

IRupdate

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the voice of the investor relations profession

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Investor
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Institute
www.niri.org



Out of this World

IROs in the aerospace industry face the challenge of translating complex concepts into terms their investors understand – and value.

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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.

About IR Update

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By Apryl Motley



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Building on Success

This marks my final “At the Bell” column as chairman. The past year has been extremely rewarding for me. Chairing an organization that has meant so much to my professional development has been a capstone in my investor relations career to date. It has also been a very important year for NIRI. In my first column in February, I explained my priorities for NIRI in 2013. I’d like to review these goals and a few key steps we’ve taken to achieve them.

In 2013, NIRI’s efforts were targeted at building upon the successful achievements over the last few years to elevate the awareness and stature of the IR profession, investing and keeping pace with the new global information framework, and staying focused on our mission for the OneNIRI strategy.

Broadening Awareness

NIRI has been particularly effective over the last year in broadening awareness of the IR profession. For example, NIRI joined with the NYSE and the Society of Corporate Secretaries and Governance Professionals in petitioning the Securities and Exchange Commission for greater shareholder transparency in the form of SEC Rule 13(f) reform. NIRI President and CEO Jeff Morgan also testified on Capitol Hill on proxy advisory firm regulation and ways to improve public companies’ communication with their investors. And the NIRI Board met with new SEC Director of Corporation Finance Keith Higgins and other SEC staff to discuss top IR issues.

NIRI took further steps in spreading the word globally by introducing a new global subscription option, and participated in education events abroad. Jeff Morgan and NIRI Board member Bob Burton traveled through China as part of our second annual IR Wisdom Road Show. Board member Jane Okun Bomba and Jeff also spoke at the Brazilian Investor Relations Institute’s annual conference, and NIRI Board member Anne Guimard spoke at the Investor Relations Society’s annual conference in the UK and at a meeting of the Stock Exchange of Mauritius. Board member Ruth Cotter participated in an IR-centric meeting in London.

Launching Initiatives

This year NIRI launched our next generation eGroups social media tool, and began work towards overhauling the NIRI website. And I am particularly pleased that we kicked off the NIRI Fellows Program with our inaugural class of eleven fellows, as well as approving an IR certification program for NIRI. I know that in the months and years ahead you will continue

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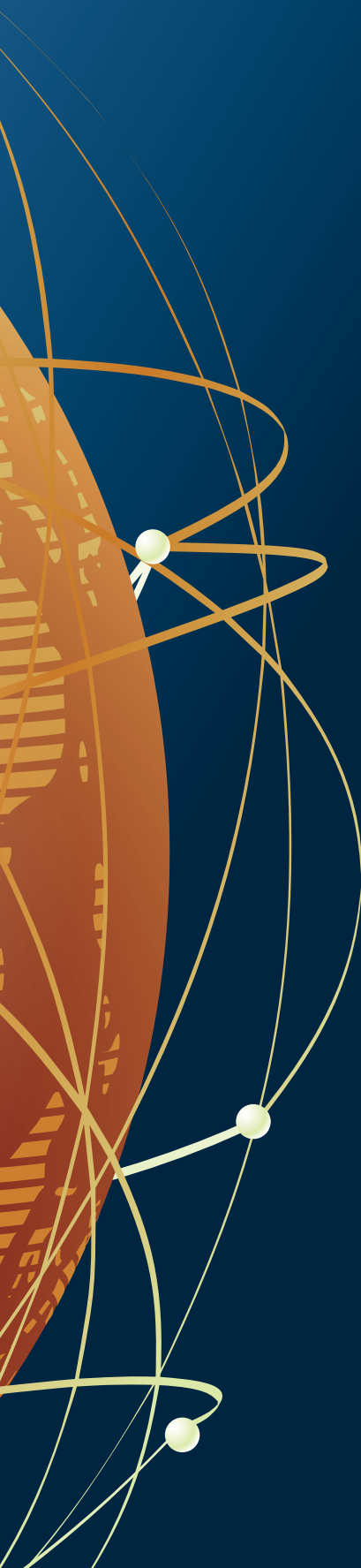


Service

Out of this World

IROs in the aerospace industry face the challenge of translating complex concepts into terms their investors understand – and value.

By Apryl Motley



Aerojet Rocketdyne celebrated the 30-year anniversary of its first Solar Electric Propulsion (SEP) mission.

DigitalGlobe's planned satellite construction program related to its third WorldView-class satellite remains on track.

The Boeing Dreamliner took to the skies for the first time today, beginning a comprehensive flight-test program leading to certification and delivery in mid-2014.

Storylines like these may not resonate with the average person, but they speak volumes to Ronald A. Samborsky, vice president, strategy and investor relations, GenCorp; David S. Banks, vice president investor relations, DigitalGlobe; and Troy J. Lahr, vice president, investor relations, Boeing Co. In their respective roles, each of these IROs has the challenging, but they say rewarding, task of communicating with investors about the innovations their companies spearhead.



Communication is Critical

“Much of what we do is translation,” Samborsky says. “We take a tremendous amount of data and boil it down to something that investors can easily understand.”

“There’s a very important blend that you have to have between good communication skills and financial understanding,” Banks offers.

“We have a lot of components to our business that are difficult to understand,” Lahr acknowledges. “So it’s important to establish clear communication.”

“You might think a larger company like Boeing wouldn’t be open to outside perspectives, but people have been encouraging about giving feedback and offering opinions.”

– Troy J. Lahr, vice president, investor relations, Boeing Co.

