; but there is between stock price and activity in Washington,” she continues. “That’s not for everybody. For long-term investors, whatever their measuring stick is, they have to be comfortable with the possi-

bility that discussions in Washington could dampen stock price even though earnings have been good.”

## The Go-To Source

While it’s been a challenge to keep up with everything happening in Washington and balance the already hectic business of managing IR programs for health care delivery companies, IROs in these positions have also seized the opportunity to establish themselves as valuable sources of information about the industry both externally and internally.

According to Myers, it’s “important to be considered a credible source of information on all areas of health care,” and he welcomes “investors to ask him questions about all aspects of the industry.

“Investors recognize that I do offer valuable information about the industry as a whole and how we contribute to it,” Myers says. “In the early days, people did not understand what we did. It was difficult for investors to understand pharmacy benefit management companies and how our business model differs from others in the health care industry. It was important to differentiate ourselves and how our business works.”

In the current political and regulatory environment, “situations occur that can cause confusion and concern,” Venning says, “Our goal is to stay in front of Wall Street and be as open and honest in our communication as we can.”

At the same time, it’s important to be aware of different audiences. For Venning, this means partnering with others at her company. “We make sure we discuss our key messages with our commercial and corporate communication groups because many different audiences are lis-

tening to the IR messages. We also add value by keeping senior management informed about what the sell side and investor community are saying,” she says.

“One of the key things that we try to do in IR is to be considered a valuable source of information internally,” she continues. “In addition to being a credible source of information for external audiences, it’s very important how IR is regarded internally. Our business partners respond quickly to my questions, and I want to be able to help them as well.”

Lee has established himself as the go-to person internally at Omnicare for perspectives on government regulations and changing business models. “As most IROs can relate to, you have to have a very solid understanding of your company and your value proposition – how you go to market,” he says.

Further, from his perspective, “we have a lot of new faces at the company,” and after nearly five years there, at this point he considers himself a veteran.

## Back to the Books

So given the relatively steep learning curve, what seemingly simple advice do Omnicare’s Lee and other veterans of health care delivery IR have for those considering whether to join their ranks? Read and learn as much as you can.

“I have self-educated myself,” Lee says. “I’ve spent 8-10 years in IR, so I have a good understanding of how it works. When I have time to read, I spend most of my time learning more about health care by reading health care industry publications.”

To gain a broader perspective on the industry, he attends industry conferences as well. “You have to make sure that you

understand all the different perspectives and not just your company's," Lee explains. "You can't be siloed; you won't be a valuable resource that way."

He says that as his role with the company continues to expand, "we would bring in someone who had health care experience." At the same time, he believes that although a transition from another sector would be more challenging that it has been in the past, "it can be done with the right team and resources around you."

That was Arico's experience when she joined HealthSouth almost five years ago after serving as director of investor relations at an energy company. "Internally, everyone was extremely helpful in the transition," she says. At some companies, it takes a long time to find out who knows what, but that wasn't the case [here]."

Perhaps, that's because in her experience, the playing field was somewhat level both internally and externally. "Top management at HealthSouth are all experts in their field, but didn't know IR, so they were anxious to learn from me as well," Arico says. "From an external perspective, the investors that I talked to only had a little more knowledge than I did."

While she describes her transition as "fairly easy," Arico "worked like crazy for six months to get up to speed." Her best advice: Read Securities and Exchange Commission filings and transcripts for the past three years. "Use that history to build a model on the company."

"I've switched industries twice, and it's always a challenge to get up to speed quickly," Venning offers. "You have to be a voracious reader."

She says it's also important to establish relationships internally and engage colleagues early on. "Set up meetings with key people within the company and get their input on

what they think you should know," Venning suggests. "That's how you learn."

"Develop key relationships with colleagues you can turn to if you need help understanding things," she continues, "and make it clear that you're going to help them, too. The relationship part of IR is critically important, internally as well as externally," especially in an industry where there's so much to learn so quickly.

