

# IRupdate

OCTOBER 2013

the voice of the investor relations profession

National  
Investor  
Relations  
Institute  
[www.niri.org](http://www.niri.org)

niri

## THE ABCs OF ETFs

Getting a handle on this  
**major** market force.

**10** Rock Solid  
Volatility

**14** Circuitous  
Careers

**19** Looking Through the  
Eyes of Analysts

“It is important to work with someone you can trust, who has passion for their work and can function as a natural extension of your IR team.

Corbin Perception satisfies all three of these attributes.”

– Director, IR | Mid-cap Industrial Goods



At [Corbin Perception](#), we recognize the positive impact best-in-class investor relations has on valuation and partner with our clients to develop strategies that unlock value.

We leverage our broad company and industry experience, ongoing research on the buy side, as well as our knowledge of IR best practices to achieve results.

Our core advisory services include:

- Perception Studies
- Investor Targeting
- Investor Presentation Development
- Investor Days
- IR Diagnostic Reviews
- Retainer Consulting

**President/CEO and Publisher**  
Jeffrey D. Morgan

**Vice President, Communications  
and Practice Information &  
Editorial Director**  
Matt Brusch

**Editor-in-Chief**  
Al Rickard  
arickard@associationvision.com

**Advertising Sales**  
Mike Hyatt  
Manager, Professional Development  
703-562-7684  
mhyatt@niri.org

**Art Direction**  
Thor Design Studio  
colby@thor-studio.com

**Contributing Editor**  
Linda Daily

**Contributing Staff**  
Tammy K. Dang  
Michael C. McGough

#### Letters to the Editor

IR Update welcomes letters to the editor. Please send your questions, suggestions and feedback to arickard@associationvision.com.

#### 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

IR Update is published monthly by the National Investor Relations Institute as a service to its members.

ISSN 1098-5220

© 2013 by the National Investor Relations Institute. All rights reserved.

#### For Change of Address, Contact:

NIRI-IR Update  
225 Reinekers Lane, Suite 560  
Alexandria, VA 22314-2875 USA  
phone: (703) 562-7700  
fax: (703) 562-7701  
dmeisner@niri.org  
www.niri.org



6

## The ABCs of ETFs

Getting a handle on this major market force.

**By Margo Vanover Porter**



10

## Rock Solid Volatility

The hard truth about the mining and metals industry is that volatility reigns. That makes it an exciting challenge for IROs who can handle it.

**By Alexandra Walsh**



14

## Circuitous Careers

Not everyone takes a traditional path to investor relations. Some veteran IROs share their journeys.

**By Alexandra Walsh**

### DEPARTMENTS

#### 4 At the Bell

A Bright Future for an Evolving Profession

**By Jeffrey D. Morgan**

#### 19 Webinar Report

Looking Through the Eyes of Analysts

*Learn what Wall Street wants from IR and company management.*

**By Tammy K. Dang**

#### 21 NIRI Now

- NIRI Fellows 2014 Nominations Open Through December 31, 2013
- New NIRI eGroups Offers Flexible Notification Options
- Quick Takes
- IR Research at a Glance
- On the Move
- Professional Development Calendar

# A Bright Future for an Evolving Profession

Occasionally, I am asked about the future of the investor relations profession. I believe that IR is an important function and will continue to thrive. But I also believe that the profession is likely to continue evolving. Which means that the skills required to be the best IR professional will also keep changing.

Tenured IROs have seen some of these changes, especially in the areas of communication and financial acumen. Dick Morrill, one of NIRI's founders, recently recalled how IR grew from public relations roots 50 years ago. Today, IR and PR are very different disciplines with equally different required skills. Strong financial and analytical skills are vital for today's IR professional.

The future is unknown, but clues about the future of the IR profession can be gained from several sources. For instance, we might look at how the CFO position is evolving. A recent *CFO Magazine* article spoke of a new breed of CFOs who spend less than half of their time on traditional finance functions, including IR.

Their growing focus is instead on executing the organization's business plan and strategic direction. This could impact IR in two ways. First, CFOs will need seasoned, senior IR professionals to independently manage all parts of IR. Second, CFOs will look to IR to grow even further into strategy to aid in these new demands. I suspect the answer might be a bit of both, depending on the company.

This past summer, NIRI embarked on a critical and extensive IR job-analysis research program to catalog the competencies of IR professionals. Ten areas were identified and the research provided us with insight into how the IR function and corresponding competencies vary from one IR professional to another.

This type of information is critical for the profession. It will also be important for NIRI to continue this benchmarking project every few years in order to document trends in IR evolution.

Information gained from this analysis allows NIRI to provide relevant professional development programs and also enables each IR professional to ensure he or she is keeping individual professional skills current with marketplace demands.

As we use this research to evolve our programming and educational content, we are ever mindful that you have given us an important responsibility related to your future in investor relations. You are NIRI's shareholders and NIRI remains your *home* for IR professional development, community, information, and advocacy.



**Jeffrey D. Morgan**  
President/CEO & Publisher  
NIRI  
jmorgan@niri.org

## Editorial Advisory Board

Darin Arita  
ING North America

Mike Beckstead  
Stillwater Mining Company

Marj Charlier  
Investor Relations Consultant

Hala Elsherbini  
Halliburton Investor Relations

Laura Gagnon  
The Mosaic Company

Clint Halverson  
Extra Space Storage Inc.

Julie Kegley  
Tyson Foods, Inc.

Dave Parker  
MEDNAX, Inc.

Andrea Passalacqua  
The New York Times Company

Heather Rowe  
Kythera Biopharmaceuticals, Inc.

Tony Takazawa  
EMC Corporation

## NIRI Board of Directors

Hulus Alpaya, *NIRI Chairman*  
Medidata Solutions Worldwide

Jane Okun Bomba  
IHS Inc.

Robert Burton  
Lambert, Edwards & Associates

John Chevalier  
The Procter & Gamble Company

Ruth Cotter  
Advanced Micro Devices

Mark Donohue  
Impax Laboratories, Inc.

Anne Guimard  
FINEO Investor Relations

Dennie Kimbrough  
Microsoft Corporation

Mary Beth Kissane  
Walek & Associates

Felise Kissell  
HSN, Inc.