According to the Aerospace Industries Association 2012 Year-End Review and Forecast, overall sales for the industry were projected to increase to \$218 billion, and aerospace companies employed more than 600,000 people. Among other key economic indicators, AIA monitors the sale of civil/military aircraft and missiles, the nation’s regular access to space, and the net export of manufactured goods, such as civil aircraft engines and aircraft parts.

Given the depth and breadth of this industry, IROs must draw on a variety of skill sets to successfully represent their com-

panies to investors. Here’s a closer look at their career paths, the challenges they face, and the lessons they’ve learned.

As these brief profiles of three IR professionals illustrate, the path to an IR career in the aerospace sector could take any number of directions.

From Engineer to Engager

After serving in various senior management roles at GenCorp, a technology-based manufacturer of aerospace and defense products that include tactical systems,

“positioned to assist investors because of his broad knowledge of the business.

“We have over 16 operating sites and product lines of all different types,” he says. “Investors want to know how we are consolidating and harmonizing our different entities.

“If I can’t answer a finance question, I can get help internally,” Samborsky explains, “but when it comes to questions about our products, I have a good background for being able to share that information.”

Currently, he’s the only staff person dedicated to IR. “I bring in staff from the CFO’s office to help,” he says. “We want to meet our obligations to investors and keep them informed, but we’re very conscious about costs. We will look at adding staff in the future, but with careful consideration of corporate expense and impact on financial profit.”

Samborsky believes most people are interested in space and don’t need a technical background to find the subject matter appealing. At the same time, he says “his ability to speak to issues from both the technical and business perspective helps gain investors’ confidence.”

From Public Relations to Physical Media

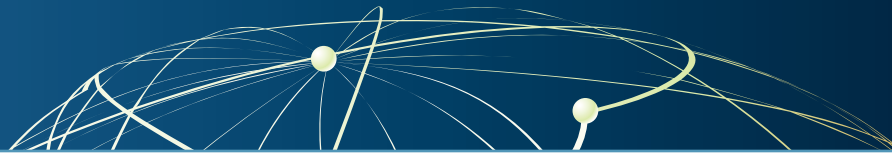
“I started my career in PR,” Banks says. While he was working in media relations for a financial corporation, a colleague suggested that Banks should join the IR department because “he was good with numbers.” From there, he went on to IR positions at two financial technology companies.

When he started his position at DigitalGlobe, a global provider of commercial resolution earth imagery products and services, almost four years ago, Banks knew very little about the aerospace and defense industry. “I had to learn the industry and

missile defense and strategic systems, and space and launch systems, Samborsky began leading the company’s IR effort about seven months ago.

“The company has not had an official investor relations function until recently,” he says. “Over 10 years ago, the CFO took over IR for the company, but as the company got larger, it became a bigger challenge to describe what we did.

“We wanted to make it easier for investors to engage with us,” he continues. With his background as a software systems and avionics project engineer, Samborsky was



the company as well as a different set of investors,” he says. “However, many of the skills in IR are transferrable.”

Banks says the biggest difference between his past positions and his current one is dealing with an industry that is more cyclical. “Generally, financial services is a pretty steady field,” he notes. “It goes along and builds with the rest of the economy.

“Defense on the other hand is cyclical,” he continues. “It rises and falls with different events in the world and changes in the administration.” Banks and one analyst are charged with monitoring the key IR trends that are important to the company. He has worked with outside IR firms as well that provides support to him in preparing earnings statements.

In general he enjoys the challenge of keeping up with changes in the aerospace industry: “I’ve never been bored in my career because I’ve had to learn so many industries, and I am learning this one at a time of tremendous growth and change.”

From Analyst to Advisor

Before joining Boeing, in 2012, Lahr was an aerospace and defense equity analyst for Stifel Financial Corp. for more than a decade. However, he became interested in the industry earlier in his career as an analyst at Legg Mason covering diversified manufacturing.

“I saw aerospace as a sector that our company needed to follow,” Lahr says. “I picked it up on my own and served as lead analyst. When I started at Boeing, I worked on strategy with a specific focus on mergers and acquisitions,” he continues. “It was a natural transition to IR.”

In his current role since January 2013, Lahr has focused on the company “taking a more strategic and proactive approach to outreach.” Given his background as an ana-

lyst, he brings a unique perspective to the company’s IR efforts.

“I understood the company, and my outside perspective was appealing to Boeing,” he says. “I was excited to get on the inside of the company and bring that outside expertise.

“You might think a larger company like Boeing wouldn’t be open to outside perspectives, but people have been encouraging about giving feedback and offering opinions,” Lahr continues. “Opinions of ‘outsiders’ are well thought of and sought after.”

Setting the Record Straight

While they followed different paths to investor relations careers in the aerospace industry, Lahr, Banks, and Samborsky all agree that one of their biggest challenges is clarifying strategic goals and dispelling misconceptions about what their companies do now and what their plans are for the future.

Accounting for analysts. “The challenge we face as an IR department (of five people including him) is that there are a lot of complex and unique aspects to our different busi-

LAUNCHING YOUR CAREER

You don’t have to be a rocket scientist to have an IR career in the aerospace sector, but if you’re considering it, your colleagues recommend concentrating on these areas.

Be patient with the process. “It’s definitely a long-term effort,” Banks says. “You can’t have a single conversation and convince someone to invest.

“It’s a fairly long sales cycle that hinges on developing trust with analysts and more importantly with investors,” he says, “so they can weigh their risks and opportunities appropriately.”