## Lifelong Learners

And the learning apparently never stops. In addition to keeping up with the current changes and challenges facing their industry, IROs in health care delivery must stay abreast of future opportunities as well.

"My company's products address many of the megatrends affecting health care, and it's important that we not only understand these trends but that we can also help educate the investment community about them and the opportunity they represent," Venning notes. A case in point is Hospira's foray into biosimilars, which are lower-priced, similar versions of biologic drugs. They have already been approved in Europe.

"Health care reform has created a regulatory pathway for biosimilars in the United States that did not previously exist," Venning explains. "While that generated a lot of interest from investors, given that biosimilars are very new, not everyone understood what they were, and what they could mean for Hospira, and we recognized the need to educate the investment community about them."

In 2010, Hospira hosted an investor educational forum about biosimilars that was one of the first events of its kind held in the United States. "This is a good example of how we took a situation where there was some confusion in the investor marketplace and helped alleviate it by hosting an educa-

tional event. It helped investors understand why we thought this was a great area of opportunity not just for Hospira but for the industry overall."

Helping investors understand potential opportunities and obstacles remains a key part of the IRO's job in this industry. "I've had to stay on top of developments even if though they don't have a direct correlation to our business today because as they change, there could be a direct correlation to our business five years from now," Lee offers.

For example, one area on his radar is accountable care organizations (ACOs). "Historically you had hospitals, rehab centers, nursing homes, and assisted living facilities that operated independently," Lee explains. "Now there's a trend towards bringing these providers together under one roof."

Lee believes that as ACOs start to develop more fully, there will be more focus on accountability for quality of care, and this could facilitate a shift from a fee-for-service reimbursement model to a quality-based reimbursement model, which would affect many of Omnicare's customers.

Another development he has closely monitored is "the market becoming much more global," which has been happening during the last couple of years. "We've made two trips to Europe in that time," Lee notes. "To the extent that there are new tools out there for connecting companies with investors in Europe and Asia, this will continue to happen."

"It's going to become more important," he continues. "In some cases, those are the ideal investors for Omnicare because the turnover is low, and these investors are much less concerned with what's happening in Washington." **IRU**

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# Don't be left out

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## INTRODUCING

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# Trading Trends – Why Should IR Care?

Learn why understanding market structure is important to an IR program.

By Tammy K. Dang

“Historically, investors used fundamental analysis to make their investment decisions,” observed Moriah Shilton, senior director of investor relations and corporate communications at Tessera Technology. “Today, the majority of action is trading done by computers in nanoseconds – faster than we can even breathe.”

Shilton moderated a February 2013 NIRI-sponsored webinar entitled, “Trading Trends – Why Should IR Care?” with panelists Kate Scolnick, vice president of investor relations at Seagate Technology, and Tim Quast, president and founder of Modern IR.

According to Quast, half of today’s market trading activity is passive coupled with the hedging of indexes, exchange traded funds, and models correlated to market trends. Another 35 percent is speculative trading that involves arbitrage or spread trading with probability-based schemes around market rules. Both of these groups involve navigational strategies and high frequency trading. The conventional buy-and-hold or rational investing makes up 15 percent of trading activity. “You have 85 percent of the market moving things around and 15 percent focused on an objective,” he said. “If you don’t have great IR in this environment, money will choose to invest passively, so IR is more important than ever.”

According to Quast, in the past 15 years, market structure has been turned upside down where buyers and sellers have been marginalized by a massive intermediary function. “These intermediaries are setting prices more often, which is why keeping abreast of market structure matters,” he said. All stock trades settle, but only a small


portion is a reflection of ownership change. So understanding market structure helps with the interpretation of market sentiment and trading behaviors.

## Understanding Undercurrents

About five years ago, Scolnick started observing forces beyond IR’s control having an influence on the marketplace. She wanted to understand the undercur-

to do next with the money, whether it is paying the counterparty, reversing the trade, or changing asset positions. These are naturally volatile periods.

Seagate Technology, by practice, looks to avoid releasing earnings and new information if possible during expirations. In preparing for earnings, Scolnick applies her observations of the company’s trading activity to how investors will probably



“Today, the majority of action is trading done by computers in nanoseconds – faster than we can even breathe.”