Andrew Kramer  
Interactive Data Corporation

Jeffrey D. Morgan  
National Investor Relations Institute

David Myers  
Express Scripts, Inc.

Deborah Pawlowski  
Kei Advisors LLC

Michelle Levine Schwartz

Moriah Shilton  
Tessera Technologies, Inc.

Charles Triano  
Pfizer Inc.

# 30%

**Q:** According to the buy-side, how much impact does investor relations have on a company's valuation?



You Have Questions ...  
Rivel's Intelligence Council Has Answers  
[www.rivel.com](http://www.rivel.com)

Contact: Barbara Sullivan, [bsullivan@rivel.com](mailto:bsullivan@rivel.com), 203.635.4383





# THE ABCs OF ETFs

Getting a handle on this  
major market force.

By Margo Vanover Porter

# LIKE THEM OR NOT, EXCHANGE TRADED FUNDS CAN'T—AND SHOULDN'T—BE IGNORED.

Tim Quast, president, ModernIR, estimates the market's 1,200-plus ETFs account for \$1.9 trillion, putting them on par with the value of hedge funds. "They are a major force," he emphasizes.

Chris Hempstead, director of ETF execution, WallachBeth Capital, LLC, pegs total U.S. ETF assets at a few notches lower, "hovering somewhere around \$1.5 trillion," but he thinks that figure is about to shoot up.

"That's an important number," he says, "when you consider ETFs really got off the ground in 1993 and didn't pick up any kind of speed until 1999. It wasn't until 2006/2007 that people really started to use them. What took 14 years to grow to \$1.5 trillion will double in the next three to five years. That's an incredible change in the investment landscape.

"IROs should pay close attention because the activity and ownership of their securities will most likely continue to increasingly be absorbed in the form of an ETF," Hempstead advises. "ETFs are here to stay, at least for the foreseeable future."

## Just How Do They Work?

An ETF is an investment vehicle that combines the features of individually traded stocks and mutual funds in concept and construction, according to Quast. "A mutual fund has limitations about how you buy and sell units," he explains. "An Exchange Traded Fund is exactly what it's called. It trades on an exchange just like a stock. Most ETFs are tied to an underlying index."

But unlike a mutual fund, an ETF trades throughout the day. "You can buy or sell an ETF at any time during the day, unlike mutual funds, where you're trading at the close of business," Hempstead adds.

He likes to think of an ETF as a wrapper of a pool of assets. "It could be a portfolio of stocks, commodities futures, commodities held in trust like gold and silver, even an ETF of ETFs, but it's a wrapper of some portfolio. Oftentimes, but not all times, that portfolio is an index so you have a share of an index in the form of an ETF."

Tony Takazawa, vice president, investor relations, EMC Corp., attributes part of their popularity to their ease of trading. “ETFs are a quick, easy way to get exposure to about anything, whether it’s technology, gold, consumer goods, or however they bucket the stocks up to potential customers. It’s an easy way to invest.”

Investors looking for risk management also find ETFs attractive. “If you’re an institutional investor and you’re trying to protect yourself in markets that are subject to continuous change, ETFs are continuously renewing reflections of market sentiment and sector or asset class risk,” Quast says. “Who wants to be exposed to that risk?”

“Most institutions are going to take precautions. The most effective way to do that is to invest in a basket of ETFs that continuously rebalance,” he explains. “They are a very current reflection of what’s happening in the market, they’re highly liquid, and you can get in and out of them with ease, making them very popular with institutional investors. And because they offer broad exposure to the markets with great liquidity and low cost, they’ve become very popular with retail investors. They’re a great instrument in many regards.”

## What’s the Catch?

Despite their advantages, ETFs have their share of detractors, who voice a variety of concerns. Quast, for example, believes that “offsetting all the good stuff is an effort that, in effect, is something for nothing. All kinds of things can occur that create moral hazards in ETFs between institutional and retail investors and the parties that sponsor them and authorized participants.”

He gives this example: Suppose a sponsor, such as Deutsche Bank, decides to create an ETF to track an index and sets up an authorized participant, such as Fidelity,

to manage the creation and redemption of units, as required by Securities and Exchange Commission rules. Quast explains that the authorized participant is generally a large broker or clearinghouse with access to the components.

“They will have a lot of accounts that hold shares and they may be able borrow those shares to create units or to manufacture creation units and then put them back when supply or demand fluctuates.” He believes that’s an unfair advantage.

Quast is also troubled by the fact that “they are not subject to the chief mechanism that markets use to determine proper price – supply and demand.” To illustrate his point, he compares an ETF to a bellows: “An ETF is constantly expanding and contracting to accommodate inflows.

“The authorized participant, such as Fidelity in this example, pays a license fee and creates units to sell. If there is tremendous demand, it can continue to create units. If there are not enough underlying stocks available for units, cash or derivatives can be substitutes,” Quast explains. “What’s more, a large institution can fluidly move in or out by trading back units to the authorized participant for underlying components and returning them to discretionary accounts, thus avoiding the swings that smaller investors may experience.

“With a stock, if there is a lot of demand, the price goes up,” notes Quast. “If demand goes away, the price goes down. That’s not the case with an ETF, which will still track what it tracks. ETFs are a derivative. They don’t really reflect reality.”

Hempstead disputes that claim, insisting that supply and demand is efficiently kept in check by the liquidity of the underlying components. “When there is a lot of demand, what are the market makers and authorized participants

doing?” he asks. “We’re going out and buying the stocks that are in the ETF, driving the price of those stocks higher and, in effect, driving the price of the ETF higher as well.

“The supply and demand mechanism works the same as it does with stocks – or potato chips – as my old economics professor would say,” Hempstead explains. “If the cost of the ingredients in the wrapper goes higher, then the cost of the ETF itself will go higher.”

## Actions IROs Can Take

ETFs present a special challenge to investor relations professionals, Quast says, because they represent anonymous short-term investors who have the ability to drive significant volume.

“Investor relations folks are generally focused on identifying, courting, and enlisting long-term buy-and-hold investors who, by definition, are not coming and going all the time,” he adds. “Now you have 1,200 ETFs that rebalance every day. Therefore, they reflect a disproportionate amount of everyday volume, somewhere on the order of 30 percent of total market volume, but you can’t talk to them,” he says. “In the IR chair, the single most popular investment in the equity markets in terms of growth is an investment vehicle that rebalances every day and to which you cannot communicate in the IR chair.”