Get to know the analysts who cover the industry. “Read analyst research,” Lahr advises. “You need to understand what your company does and its strategy, but also what the misimpressions there might be in the marketplace. You want to understand what investors are getting right and wrong.

“I got to know the four or five analysts who actively cover us very well,” Banks says. “I spent a lot of time with them. We have a very wide universe of analysts. Some are tech-oriented, others focus on aerospace and defense, and a few may only cover satellites. I know the various players in our ecosystem, and I have to be familiar with a broad range of topics.”

Keep upgrading your communication skills and tools. “As we look at the future of how IR is done, electronic communication and media are going to continue to grow,” Samborsky observes. “We can communicate more quickly that way and provide access to a large amount of information.

“In the near future, we will be communicating more rapidly and translating data into knowledge more quickly. If people have this background, it will pay dividends for them.”

Familiarize yourself with aspects of your company. “I enjoy traveling to our different business operations and going through deep-dive assessments,” Lahr says. “In this position, you see all aspects of the company in detail, and it’s critical that you understand them.”

Even more important, clear and concise communication is king in the aerospace sector just as it is in other industries. “Once you have a good understanding of the company, you need to be able to get the message out to investors,” Lahr emphasizes. “Being able to deliver a clear and concise message through personal meetings with investors is crucial.”



ness lines,” Lahr says. “For example, different accounting approaches for our 787 program (commercial airplanes) – program versus unit accounting measures – can be difficult for analysts to follow and stay current on nuances. Some analysts focus on one over the other,” he continues, “and we have to make sure that we’re in alignment with analysts’ expectations.”

By the same token, Lahr and his team are “being much more strategic.” He says, “We’re driving this effort rather than being pushed by analysts. We’ve been reassessing how we approach investor outreach, and we’re doing fewer conferences and more direct outreach and one-on-one meetings.”

Contracts in context. As concerns about the financial stability of DigitalGlobe played out in the press, Banks has taken a similar tack. “Conferences are still important, but we’ve reached a stage where we can be selective about the three or four we will attend,” he says.

At these events and other venues, one of the keys messages Banks has emphasized is the company’s efforts to diversify its sources of revenue: “It was important for me to help investors understand that while a large part of our revenue comes from a government contract, we are diversifying our revenue into other areas.

“My role is helping investors understand the defense orientation of the company while making a differentiation between DigitalGlobe as a pure defense company as opposed to an information services company,” he says. “We offer a different kind of product to the Department of Defense. It’s not a plane, tank, or missile defense system. It’s imagery of the earth.”

About two years ago, the company was faced with budget cuts being made to the largest government program in which it participates. “We were confident that our share

“The biggest challenge has been dispelling misconceptions about our business. Returning investors wanted an explanation of why we looked like a new company to them.”

– Ronald A. Samborsky, vice president, strategy and investor relations, GenCorp

of the program would not be cut because we were delivering a superior product,” Lahr says. “However, this played out in public, and the perception was that there was more risk for DigitalGlobe than actually [existed]. We had to put the information into the right context.

“Investors trade on perception,” he continues. “There is often a difference between perception and reality. The role of IR is to tell the truth as we know it and do our best to build up credibility.”

Misplaced in the market. To a certain extent, reestablishing credibility with some investors was one of Samborsky’s primary objectives. “Making sure investors had the right perception of us and clarifying our story has been very important,” he says.

Key to this effort was emphasizing that the company’s focus was aerospace. GenCorp owns a significant amount of real estate near its Sacramento, Calif.-based headquarters. As such, “Our prior management would go to Wall Street and characterize us as a real estate company with an aerospace division,” Samborsky says. “Our board chose to bring in a new CEO who understood that we really were in the aerospace business and focusing on expansion.

“Now we’re focused on what real estate means in terms of creating more

value for the company as we move ahead,” he continues. “We don’t need as much land anymore, and we’re trying to monetize it.

“The biggest challenge has been dispelling misconceptions about our business,” Samborsky says. “Returning investors wanted an explanation of why we looked like a new company to them. They needed to understand what transpired between then and now and why we might represent a good opportunity for them now.”

Currently, GenCorp participates in investor conferences on a limited scale and may host an investor day at the end of this year. Plans are under way to reinstitute earnings calls during the first quarter of 2014. “We wanted to have two full quarters under our belt as the newly combined enterprise,” he explains.

GenCorp acquired Pratt & Whitney Rocketdyne earlier this year. “One of the areas we wanted to focus on was making sure investors really had an appreciation for our growth strategy,” Samborsky continues. “We concentrated on explaining to investors who we were – an aerospace company first.” **IRU**

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EA ON YOUR

LEGAL GILES TEAM

Take time to develop a relationship with your company's lawyer.

By Margo Vanover Porter

Thanks to an ever-changing tangle of legal requirements and disclosures, IROs and corporate counsels are becoming BFFs.

“The rules are changing all the time,” says Dave Dragics, senior vice president, investor relations, CACI. “I somewhat facetiously like to say that every IR officer should have a lawyer bonded to the hip because of changing disclosure regulations, corporate governance requirements, and regulatory and compliance issues that affect what we do, how we talk about our companies and businesses, and how we respond to the financial community.”

Doug Chia, assistant general counsel and corporate secretary, Johnson & Johnson, indicates that both the IR and legal communities recognize that the two positions now need each other to be successful. “The IRO and legal counsel are trying to further the same interests—making sure the company’s disclosures are accurate and consistent, reflect the level of transparency the company desires, and are compliant with all laws and regulations.