— Moriah Shilton, senior director of investor relations and corporate communications, Tessera Technology

rents to help her IR program. Besides developing the company’s investment thesis and targeting the appropriate investment audience, learning the architecture of today’s market is of paramount importance. “If you’re not looking at market structure itself, you really are missing a third leg of the stool,” she said.

Paying attention to the options expiration calendar is a start as it is a point in time when an “insurance policy” expires. Investors have to decide what they’re going

react to earnings. She believes this can also improve an IRO’s value to the organization.

Quast recommended that you ask your listing exchange for better information about trading behaviors, so you can differentiate between rational investment and speculative trading in your company stock.

For more information about future webinars, please visit [www.niri.org/webinars](http://www.niri.org/webinars).

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## Quick Takes

What keeps you up at night when you think about the financial markets?



**Roger Pondel**

President  
PondelWilkinson

► “Volatility keeps me up at night, especially when great-performing companies are unfairly downgraded and devalued.”



**Anne Guimard**

President  
FINEO Investor Relations

► “What type of opportunity is this creating for us?”



**Gary Stein**

Head of Corporate Communications  
Apollo Global Management

► “In the current environment, there is some concern that market technicals have gotten ahead of corporate fundamentals.”

“Quick Takes” features brief comments from IR professionals in response to a question. If you would like to be featured in this column, contact *IR Update* Editor-in-Chief Al Rickard at [arickard@associationvision.com](mailto:arickard@associationvision.com).

## On the Move



**Brian Schaffer**

has been promoted to Practice Leader, Transaction Services, at Prosek Partners. He joined

the firm in 2007 and was previously vice president.



**JoAnn DeGrande** was recently promoted to vice president – investor relations at Starbucks Coffee Company. She joined the company in 2005 as director of investor relations. Before

Starbucks, DeGrande spent 18 years leading investor relations at Washington Mutual Bank.

Please send “On the Move” announcements to *IR Update* Editor-in-Chief Al Rickard at [arickard@associationvision.com](mailto:arickard@associationvision.com).

## Professional Development Calendar

For program information and registration, visit [www.niri.org/calendar](http://www.niri.org/calendar).

### April 2013

**9** Dealing With Fixed Income Shareholders webinar

**23** Engaging the SEC webinar

### May 2013

**7** Analysts Part I: The Future of the Sell-Side webinar

**14** Analysts Part II: The Buy-Side View on Global Equity Markets webinar

**15** Healthcare IR Symposium

**21** Global Money Flows webinar

### June 2013

**8** Finance 101, Hollywood, FL

**8** Think Like an Analyst! seminar, Hollywood, FL

**9-12** 2013 NIRI Annual Conference, Hollywood, FL

**24-26** Finance Essentials Intensive seminar, New York, NY

**24-28** IR Wisdom Road Show, Beijing, Shanghai, Hong Kong CHINA

### July 2013

**9** 2013 Proxy Season: Lessons Learned webinar

**23** The Deal Road Show webinar

### August 2013

**6** Communicating a Company Crisis Internally and Externally webinar

**12** Finance 101 seminar, San Francisco, CA

**13-14** Finance Essentials seminar, San Francisco, CA

**15** Think Like an Analyst! seminar, San Francisco, CA

**20** Effective Ways to Work With the Media webinar

# The Evolving Role of Technology in Investor Relations

Effective tools and techniques help engage shareholders.

By J.C. Weigelt

“You know the dilemma... Both the C-suite and the buy side have exceedingly tight schedules. Competition for investment dollars is fierce. As an IRO, you feel like you’re between a rock and a hard place.

This past November, the Minnesota Twin Cities chapter hosted senior practitioners John Nunziati and Marty Palka virtually. Using desktop video, participants con-

quite a bit of the IR department’s efforts throughout the year and tracking outcomes is a critical piece of using the targeting software correctly.