Of course, the obvious question becomes: Should IROs reach out to the managers of the underlying indices? Neither Hempstead nor Quast can see an upside because inclusion in a specific index is formula driven. Either your stock meets the criteria, or it doesn’t. Nothing you say will get you in – or keep you out of the index.

Takazawa agrees. “I don’t see value in that per se,” he says. “These index

guys, like a lot of the program trading, don't care who you are, what you do. It's all math. If you're a reasonable-sized company, you're probably included whether you like it or not."

However, while you may not want to put ETF and index managers on speed dial, you should be familiar with the ETFs that include your stock, Quast emphasizes. "There used to be a number of great sources that told you what ETFs held your stock," he says. "The best place right now is probably ETFchannel.com, which is a free site. You can register and put in your own ticker and it will tell you the ETFs that own some fraction of your volume. It's the best one that remains."

In addition, Hempstead recommends finding out how many of your company's shares are held in the form of ETFs. "In my opinion, if 10, 15, or 20 percent of the outstanding shares in your company are held in the form of an ETF, that's a very telling picture of who actually owns your company. It tells you that the kind of investor who owns your company is choosing Exchange Traded Funds to get exposure to sectors or to indices, and not specifically to your company."

He predicts that some IROs will be shocked to discover that the top holders of their company may no longer be individuals or institutions but ETFs.

To figure out who holds what may take some digging, Hempstead admits. "IROs now have to look beyond their 13F filings," he says. "They have to look one layer deeper. They have to figure out if an ETF is driving activity or if there's a big institution or someone out there trying to acquire shares. Theoretically, you could acquire a large position in a company by owning an ETF and not by owning its shares."

"As an investor relations officer, I would pay attention to how much of my stock is owned in an ETF and what's changing in

the ETF environment," advises Hempstead. "If my stock is a 10 percent weighting of a particular ETF, and that ETF is seeing billions of dollars of inflows in the last three months, that's important to know because someone just picked up a large position in my stock and I don't know who it is, if it's one individual or thousands of individuals."

He gives the example of an investment relations professional whose stock is trading higher or lower on any particular day without having any news or clearly definable reason. "You might be seeing a rotation out of a fund into cash or into another fund," Hempstead says. "Imagine if a large institutional owner of a biotech ETF was converting that position out of biotech and transferring the assets into another sector, let's say real estate."

"All of a sudden, these biotech companies would sell under pressure if someone needed to move a billion dollars of biotech in a single day. There's nothing directly related to each individual company other than the fact it is held in the ETF this manager uses. So the companies in the biotech

## ETFs PRESENT A SPECIAL CHALLENGE TO INVESTOR RELATIONS PROFESSIONALS BECAUSE THEY REPRESENT ANONYMOUS SHORT-TERM INVESTORS WHO HAVE THE ABILITY TO DRIVE SIGNIFICANT VOLUME.

sector may be wondering 'What's going on? Why is my stock getting killed today?' Well, it's because someone in the ETF world is moving out of biotech," notes Hempstead, "and you happened to be in the index."

To comprehend what is happening, Takazawa urges IROs to stay on top of the market's ever-changing structure and to understand what types of money might be flowing through your stock. "That helps you and your management team understand what's happening over time. You can see trends in your trading."

"If something is happening in your stock and management asks about it, you can't immediately think there's some sort of active investor getting in when it actually might be a rebalancing or somebody doing a big liquidation," he adds. "As an IRO, if you don't understand those differences, you will come to erroneous conclusions and end up pulling your hair out more often than you need to." **IRU**

---

**Margo Vanover Porter** is a freelance writer based in Locust Grove, Virginia; [m.v.porter@comcast.net](mailto:m.v.porter@comcast.net).



The hard truth about the mining and metals industry is that volatility reigns. That makes it an exciting challenge for IROs who can handle it.

By Alexandra Walsh



# ROCK SC VOLATIL



**S**trong but volatile. That's how Ernst & Young describes the outlook for the global mining and metals sector.

And what does it take to be an investor relations officer in an extractive industry?

A strong stomach and nerves of steel, according to some in this industry.

## **The Global Market**

Around the world, the metals and mining sector faces the challenges of skills shortages, effectively executing capital projects, and meeting government regulations.

It is also dealing with changing expectations in regards to its Social License to Operate (SLO), which involves securing the acceptance of local stakeholders to specific projects. The relevance of the SLO to extractive companies continues to gain ground in tandem with increases in the rights of indigenous populations.

The global mining and metals industry is focused on future growth through expanded production without losing sight of operational efficiency and cost optimization. Large corporations with balance-sheet strength are under increased shareholder pressure to restrict new capital expenditures and small concerns often lack the required financial strength to solely develop projects.

## **Domestic Extraction and Recession**

In the United States, the dominant metal and mining extractive industries are gold and coal.

Investors can buy gold (the physical metal), Exchange Traded Funds, or shares in gold mining companies. If the price of gold rises, the profits of the gold mining company could be expected to increase and presumably the share price will also rise. However, mines are commercial enterprises and there are many factors to take into account, including grade, cost control, and structural failure.

While gold production is unlikely to change in the near future, supply and demand due to private ownership is highly liquid and subject to rapid changes. This makes gold very different from other commodities.

Between 2008 and 2012, the value of gold increased dramatically. Gold prices can act as an indicator of the health of the economy. A rise in the price of gold may be a signal that the economy is struggling. For instance, the price of gold topped \$1,000 an ounce for the first time ever in March 2008

amid recession fears. As a result, in times of either a crisis or inflation, many investors turn to gold to protect their wealth.

By contrast, in times of economic stability, investors are more likely to turn to more speculative investments, such as stocks, bonds, and real estate. During these times, the price of gold often declines.

In 2012, price increases for gold slowed, rising less than they had in each of the previous four years. Some of the contributing factors were ongoing debt troubles, monetary easing by the U.S. Federal Reserve, lower interest rates, and a weaker U.S. dollar.

“We saw a dramatic change in the valuations of gold mining companies as costs have gone up by almost as much as the gold price leading to significantly less margin expansion and financial leverage than our investors were expecting. So the valuations have come down,” explains John Seaberg, vice president of investor relations for Newmont Mining Corp., the second largest gold producer in the world.

investors,” explains Seaberg “We are running a very different business during this transition and are very return-focused. But, at the end of the day, this should be good for gold mining companies.”