“Each side has become more aware of the pressures of each job and factors each considers. I am seeing more collaboration and cross-fertilization of interests as each tries to better understand the other’s role and constituents.”

He indicates this cooperation is being fueled partly by regulations giving shareholders more say in governance matters. “The regulatory landscape has changed the dynamic of how a company needs to look at its public disclosures, which include not only SEC filings but also press releases directed at the investment community,” says Chia, who is chair-elect of the Society of Corporate Secretaries and Governance Professionals. “At the same time, investors have become more demanding in terms of what they want companies to produce. They are asking for information that people had not asked for in the past.”

Year-Round Engagement

The same spirit of cooperation can be seen at Pfizer, where Charles “Chuck” Triano and Matt Lepore have forged a congenial partnership that benefits both of their positions. “In the past two years, it’s become more important for IR professionals like Chuck and corporate governance professionals like me to work together,” says Lepore, who is Pfizer’s corporate secretary and chief governance counsel.

“In the world of governance, engagement is now absolutely critical year-round,” he says. It’s not solely a proxy season event because of Say-on-Pay and all the other new regulations. It’s clearly critical for me to know what investors think about governance and compliance all the time.”

“That’s right,” echoes Triano, who is senior vice president of investor relations. “Rather than dealing with corporate governance on an exception basis, it’s a regular interaction.” He adds that through his ongoing dialogue with large holders, he can detect any disconnects or attitude shifts and act as an early-warning system for the governance team.

Lepore routinely receives insight on governance issues generated at IR-led analyst sessions and often

taps into the robust, long-term connections established and maintained by IR with institutional investors. “Pfizer has had high support for its Say-on-Pay votes over the last few years,” he says. “Obviously, I talk to the vast majority of our shareholders related to executive compensation, but Chuck discusses the issue with certain investors with whom I don’t have a strong relationship. We work together. We’ve had a lot of support for our proxy items because of the team approach.”

When holding investor meetings, since counsel is not usually present, Triano doesn’t hesitate to call the discussion to a halt if the topic strays into territory he deems off-limits. “The IRO has to step up and enforce and control these meetings with investors,” he says. “If you see someone going off track into an area they shouldn’t get into for disclosure reasons, you have to call a time out. IROs need be able to intervene appropriately if there is an issue—and to inform counsel of a potential breach.”

Watch Out for Landmines

When working so closely together, executives agree that it can be tough to avoid stepping on the other’s toes. As a precaution, Chia advises establishing a common understanding of areas of responsibility. However, he warns against taking that concept to an extreme to avoid a silo mentality with each side locked into hard-and-fast roles.

“Turf battles, which have a lot to do with personality and ego, usually stem from [a] self-serving or narrow-minded definition of [personal] territory,” Chia says, “but it is essential for everybody to have a common understanding of who’s fielding what.”

Dragics also warns against silos, which block back-and-forth communication and expose both parties to the possibility of being blindsided. “You can’t see things coming,” he says. “You can’t see the issues evolve. Some people just don’t want to



share, but you want to find ways to break down the walls.”

Triano and Lepore seem to have discovered a peaceful way to coexist. “We don’t have turf battles,” Lepore says. “It’s pretty clear the areas that Chuck’s team covers. Sometimes the investor will cross over the line. In those circumstances, I have no interest in talking about areas that are outside of my expertise. I can speak for Chuck when I say he doesn’t either. We can spot those issues and immediately get the other person on the phone.”

For example, the two recount a governance meeting in which an analyst started peppering Lepore with pipeline and strategy questions. Rather than take a stab at answers, he referred the queries to the IR team.

“It’s very important that you agree on the internal structure,” Triano emphasizes. “We both have our areas of expertise, and we both help each other. We’re here for the good of the company and our shareholders. We have not had any incidents—even close—where one had to ask, ‘Why are you having this conversation with this person? That’s my relationship.’”

Another area of potential conflict could be over disclosure, which is why Lepore takes a few simple steps to maintain harmony. “I could see a company having a turf battle between legal and IR over disclosure and Regulation FD,” he says. “When we’re advising legally on a disclosure issue, saying, ‘We believe it’s material, and it needs to be disclosed’ or ‘We believe it’s not and doesn’t need to be disclosed,’ we always copy Chuck on the e-mail directly or add him to the loop and say, ‘But maybe Chuck, from an IR perspective, has a different view and needs to weigh in.’ That’s a common and required response by us as far as we are concerned.”

Lepore adds it would be unthinkable for him to dig in his heels and say, “No, we rule here as legal.” Instead, his approach is, “Here’s our view. What’s Chuck’s view? Let’s make a collective decision.”

Although this seems like an obvious and logical arrangement, Chia points out that this solution isn’t universal. “The problem in some companies is one side is giving out information to one group of people and another side is giving out something slightly different or would rather the information not be given out at all,” he says. “Then you have a debate. ‘How did this get out? Why are we saying this? Is this number accurate?’”

The result, he says, is bickering on the backside that benefits no one.

Two-Way Communication

The secret to a successful working relationship, according to Triano, is taking the time to understand the pressures and demands of each position.

“From an IRO perspective, you want to engage with your in-house counsel and make sure you have an agreement on the lay of the land and the operating environment, the view of transparency versus materiality, and an understanding of the key issues within the investment community,” he explains. “It makes the working relationship easier if you’ve got counsel who understands that IR is not just putting out press releases or disclosure followed by inquiries from the investment community for more color and information. It’s important for counsel to understand how the dialogue with investors works in the real world.”