## Going Forward

**Video.** Both Nunziati and Palka agreed that video will play an important role for IROs and change how they communicate with the Street. Palka, chief intelligence analyst,

I believe we’ll think of taking a video call the same way we think of taking a phone call today.”

## Keep Information Current

**IR website.** First and foremost, Nunziati and Palka see the IR website as a portal for access to vital company information. Providing links, transcripts, webcast replays, presentation slides, and historical company financial information are most critical and must be easy to download. The key to the website is that the information has to be current and, as Nunziati observed, “We are all stretched too thin so anything we can do to take some of that routine work out of the way and make it less time consuming is important.”

**Social media.** Panelists voiced skepticism about the role of social media. “IR challenges using social media include fair disclosure, depth of interactions, and need for a larger social media audience composed of high quality target institutional investors,” said Palka.

**Use of technology.** Essentially, incorporating technology tools in their workflow allows investor relations professionals to be more strategic, efficient, and effective, the panelists noted. As we all know, ROI is often difficult to prove in investor relations. Nonetheless, as Nunziati puts it: “If you’re able to successfully integrate these technologies, it impacts the productivity and quality of the work you’re doing as an IR team. Ultimately, you are able to have better, more measured outcomes.”

Essentially, incorporating technology tools in their workflow allows investor relations professionals to be more strategic, efficient, and effective, the panelists noted.

nected with these senior IROs to explore how bellwether companies optimize technology in their IR platforms.

**Targeting.** Both IROs acknowledged that targeting plays an integral role in the IR toolkit. “Targeting is one of the more important roles we play in IR – knowing who owns the stock, who doesn’t own the stock, and who should, is most important,” said Nunziati, senior director of IR for Juniper Networks. He added that targeting drives

investor relations for Cisco Systems, stressed that seeing investors’ body language and nonverbal cues are critical to the relationship. “You just can’t achieve that level of engagement with a phone call,” noted Palka.

Nunziati agreed, stating, “I believe video is going to be a very important tool for us going forward and is an enhancement to IR efforts. I’ve done a variety of meetings with the buy side and sell side using video and it provides for richer dialogue. In the future

*J.C. Weigelt is director, investor relations, St. Jude Medical; jweigelt@sjm.com.*



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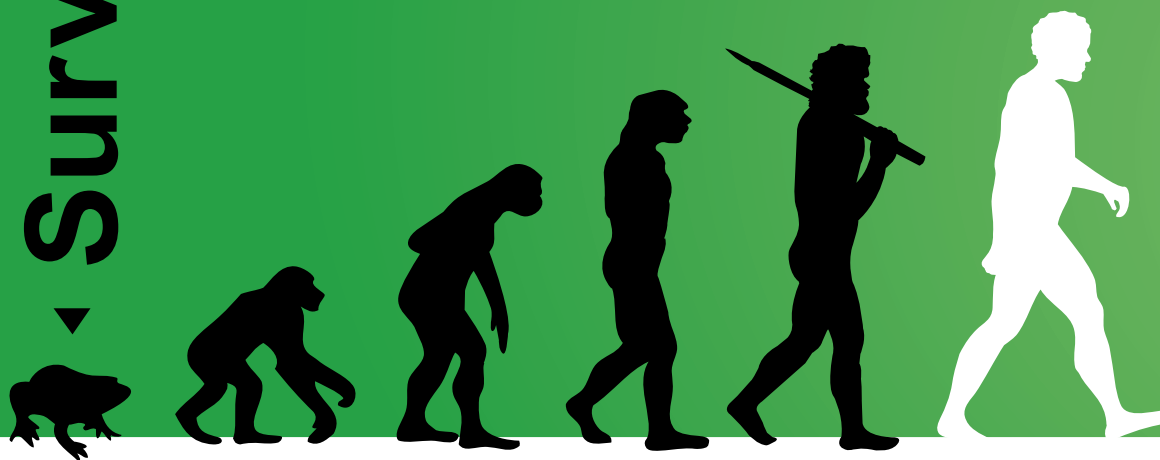
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# ◀ Surveillance

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