Coal mining companies have also experienced their share of troubles.

Cheap, abundant, and cleaner natural gas produced in new shale fields has replaced much of the coal that American power plants once burned. Coal’s share of electricity generation in the United States has fallen 10 percent in the last decade to under 40 percent. Annual production dropped 7 percent in 2012 to just over 1 billion tons, the lowest total in two decades, and the stock prices of many coal companies have been plummeting.

That has left exports as the only sure growth engine for the declining coal industry. Last year, American coal exports set a record of 125 million tons in sales, roughly double the volume in 2009. The big potential market for American coal remains Asia.

of metallurgical (or coking) coal used mainly in steelmaking.

“In a narrow sense, our industry -- thermal coal consumption (for power generation) -- is on a secular decline in the United States because of the trend towards less coal consumption and increased reliance on natural gas, and thermal coal is seeing a decrease in market share,” says Allen. “In contrast, the metallurgical coal side of the industry is a very cyclical environment and while things are rough now, that could change dramatically.”

## A Unique Sector

“One thing that is unique about investor relations in this industry is who our customers are,” says Karen Gross, the recently retired vice president and corporate secretary of Royal Gold.

This is particularly true for Royal Gold, whose principal activity is the acquisition and management of precious metal royalties and similar interests. These interests are acquired

outright from either a mineral resource company or a private party or acquired in exchange for providing capital to an operator or exploration company.

“We don’t have products or consumer goods that we sell, we only have our stock and shareholders,” explains Gross.

By and large, the industry hasn’t been impacted by social media nearly as much as most industries, says Gross. “Most of your shareholders and

analysts want to know about construction costs, environmental impact and occupational health and safety issues, globalization, sustainability, and capital, as this is a very capital intensive industry.”

Karli Anderson, who upon Gross’ retirement was selected as Royal Gold’s vice

# “COMPARED TO MANY OTHER INDUSTRIES, THE IR FUNCTION IS IMPACTED BY HOW VOLATILE THE INDUSTRY IS.”

– Todd Allen, CFA, vice president, investor relations, Alpha Natural Resources

“Top line production growth used to be rewarded by the market with higher trading multiples, but those have largely eroded. Today, the focus has shifted from higher production to delivering value by lowering our total cost structure and generating sufficient returns and free cash flow for our

“We are in a downturn, just past the trough, and companies are contracting a little and restructuring,” observes Todd Allen, CFA, vice president, investor relations, for Alpha Natural Resources, one of the largest coal mining companies in the world and the largest extractor

president, investor relations, says other IR professionals might be surprised at how many of their peers in the metals and mining sector are techies. “Lot of IR [practitioners] in this industry have technical backgrounds – geologists, professional engineers. I think it strengthens the brand of what we do.”

“Compared to many other industries, the IR function is impacted by how volatile the industry is,” observes Allen. “We have very high beta and we draw a unique group of investors because of the volatility, with lots of commodity-focused hedge funds. And compared to other industries, we’re very well covered by sell side – we’re followed by 29 active sell-side analysts.”

Allen also observes that another unique industry characteristic that impacts the IR function is the challenge presented by safety and environmental activism.

## Breaking Into the Field

What does it take to be an investor relations professional for one of the top companies in the metals and mining sector? Those interviewed for this story each had a different point of entry. One audited their future employer, one fell into the position after working for the company since its inception, another worked in an adjacent field, and yet another worked for the competition.

John Seaberg, who has been an investor relations professional for six years, came from a financial accounting background at Arthur Andersen and was introduced to Newmont during its auditing process. “This is a pretty natural progression and more common than you might think for a corporate client to hire its auditor. You know all about their business and financial health -- there’s a lot of synergies between that and IR.”

Seaberg believes you can be successful in IR in almost any sector as long as you

have core competencies such as financial acumen and strong communication skills, executive presence, good project management skills, ability to set strategic direction, and enthusiasm for that sector. “You can learn the business once you have the fundamentals of IR down.”

Gross was working for someone at another company and moved with her boss to Royal Gold, where that person eventually became chairman of the board. Gross herself grew into positions until eventually she was responsible for the corporate secretary and IR functions.

Allen was previously an investor relations professional in the electric utilities sector, which he considers an adjacent field because it uses a lot of coal. “I don’t find industry-specific experience terribly important in fact, but it’s important as viewed by management. They are still very interested in hiring people with an industry background.”

Anderson was working for an oil and gas company, which she considers an adjacent field, before she made the move to metals and mining. “I think coming from an adjacent field helps – both industries are extracting natural resources, there’s some similar technology, and the cultures are also similar. Frankly investors tend to think of these industries as alike.”

Before taking the position at Royal Gold, Anderson, who has an MBA in finance from Wharton, ran the IR departments at two other precious metals mining companies. She says an IR position at a royalties company is coveted and opportunities arise infrequently.

“I’m subjective but what’s great about a royalty company is that you’re in the finance business, which is terrific if you come from a finance and capital background and are market-oriented. You’re managing a portfolio like your investors


and it’s a nice way to come full circle in this environment.”

Anderson believes the first requirement to land a senior IR position in metals and mining is excellent financial analysis skills, and second, is an understanding of the industry, the terminology, and what drives value in the industry such as reserve upsides and the quality of different deposits.

“You also have to understand the entire industry landscape because the operators are constantly changing – the average mine changes hands 8-14 times from first exploration to production.” Anderson adds that having a strong network and knowing her peers allows her to have a handle on everything that is going on and that makes her valuable to the management team.

She is quick to point out that there is plenty of space for junior investor relations practitioners in the sector. “They don’t have to come in with an industry background, just a commitment to learning it. There are a lot of junior positions available because the companies make a substantial investment in the IR function as they have to tap the market so frequently, and they do a lot of outreach and marketing.”

Anderson adds that the IR role in the metals and mining sector can lead to other career possibilities as there is a good history of IR professionals moving to the C-suite.

“I think this is a great space in which to practice your trade, because IR plays such an essential role,” remarks Anderson. “And if you like being a citizen of the world, you also get to travel around the globe and meet people from local communities. It’s a fascinating business.” 