Another key, Chia, says, is sharing information and looking for a common approach to solving problems. He regularly passes news and information to his IRO that might lead to a short discussion of the facts of a particular case. “Everybody learns,” he says, “and it reinforces that you are all working toward a common goal.”

He cites as an example the high-profile Galleon case that exposed how expert networks at hedge funds were playing in the gray areas of the insider trading laws to gain

an advantage. When that case made headlines, he and his IRO started asking questions, including: “How many people at our company are contacted by expert networks on a regular basis?” and “How many doctors who consult for us are on the payroll of expert networks?” Together, they talked through the case to spot issues and identify areas where the company might be exposed to risks created by expert networks.

Chia prefers the proactive approach rather than “calling the IRO and telling him or her what the law is and then leaving the IRO to figure it out or catching it on the back end and scolding the IRO with ‘You shouldn’t have done it this way.’”

Of course, the information must flow in both directions, Dragics emphasizes. “It’s a two-way street. That’s where you sow the benefits of a great relationship.”

Dragics makes it a habit to copy his chief counsel on block trades, ownership, and other critical issues. “What I’m telling the CEO, COO, and CFO, the general counsel gets too, so he can be kept in the loop.

“The best lesson I’ve learned is this: If there is even a question, I don’t hesitate to walk down the hall and see the internal counsel. By sharing the information, your relationship becomes more collaborative and less formal and you gain confidence in each other.”

He explains that CACI formed a corporate governance team whose members include Dragics, legal counsel, and the chief risk management officer. “We have that team so we’re not surprised as we go into the proxy solicitation process with a proposal and find out ‘Wait a minute. We misread how the compliance people are going to vote.’

“Being close to your general counsel can prevent surprises that can have an effect on your company’s valuation.” **IRU**

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



NIRI Board members who met with SEC officials included (front row, left to right) Hulus Alpay, Felise Kissell, Bob Burton, John Chevalier, Chuck Triano, Moriah Shilton, Jeff Morgan, and Ruth Cotter; (back row, left to right) David Myers, Mark Donohue, Dennie Kimbrough, and Anne Guimard.

NIRI Board Engages the SEC

Annual gathering focuses attention on key regulatory issues.

By Matt Brusch

One of NIRI's four primary mission areas is advocacy regarding regulatory initiatives influencing the investor relations profession. In keeping with this important mission area, the NIRI Board of Directors recently met with members of the Securities and Exchange Commission staff in Washington, DC to discuss key investor relations issues. The board has done this regularly for the past several years in conjunction with its quarterly September meeting.

These meetings are very helpful to the SEC in understanding the practical effects of its regulations. The NIRI Board takes these opportunities to advocate on behalf of the membership regarding topics of importance to the investor relations profession, and, more broadly, to public companies.

This year, the board discussed improving shareholder 13(f) reporting and greater shareholder ownership transparency, the utility of the SEC's OBO-NBO (Objecting Beneficial Owners/Non-Objecting Beneficial Owners) rules, proxy advisor challenges, and day-to-day IR issues such as social media use for disclosure.

Awareness-building around these issues requires a long-term, continuous dialogue, and may take years for any change to materialize. But meetings like this assist in furthering NIRI's advocacy agenda, as well as helping advance the profession, and ultimately, the stature of NIRI members.

Framing the Discussion

This year was unique. Following a period of significant staff turnover at the SEC, there were many new faces at the meeting including Keith Higgins, the new director for the Division of Corporation Finance. SEC staff engaged actively with the NIRI Board, frequently interjecting questions and comments throughout the meeting.

NIRI Chairman Hulus Alpay provided an overview of the investor relations position and framed the discussion by defining and explaining the strategic role of IROs in corporate disclosure, smoothly functioning capital markets, and the capital formation process. Alpay also touched on increasing IR involvement in corporate governance issues ranging from executive compensation disclosure issues (i.e., Say-on-Pay and CEO pay ratio), to conflict minerals disclosure and more, in response to SEC regulation.

Practical Realities of Social Media

NIRI President and CEO Jeff Morgan turned to the practical realities of complying with SEC regulation.

For example, in April 2013, the SEC issued a press release stating that companies may use corporate social media outlets such as Facebook and Twitter "to announce key information in compliance with Regulation FD as long as investors have been alerted about which social media will be used to disseminate such information." This new guidance left it for each company to decide if the use of social media for material disclosure is appropriate after a careful Regulation FD analysis.

Morgan reviewed the results of NIRI's social media use survey conducted in May, which found that, in practice, the majority (72 percent) of respondent members do not use social media for IR primarily because there is no demand from the investment community (buy side or sell side).

Shareholder Ownership Issues

The bulk of the meeting, however, was reserved for several issues of ongoing concern – shareholder identification, proxy system reform, and proxy advisor challenges. Preparation and presentation of these issues was driven by the NIRI Board Advocacy Committee: Mary Beth Kissane (chair), Robert Burton, Ruth Cotter, Mark Donohue, Anne Guimard, Dennie Kimbrough, Andrew Kramer, and Charles Triano.

Beginning with shareholder identification and engagement challenges, the board noted that the SEC has implemented a wide range of changes to its rules and regulations that have helped improve transparency in the financial markets to the benefit of all investors regardless of whether they are institutional asset managers or individual investors. NIRI would like to con-

tinue improving market transparency by addressing the need to improve shareholder ownership reporting.

Earlier this year, NIRI along with NYSE Euronext and the Society of Corporate Secretaries and Governance Professionals petitioned the Commission for this type of rulemaking. Specifically, NIRI requested to shorten the Rule 13(f) shareholder ownership reporting deadline from the current timeline, which requires Form 13F to be filed by institutional investment managers managing over \$100 million, from 45 days after the last day of each calendar quarter to two days. The petition also encouraged additional action to increase the frequency of 13F reporting from quarterly to monthly.

The NIRI Board reiterated the rationale for this petition, discussed potential concerns with the SEC staff, and highlighted how this petition could benefit shareholders by providing a more efficient and transparent communication process.

To support the rulemaking request, SEC staff received the results of NIRI's recent member survey on the topic including relevant data points:

- The vast majority of respondents (nearly 90 percent) view shareholder identification as very or extremely important to their IR activities.
- Sixty-two percent of respondents use ownership information at least weekly (with 17 percent using it daily).
- Thirty percent of respondents indicate their frequency of use regarding ownership information has increased over time.
- And while 49 percent state the current filing deadline rules do not influence their IR activities, nearly as many (46 percent) state these rules *negatively* influence IR activities.

Under the current rules (adopted in the late 1970s), an institutional investor may, for example, purchase a stock on January 2 and not report that holding until May 15,

an extraordinary length of time given today's 24/7 flow of information.

Proxy System Reform

The discussion included another area in need of reform regarding the proxy system and in particular the ability for issuers to communicate efficiently and effectively as part of the proxy voting process – the Objecting Beneficial Owner (OBO) versus Non-Objecting Beneficial Owner (NOBO) shareholder classifications. Street name shareholders, as part of the process of establishing their brokerage accounts, have the option of allowing their information to be released to the company and receiving communication directly from the company (NOBO) or remaining anonymous (OBO).

licly held companies in the United States are therefore held by OBOs, according to the “Report and Recommendations of the Proxy Working Group to the New York Stock Exchange.”

In an era in which transparency by issuers has become a driver for regulatory review and related rule making, issuers are unable to make timely, cost-effective direct contact with the majority of their beneficial holders.

NIRI's response to the SEC's concept release on the U.S. proxy system includes recommendations to eliminate the OBO/NOBO classification and implement SEC rulemaking to permit issuers to communicate directly with their shareholders. Direct issuer-shareholder communication is central to fostering greater proxy voting

Given the large roster of clients, the two largest advisory firms can have extraordinary influence on the outcome of director elections and other proxy voting matters. Unlike investors and companies whose proxy filings are subject to review and sanctions by the SEC, the SEC provides no systematic oversight over the policies and research processes of these firms.

NIRI has advocated for proxy advisor reform for several years, and believes the SEC should review the role of proxy advisory services and the processes used by these firms in generating voting recommendations and making voting decisions. NIRI believes that investors may not be protected adequately because of the current deficiencies in regulatory oversight and transparency that exist within the proxy advisory industry.

Public companies have very little recourse in terms of these concerns, and NIRI welcomed the opportunity to discuss the issues on their behalf with the SEC staff.

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Under the current rules and processes, limited options exist for procuring NOBO information, and obtaining such information is costly and inefficient. While companies can purchase NOBO information, this information takes several days to compile and becomes quickly out-of-date as shares are traded by investors each day.

More problematic is communication between the issuer and the OBO. These anonymous shareholders typically represent the majority of a company's beneficial owners. Over 75 percent of customers holding shares in street name are OBOs, and 52-60 percent of the shares of pub-

participation, which NIRI believes should be the primary goal of any SEC rule-making in this area.


Proxy Advisor Challenges

Finally, the discussion moved to three primary challenges associated with the rise of the unregulated proxy advisory industry:

1. A lack of transparency concerning the standards, procedures, and methodologies of these firms.
2. The risk that voting recommendations may be based on incorrect factual information.
3. The inherent conflicts of interest posed by several business practices.

Incalculable Value

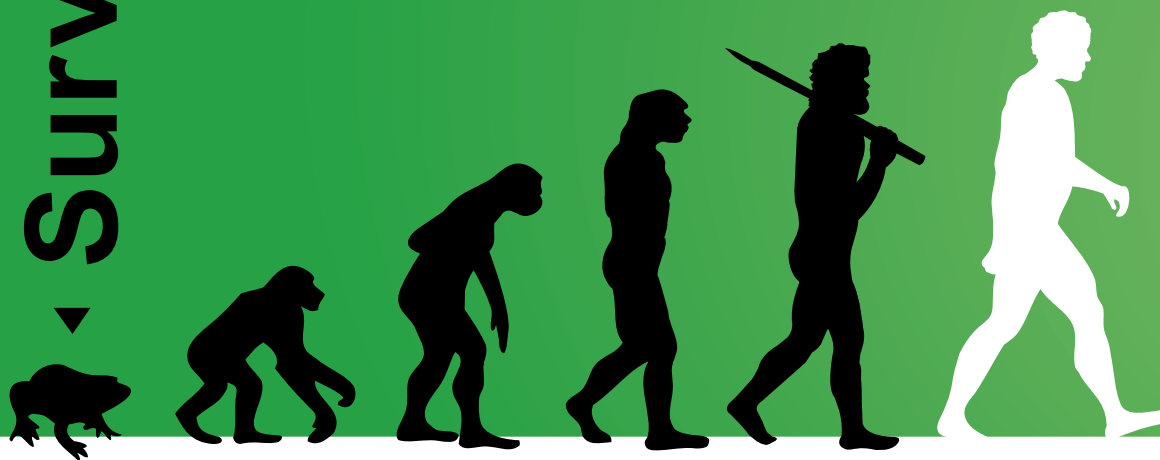
NIRI greatly values these annual meetings with the SEC. Through this type of long-term advocacy work, the NIRI Board and staff raise awareness of not only key concerns of the profession, but also of the critical role IR professionals play in our capital markets.