---

**Alexandra Walsh** is vice president of Association Vision, the company that produces IR Update; [awalsh@associationvision.com](mailto:awalsh@associationvision.com).

# CIRCUITOUS CAREERS

Not everyone takes a traditional path to investor relations.  
Some veteran IROs share their journeys.

By Alexandra Walsh



**A**re there 12-year olds in this world who would rather watch CNBC than Nickelodeon and other kid shows and daydream about someday hosting their own investor conference? Maybe.

The investor relations field is certainly full of professionals who came right out of college and found themselves a junior member of an investor relations team. There might even be some young grads who were hired to be the only IRO. And if that was you and you're reading this article, then that is clearly the career choice you've made.

But not everyone chooses the straight and narrow path. Some have chosen, or found themselves on, a more unusual track to investor relations.

Here are the reflections of four NIRI members who share the story of their long and winding road to IR and what they learned about this amazing profession along the way.

### **The School of Life**

While it might not be so unusual for the journey to investor relations to *not* be an arrow-straight highway, it is no doubt atypical for it to commence with a degree in music and art and experience as a competitive classical pianist.

Nonetheless, that was the resume of Judy Lord, now vice president of investor relations at ANN INC., in the mid-1980s. But her ace in the hole, so she thought, was the deal she had with her college sweetheart that she would work while he completed his masters and then he would do the same for her.

Not privy to this arrangement was their first child, born two days before Lord's husband received his graduate degree.

When their second child arrived two years later, Lord suspected her educational plans might be on hold.

Looking for avenues of income while a full-time stay-at-home mom, Lord started a communication business writing for clients like the Nigerian Embassy. She eventually branched into IT work and even corporate human resources. "Desperation is the mother of invention and I was on a very convoluted trail," admits Lord. "I had been home for six years with two small children and decided I had to go back to work full time."

She eased her way back as a temporary worker and eventually landed a job as the number four person on the IR team at International Paper (IP).


"It was the IR dream team," says Lord. "I was an administrative assistant for Brian Turcotte [currently vice president, investor relations, Office Depot] and Carol Tutundgy [now retired from IP] – a very savvy woman and one of the founding members of the IR profession who had come from Nabisco, which had one of the first IR departments. From the start, she encouraged me to go to NIRI meetings."

While at IP, Lord benefited from periods of upheaval and transition in the department. As people rotated in and out, she picked up more and more managerial duties. "There were no hard-and-fast rules about what I could and could not do. Under Brian and Carol's mentorship, I dabbled in everything an IR department does."

After having her third child, Lord made a decision to approach her career as if it were an advanced degree and use it to gain the experience and skills she needed to excel in her field. She left IP at the height of the dot-com frenzy to take an IR managerial position with a dot-com that at one point had a \$10 billion market cap.

Anticipating the inevitable crash, Lord left the dot-com world for Knight Capital Group, where she participated in a cross-functional corporate communication team comprised of public relations, marketing/communication, and IR. After a great diversity of experience at Knight, Lord realized she wanted to be a smaller fish in a bigger bowl and dig deeper into investor relations. Her strategic move was to Medco where she stayed for a couple years until she was confident she could run her own IR department.

Her next move took her to ANN INC., parent company of the Ann Taylor and LOFT brands, where she has been ever since. "I landed in an awesome place with tremendous potential and an awesome team. Despite this being my longest tenured



position, I still have things to learn from the CEO and CFO. It's the most fulfilling experience of my career," says Lord.

"I approached my career path strategically, selecting positions that would expose all my professional weaknesses so I could learn on the job and advance my career," explains Lord. "I was guiding all of this with the belief that a little bit of an inferiority complex means I have to work harder -- and what fun is it if you're not learning anything?"

"There's a saying, 'Woman plans, God laughs' and for women especially, we would love to have it all and the reality is, we can -- just not at the exact same time."

## A Broad Base

"I would never have said IR was a career path I was aspiring to -- most of my life I didn't even know there was such a thing as an IRO," says Dee Johnson, vice president, investor relations, for Rubicon Technology.

Maybe not, but her choices in college, majoring in English and editing her college newspaper, and her first jobs afterward as an editor for a small publishing company and the University of Pennsylvania

publications office, would hone those all important communication skills required in investor relations.

Eventually Johnson came to realize she really liked the production aspects of publishing and thought she might like the complexity and tangibility of manufacturing.

Leaving publishing behind, Johnson got a master's in business administration from Wharton and landed a job in finance at Cummins. Once there, a pivotal experience that prepared her for IR was working on the company's application for the Malcolm Baldrige National Quality Award.

"We had to examine what is quality in finance, and we felt our job was to help our internal clients, marketing and manufacturing, make better decisions," explains Johnson. "My goal was to package a lot of wonderful data for my internal customers to use and make it as accessible as possible. It was clear to me I really like helping people understand complex information."

Seventeen years after getting her master's and while still at Cummins, Johnson was recruited to work in investor relations. "I had a lot of company knowledge, I was

articulate, and I could talk easily about our markets. IR was the nexus of finance, communications, and business knowledge...for me this was a homecoming."

After another IR position with an industrial firm and then a technology company, Johnson landed at Rubicon. "My past experience before IR allows me to understand how companies work, where profitability and cash flow come from, and how to communicate that," says Johnson, adding jokingly that "Knowing how to write a great headline is always a great asset."

She thinks there are other advantages to trying other things before investor relations. "A senior position in IR requires a lot of maturity. To have credibility both internally with the C-suite and with investors and to have a seat at the table, a person needs to have broad business experience and knowledge to understand how industry works. IR people need to think strategically, because they'll be working with people who think that way."

For someone who is early in their IR career or just breaking in, Johnson advises: "Don't focus on job security, focus on career security. And that comes from having current skills, a strong network, and a good reputation with investors. Networking generously with other IROs and giving back to the profession through NIRI have always been good career investments for me."

## The Perfect Preparation

A psychology major with a minor in English might not seem like the best academic preparation for a career in investor relations. But, when you stop and think about it, honing verbal and written communication skills and understanding what makes people tick, might be the perfect preparation.