It is also clear from the interaction NIRI has had over the years with the various attendees that SEC staff values and appreciates these meetings. And though the SEC generally engages with NIRI in a “Q&A” style rather than tipping its hand regarding any specific NIRI advocacy item, it isn't possible to place a value on the time spent face-to-face with the regulator that has such an important influence on our profession. 

Matt Brusch is vice president, communications and practice information & editorial director at NIRI; mbrusch@niri.org.

◀ Surveillance

Market Structure Analytics



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Targeting International Investors

Learn what you can do to attract and retain global shareholders.

By Tammy K. Dang

“The world is flat now, so there are desirable holders all around the world,” said Suzanne Harnett, senior director of investor relations at Pfizer. She, along with Elizabeth Allen, manager of investor relations at FedEx Corp., and moderator Chris Taylor, executive vice president and managing director at Ipreeo, shared their thoughts on a June 2013 NIRI-sponsored webinar titled, “Global Investor Targeting.”

Reaching Global Investors

According to Harnett, Pfizer’s large and diverse investor base is constantly changing. With an average daily trading volume of about 30 million shares, more than 2,500 institutions own 77 percent of the compa-

ny’s more than 7 billion shares outstanding. In 2012, the company generated about \$59 billion in revenue, with about 60 percent of it outside the United States.

has also visited Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Scotland, and Switzerland, among others, to reach a significant number of current and potential holders. In Asia, the primary focus is Tokyo, but outreach has included investors in Shanghai and Singapore.

According to Taylor, in 2013 the average large-cap company completed 8.2 road shows versus 7.4 in 2012. Large-cap companies also averaged 2.4 international road shows per year in 2013 versus 0.7 for mid-caps and 0.4 for small-caps. “My guess is that number for small- and mid-cap companies will continue to grow,” he said. According to a 2012 NIRI survey, overall, 56 percent of companies approach inves-

balanced messaging and are critical of only positive messaging.

Allen agrees. With a market capitalization of \$30 billion, more than 30 sell-side analysts covering the company, and 82 percent of its shares owned by institutions, FedEx has a very robust global targeting program that includes Asia, Europe, Canada, and Latin America. Rarely does IR travel with senior management in and outside of the United States. Allen covers Canada and has been traveling to Toronto for over a decade to visit investors.

Recently, FedEx made the decision to expand outreach into Latin America, specifically Brazil, since it currently has the largest investor base on the continent. Allen’s first foray into Brazil was an exploratory adventure to talk about the FedEx story and included spending time with investors willing to talk about the investing landscape. She spoke with consultants and sell-side corporate access on how best to target the region. “My meetings were all in English,” Allen said. “But on the street, you really do need a translator.”

She leveraged a recent acquisition to generate investor interest on a second trip. She took them on a tour and luncheon to gauge the level of interest as targeting information in the country is currently not very good.

“In Brazil, building relationships over time is very key,” Allen said. “You cannot take a short-term view here; you have to make the commitment to visit these investors on a regular basis.” She believes an 18-month-to-2-year rotation is good for Brazil.

For more information about future webinars, please visit www.niri.org/webinars.

Tammy K. Dang is manager, professional development, NIRI; tdang@niri.org.

International investors generally have a long-term view on the direction of a company.

ny’s more than 7 billion shares outstanding. In 2012, the company generated about \$59 billion in revenue, with about 60 percent of it outside the United States.

“Our focus is much more on proactively meeting with both current and potential institutional investors, given that our investor base can shift,” Harnett said. “This can happen with any company, depending upon where you are in your business cycle, what’s going on in the market, what’s going on in your sector, so we really do believe that it’s important to proactively get out there, and talk to these investors regardless of what’s going on in the company or market.”

London is Pfizer’s primary focus when targeting investors in Europe, but the company

tors globally, with 40 percent of micro-caps doing so as compared to 90 percent of mega-caps.

An Educated Market

International investors generally have a long-term view on the direction of a company. They do their homework in terms of reading press releases, listening to conference calls, and understanding the story. These investors also primarily focus on business strategy, growth potential, and strong cash flow.

According to Harnett, the other two metrics that have aligned Pfizer well with its investors are its \$17 billion in operating cash flows and its consecutive quarterly dividend payouts. Like domestic investors, these investors appreciate more

NIRI Elects John Chevalier New Board Chairman



JOHN CHEVALIER, director, global investor relations for The Procter & Gamble Co., was elected 2014 Chairman of the NIRI Board of Directors. He will succeed Hulus Alpay, vice president, investor relations for Medidata Solutions, at the NIRI Annual Meeting of members in early December 2013.

"I am delighted that John will be our next board chair," said Jeffrey D. Morgan, president and chief executive officer of NIRI. "We are fortunate to have such outstanding IR professionals who are so committed to the NIRI mission on our board – it is an enormous asset to the entire organization."

Chevalier said, "I am honored to accept the role of board chair and the responsibilities the role entails. NIRI has been an important part of my skill and career development, and I'm excited to

"We are fortunate to have such outstanding IR professionals who are so committed to the NIRI mission on our board – it is an enormous asset to the entire organization."

have this new opportunity to serve NIRI's members and advance the profession.