That was the choice Susan Hardy, corporate vice president, investor relations, at Charles River Laboratories International, made 13 years before she took her first IR position. Along the way she got a

**"I APPROACHED  
MY CAREER PATH  
STRATEGICALLY,  
SELECTING POSITIONS  
THAT WOULD EXPOSE  
ALL MY PROFESSIONAL  
WEAKNESSES SO  
I COULD LEARN ON  
THE JOB AND ADVANCE  
MY CAREER."**

— Judy Lord, vice president of investor relations, ANN INC.

*Continued on page 18*



# WHERE IR MEETS MOBILE

First mobile solution for providing live, streaming media



**BROADCAST  
YOUR  
EARNINGS  
CALL  
LIVE  
THROUGH  
theIRapp**

Live stream audio and video content including  
conference calls, webinars, live events and presentations

**iPHONE, iPAD & ANDROID DEVICES  
READY IN 2-3 WEEKS  
NO COMPANY IT INVOLVEMENT**

For more information, or for a demo  
of theIRapp please contact:

CUSTOMER CARE

[212] 896-1255  
CustomerCare@theIRapp.com

[www.theIRapp.com](http://www.theIRapp.com)



Careers, continued from page 16

master's degree in accounting and made that her career at Deloitte. Eventually she left for an assistant controller position at Houghton Mifflin Harcourt, an educational and trade publisher.

"Following a presentation I gave to senior management of the company, one of them commented, 'You can speak!' Six months later I was named to the newly created position of director of investor relations," recalls Hardy. She has been in IR ever since, rounding out 11 years at Houghton and then the last 11 years at Charles River.

"The advantage I had coming into IR at that point in my career is that I knew how to write and I knew how to synthesize, how to take facts and put them together in a coherent story that positioned the company as a compelling investment opportunity," says Hardy.

She adds that the skills she learned at Deloitte allowed her to look at a business's big picture and then take it apart and put it back together again, better than it was before.

"That's great training for IR where you have to know what makes a business valuable as a whole, what parts of the business produce positive results, and if they don't, does it matter. These are the things you need to understand in order to talk to investors about the business."

The other skill she learned from the first decade of her career was how to work with people. "I learned during those years how to work better with other people, how to temper my assertiveness, and pick my battles in order to come to collaborative conclusions."

So looking back, does Hardy think it paid off to follow a winding road to investor relations? "You can get pigeonholed in IR, and it is not always a good training ground for moving to other places in the company, so you better be sure it's what you want to do," she says, adding "To me, strategic IR requires an experienced business person who can work with the CEO, CFO, and

heads of business units. You need to hit the ground running with good analysis and listening skills, and the ability to synthesize that story. Can you get that by going directly into IR from school? I think that can be tough."

## Finding Career Heaven

Doug Wilburne was working in corporate finance at Bell Atlantic (now Verizon Communications) when the company's head of IR asked if Wilburne would join his staff. "I didn't want to go, it seemed like forced servitude. But three hours into my first day, I thought I'd died and gone to career heaven. I loved it immediately," Wilburne remembers.

Now the vice president of investor relations for Textron, and a former NIRI chairman, Wilburne believes he has found the best of all possible worlds in IR. "I'm an amateur musician and I was immediately attracted to the diversity and theatrics of IR – making presentations, analyst days, staging conference calls – it all came together in one job and met my needs."

Wilburne was trained as an electrical engineer and held engineering and operations positions the first 10 years of his career. After getting a master's in business administration, he moved into corporate finance and treasury roles, which is where he was when he got the call to join investor relations.

"Shortly after I started in IR, I went to a NIRI conference and there was a reception on the beach the first night. I remember looking around at the crowd and I could feel the energy exuding from these intelligent and vivacious people," recalls Wilburne. "This was something I had not experienced in a career spent with engineers and accountants, and it just confirmed I'd landed in the right place. The type of person who thrives in IR is a very complete person who brings the horsepower but also energy and personality."

Wilburne believes there is not a single natural track to IR. "The fact that so many diverse career paths lead to senior IR positions reflects the diverse job requirements of the job itself. To be effective in IR, you have to be fluent in corporate strategy and operations and effective in communications, speak the language of finance and accounting, and generally have good business acumen," Wilburne says.

Reflecting on his own previous career experience, Wilburne thinks the most transferable skill from his engineering days was problem solving. "Every day in IR you're dealing with various problems and quickly coming up with solutions. The biggest link between engineering and IR is the thought process – gathering information, developing alternatives, and selecting the optimal solution."

Wilburne says that in a fully actualized investor relations program, the IR function provides feedback to the organization to make better decisions regarding shareholder value. "My previous career immersed me in the operations of the business and that helps me today with the strategic decision process IR requires. You have to know a lot about a lot."

"My counsel for someone looking to get into IR is to view it as part of a career plan, one of several points to aim for, not a total career plan." Wilburne continues, "IR is a unique, relatively new corporate function that will be around for a long time. It's a very attractive part of a career plan but I wouldn't keep my focus that narrow – finance, communications, marketing, and sales – these would all be great adjuncts to a career in IR."

However, now that Wilburne is well ensconced in IR, he says, "There are so many opportunities to make this job fun. It's a nice balance and we're very lucky to be in this profession." **IRU**

---

**Alexandra Walsh** is vice president of Association Vision, the company that publishes IR Update; [awalsh@associationvision.com](mailto:awalsh@associationvision.com).

# Looking Through the Eyes of Analysts

Learn what Wall Street wants from IR and company management.

By Tammy K. Dang

In dealing with the sell side, taking the high road has always paid dividends and guided Aaron Hoffman, vice president of investor relations and corporate communications at Ingredion. When analysts downgrade his company stock, he said, “It’s now incumbent on the company to prove them wrong.”

Hoffman moderated a conversation on a May 2013 NIRI-sponsored webinar titled, “Analysts Part I: How the Sell Side Thinks,” with panelists Christina McGlone-Hahn, head of agricultural research on the global commodities team at Deutsche Bank Securities; Tim Ramey, senior vice president and senior research analyst at D.A. Davidson & Co., and Michael McCarthy, director of investor relations and government affairs at Ambient Corp.

## Catalysts Affect Ratings

“I like to do *sell* ratings because I think they create credibility,” Ramey said, as his clients will view him as more fair and balanced. Putting out a *sell* or *underperform* rating is just as uncomfortable for Ramey as it is for the company, so he appreciates management teams keeping the communication lines open, being respectful, and having the viewpoint of proving him wrong. If he does eventually upgrade to a *buy*, it will be a very powerful call.

At Deutsche Bank, the *buy*, *sell*, and *hold* ratings are based on a current 12-month view of total shareholder returns – the difference in the current stock price versus the target price as well as the projected dividend yield.

In McGlone-Hahn’s work, with no mandates to carry a certain number of *buy* or *sell* on stocks, ratings are rarely based purely on



valuation unless an outsized return exists. “I’d like to see a fundamental catalyst, something in the data that changes,” she said. This catalyst could be in the demand, supply, trade data, currency, margin structure, or competitive set.

Various models such as discounted cash flows (DCF), multiple analysis (P/E, EV/EBITDA, P/B), and regression analysis also factor into her decisions. The biggest driver of valuation is earnings progression. McGlone-Hahn believes this is sometimes a point of misunderstanding between the sell side and the buy side.

If you look at what is actually reflected in the current stock price, DCFs and regression analyses best capture the idea that a current stock price incorporates the current base of earnings. In other words, what’s going to drive that company is the incremental economic profit that could be generated with its existing asset base. This is what drives the future value of the company.

She sometimes sees companies milking their asset base, creating good near-term

returns, but a less robust future. “That’s why sometimes there might be disagreements when we talk with investor relations people about PEs and you see valuations being looked at simply on PEs,” she said.

“It would be the wrong metric if you’re talking about a ‘trough’ or a ‘peak’ PE and I think it’s really about the future earnings progression.” So knowing the catalysts for what drives a change in a rating is important as they will be different for each firm.

## Managing Expectations

McCarthy views the interaction of IR with sell-side analysts as an opportunity to educate. A good relationship is essentially two sides of the same coin.

“It’s important for investors to be able to convert gains and give returns to their investors,” he said. “Sometimes those ratings shift in a way that’s unfavorable to what management may think.” The analysts McCarthy and his company work with want to be in a position to bring those calls at the appropriate moments. >>

Initiating dialogue at a higher level accomplishes two goals. It helps the analyst look intelligent from an industry segment perspective as well as gets your critical messages and points across. “Get to know their key concerns and where the areas are that you can begin to enhance your position as that resource,” McCarthy said.

In order to craft a good story, analysts need IR to help them develop relationships with senior management. IR has the power to grant it – judiciously. “It’s impossible to really tell stories about a company if your only input is public conference calls and

When a storm hits, whether it be temporary price fluctuations or a deep recession, the buy side expects companies to address growing concerns in a direct manner.

According to Victor Hawley, principal and senior global research analyst at Aristotle Capital Management, a value-oriented shop with more than \$3.9 billion under management, the companies that did the best job communicating during the financial crisis that began in 2008 addressed concerns such as maturity schedules and lines of credit, as well as the management of expenditures, costs, funding, and cash flows.

Eschbach recommends developing a story with three key takeaways.

He develops tiers for meetings to maximize his executives’ time as well as to give depth-of-management exposure. He follows up at least quarterly and sometimes biannually with private dinners to show appreciation for the continued support, especially of his largest investors.

He believes analyst days need that ‘big wow’ factor. “Educating is both going out and coming in,” Eschbach said. “You want to do perception studies from time to time to get an understanding of whether your message is resonating.” At times, he asks the buy side directly whether the company’s message is getting across.

According to Hoffman, understand who you are dealing with and be careful about going off of reputation. “Not all of the buy side is created equal,” he said. Their styles include *value* versus *growth*, *quants* versus *fundamentals*, *long-only* versus *hedge*, *deep value* versus *intrinsic value*, and *momentum* versus *high frequency traders*.

Eschbach agrees. “Not all hedge funds are evil,” he said. His traditional targeting method includes figuring out who owns his competitors and courting them. He also alternatively looks at the yield-oriented investor since that is another factor of the utility business.

“Management teams need to be frugal with their time and focus on the business,” Hawley said. “If they do very well executing the business in terms of growing it, driving profitability, driving sustainable advantages, the buy side will eventually take notice,” he pointed out. And this is an important point public companies should keep in mind when courting the buy side.

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

---

**Tammy K. Dang** is manager, professional development, NIRI; [tdang@niri.org](mailto:tdang@niri.org).

## “Management teams need to be frugal with their time and focus on the business.”

– Victor Hawley, principal and senior global research analyst,  
Aristotle Capital Management

webcasts,” Ramey said. “You really need some one-on-one time.”

According to McCarthy, invest in the relationship. Tailor and integrate messaging into the way an analyst works the sales desk and investment banking team. Understand how the sell-side analyst is compensated and his or her marketing stance. Be reminded where the role of IR is in terms of value creation. Do what you can to make sure you’re managing those expectations.

### Weathering a Storm

A *buy* rating from Ramey is a story he has to defend every day. “I view a *buy* rating as a continuous affirmation of the fact that I would pick up the phone and write buy tickets at any price as long as I have that rating,” he said. Unlike a portfolio manager who may put up with stock price fluctuations for a few months, Ramey doesn’t feel he has the right to tell people to weather that storm.

Hawley, along with moderator Hoffman and Steven Eschbach, vice president of investor relations at Integrys Energy Group, shared their views on another May 2013 NIRI-sponsored webinar titled, “Analysts Part II: The Buy-Side View on Global Equity Markets.”

According to Hawley, some companies told him not to worry as they had a product that consumers loved. “That might be true, but there is a concern about who will own the business,” he said. “If the company defaults, will the debt owners own the business or equity owners own the business?” Some of those companies he spoke with went bankrupt and many emerged with a different ownership structure.

### Courting the Buy Side

Continuing the dialogue during the good and bad times is extremely important. Depending on the complexity of a business,

# NIRI Fellows 2014 Nominations Open Through December 31, 2013



**NIRI IS ACCEPTING** nominations for NIRI Fellows through December 31, 2013.

The NIRI Fellows Recognition Program is an honorary recognition program distinguishing those living NIRI members who epitomize the leadership, integrity, involvement, and contributions of investor relations professionals.

These individuals have made significant contributions to the betterment of the profession and NIRI throughout their careers.

Visit [www.niri.org/fellows](http://www.niri.org/fellows) for more information or to nominate a member for the 2014 class of NIRI Fellows. Members may also self-nominate.