NIRI staff and the board have made significant progress with the implementation of the 'OneNIRI' strategic plan over the past two years – perhaps most important is the board's recent decision to progress with the design and implementation of an investor relations certification program. As

we continue with this important work, the board will now turn its attention to the next phase of strategy direction setting, which I look forward to leading during my term."

Chevalier joined the P&G IR team in 2002, and since that time, P&G has consistently been recognized as "Best Investor Relations Program" in its industry sector by *Institutional Investor* Magazine. John has been recognized as *Institutional Investor* magazine's "First Team All-America Investor Relations Officer" in the sector from 2010-2013.

He has also served as president and program chair of the Cincinnati Tri-State NIRI chapter, and was co-chair of the NIRI 2013 Annual Conference.

On the Move



Jim Storey was named vice president of investor relations at Premier, a national health care performance improvement company. He joins the company with more than 20 years of experience in executive investor relations and communication. Most recently, he served as director of investor relations and corporate communications for Horizon Lines and before that was vice president of investor relations for BlueLinx Holdings. Early in his

career he covered the stock market as a reporter and editor for Dow Jones & Co. Storey is past president of NIRI's Charlotte and Atlanta chapters.

Please send "On the Move" announcements to IR Update Editor-in-Chief Al Rickard at arickard@associationvision.com.

Quick Takes

What is your favorite NIRI benefit?



Scott Cunningham

Vice President,
Investor Relations
Edison
International

► "The opportunity to network with a great group of professionals who care about our unique role."



Jolanta Masojada

Principal
MasMedia
Advisers

► "The NIRI Annual Conference is a fantastic benefit for a new member like me who has just joined the profession."



Karen Gross

► "It's a network of people I can call to get answers. I don't have to reinvent the wheel."

"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.

eGROUPS

eGroups Buzz NIRI's member-only eGroups are popular with IROs eager to seek input from peers about current issues. Members value eGroups for the ability to interact candidly and in real time. Here are excerpts from a recent discussion on the earnings call press release. Check out eGroups at www.niri.org under "Networking."

Question: Since Regulation FD was implemented, it has been standard practice for companies to issue a brief press release describing when they plan to announce quarterly results and how investors can participate in the conference call/webcast. This press release also feeds directly to the company's IR website.

However, today, most investors and analysts rely on calendar databases provided by Bloomberg, Morningstar, Thomson-Reuters, Yahoo-Finance, their online brokerage account, the company's own IR website, and so forth to be notified and keep track of company reporting dates and conference call information. In addition, the Securities and Exchange Commission has given a nod toward alternative methods of communication if the objectives of Reg FD are achieved.

Has anyone considered discontinuing issuing the notification press release and, instead, working to ensure that all the major calendar databases receive and reflect accurate, timely information about the upcoming quarterly event as a means of complying with Reg FD's notification requirement?

Or is issuing a notification press release a specific, proscribed method required in order to be Reg FD-compliant? Or perhaps a press release is simply the easiest, most automated way to ensure that the calendar databases receive and post the information? – *Senior Director of Investor Relations & Corporate Communications*

"I WOULD CERTAINLY fall into the "a press release is simply the easiest, most automated way to ensure that the calendar databases receive and post the information" camp." – *Director of Financial Reporting*

"NEWS RELEASE IS EASY, often free in many IR services bundles, unquestioned by the SEC as FD-compliant, and ensures retail investors are covered." – *Director, Investor Relations*

"WE USED TO DO just an 8K form and then update our IR website but quickly learned without a press release, the services were not posting our earnings announcements. The press release was key to getting the information out quickly to all parties. My vote is to stick with the press release." – *Vice President, Investor Relations*

"IN THE EARNINGS call release, we often also include upcoming presentations at investor conferences at the same time, so we minimize the number of releases. We also pay a fixed price to [a service provider] for a certain number of releases each year, so there is no added cost to the earnings call release, even if it is stand-alone." – *Communications & IR Director*

"UNLESS YOUR WEBSITE can meet the vague SEC standards of a well-known and often-used venue for investors to receive information, you need to do a release and/or an 8K form. Read the recent NIRI Standards of Practice update. Only a handful of large well-known companies can get away with website-only notifications. And notifying the various services definitely does not count in my opinion." – *Head of Investor Relations*

Professional Development Calendar

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

November 2013

13-14 Finance Essentials for IR, New York, NY

15 Managing Shareholder Activism seminar, New York, NY

18-20 Global IR Forum: Marketing Your Program seminar, New York, NY

December 2013

4 2013 NIRI Annual Meeting & Luncheon webinar

4-6 Senior Roundtable Annual Meeting Annual Meeting, Miami Beach, FL

19 What's Coming in 2014? webinar

January 2014

6-7 Finance Essentials for IR seminar, Santa Monica, CA

7-10 Fundamentals of Investor Relations seminar: Santa Monica, CA

At the Bell *continued from page 4*

to hear more about NIRI's certification options and the benefits it will have for our members looking to build a brighter career in investor relations.

I offer my deepest gratitude to my colleagues on the NIRI Board of Directors for selflessly volunteering their time to your organization. I also extend a special thank you to the other members of my board class who are stepping down after four years of dedicated service.

Finally, I am pleased to leave NIRI in the capable hands of incoming Chairman John Chevalier, and the 15 other very devoted members of your board. I look forward to seeing all of them work collaboratively to make NIRI the best it can be for the benefit of all of its members.

It has truly been a pleasure to serve as your chairman this year and I am eternally grateful for this opportunity. I will cherish the memories forever and look forward to seeing many of you at one of the world-class events organized by NIRI in the future.



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Register at www.niri.org/conference

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