## **eGROUPS** New NIRI eGroups Offers Flexible Notification Options

**NIRI'S NEW EGROUUPS** platform provides much greater flexibility in setting your e-mail notification preferences for discussion forums. There are now seven subscription types as well as a vacation setting. The options range from receiving limited summary information to a digest with full text and attachments.

You can learn about each and choose the option that best suits your needs by logging into eGroups and choosing "My Subscriptions" under "My Options" at the top of any page.

You can also unsubscribe if you no longer wish to receive any e-mail notifications by clicking "Unsubscribe from this mailing list" at the bottom of an eGroups e-mail.

For more information about the new eGroups, a link to an online and printable "Help" guide is available at the top of each page. You may also send an e-mail to: [eGroupSupport@niri.org](mailto:eGroupSupport@niri.org).

## Professional Development Calendar

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

### October 2013

**2** Senior Roundtable and Chapter Event, Los Angeles, CA

**3** Senior Roundtable and Chapter Event, Chicago, IL

**8** Planning the Annual Meeting webinar

### November 2013

**13-14** Finance Essentials for IR seminar, 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

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

**12** What's Coming in 2014? webinar

### January 2014

**6-9** Fundamentals of IR seminar, Santa Monica, CA

## Quick Takes

Where is your favorite place to do serious thinking?



**Elise Caffrey**

Vice President, Investor Relations  
iRobot Corporation

► "On my 5:30 a.m. walk."



**Jennifer Driscoll**

Vice President – Investor Relations  
Campbell Soup Company

► "Our cabin on a lake is the best place. There's nothing better than the great outdoors to remind you that your problems are small in the big scheme of things, and then answers get clearer, too."



**Joan Bates**

Senior Director, Investor & Media Relations  
DeVry

► "The shower."



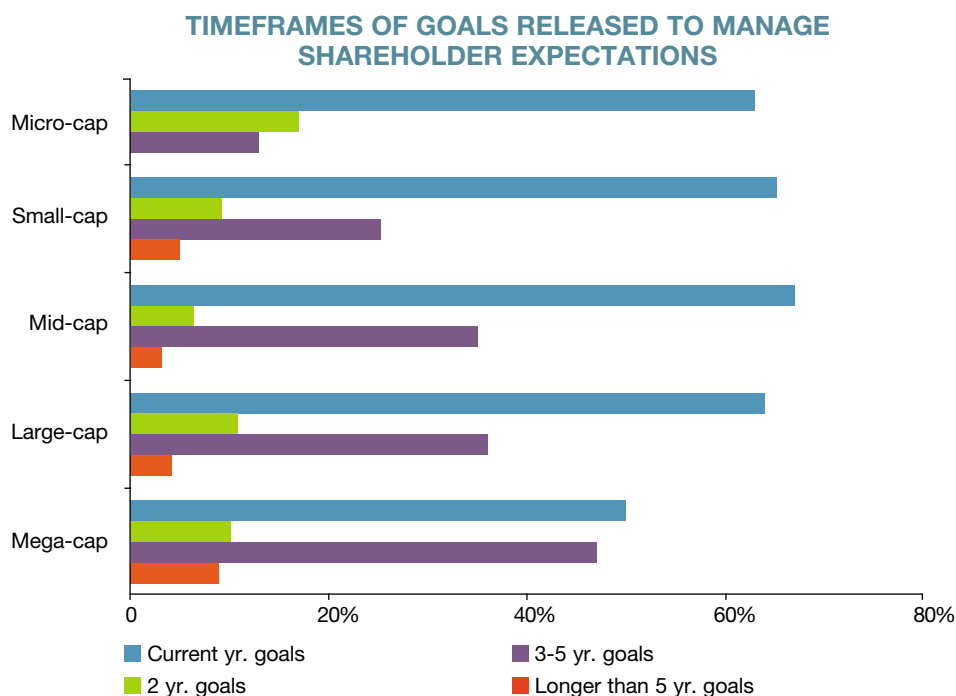
**Patty Paul**

Principal  
ButtonWood Associates

► "Walking in the forest preserve."

"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).

## IR Research at a Glance



**Source:** Managing Shareholder Expectations Survey-2013. Participants were allowed to choose more than one response. Compiled by NIRI, April, 2013. N=194.

## On the Move



**Matthew Sherman** has been named president of Joele Frank, Wilkinson

Brimmer Katcher, a financial public relations and investor relations firm. He was previously a partner at the company. In this new position, Sherman will help lead marketing efforts, participate in day-to-day management, and help set the strategic direction of the firm.

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

**NIRI**  
**ANNUAL CONFERENCE**  
 JUNE 8-11 • LAS VEGAS, NV  
**2014**

# SAVE THE DATE

## NIRI ANNUAL CONFERENCE

**June 8 – 11, 2014**

**Bellagio Hotel, Las Vegas, Nevada, USA**

[www.niri.org/conference](http://www.niri.org/conference)



Eden Roc, Miami Beach, FL

Address your unique challenges and distinct professional needs...

- ▶ **LEARN**—with quarterly peer-driven webcasts
- ▶ **CONNECT**—with the member-only online community
- ▶ **EXPERIENCE**—the prestigious Senior Roundtable Annual Meeting
  - December 4-6, 2013, Eden Roc, Miami Beach, FL
- ▶ **ATTEND**—special SRT-member in-person events
  - SRT gathering at the NIRI Annual Conference
  - Networking meetings in U.S. financial centers
- ▶ **SAVE**—with reduced rates on NIRI education programs, including Annual Conference

---

For membership criteria, a sample meeting agenda, and to apply go to [www.niri.org/srt](http://www.niri.org/srt)

# THE POWER OF INSTANTLY COMBINING NEWS + MARKET DATA

News Quantified's innovative technology captures stock market data and news feeds in real time. It then analyzes, categorizes and blends them all together for you, delivering results immediately to your desktop, tablet, or smartphone. You will always have a record of how the market reacted to news about your company, peers and the industry.



**SAVE**

time and money with all the news and market data synchronized for you.

**NEVER**

miss the news and the market's reaction for your peer companies and your industry.

**PREDICT**

how corporate announcements impact your stock by benchmarking against historic events.

**DELIVER**

the data needed by the board and executives with minimal effort supreme accuracy.



**News Quantified**

**FREE TRIAL • NEWSQUANTIFIED.COM • 855-400-NEWS**