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TALKING

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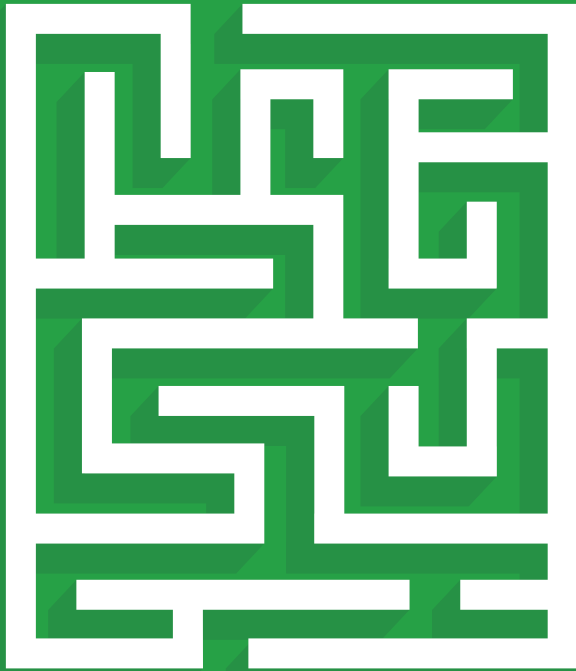
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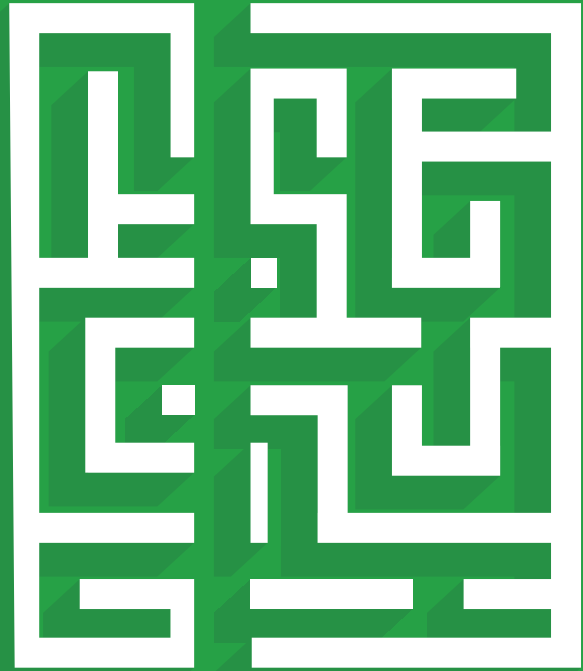
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About NIRI

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

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It is my favorite time of year! There are fresh scents in the air! There is an anticipation for all that has begun to blossom. And, yes, we are even getting excited as the warmer weather will soon be here. I could be thinking of spring, but I am really thinking about NIRI's Annual Conference!

This year, the NIRI Annual Conference will be in Las Vegas from June 8-11, 2014. Our theme is **Extreme IR: Fast, Furious, and Highly Connected!** Just as Las Vegas stretches your imagination and reality, the Annual Conference Committee (your IR peers) plan to do the same by *pushing the profession and your career to the limit*. So what does that mean?

It means this year's conference will be like no other. We are planning on pushing boundaries and pushing you by challenging conventional wisdom. To do this, we are taking advantage of Vegas and have chosen a hotel that is also extreme – the magnificent Bellagio. While many properties have hosted the NIRI Annual Conference, the Bellagio is a Five Diamond hotel, a rating awarded to less than .25 percent of all lodgings evaluated by AAA.

The program has been modified to keep NIRI constants like vibrant general sessions, global IR programming, plenty of networking opportunities, and great social events, but tipped on its side to take advantage of Las Vegas entertainment. The Annual Conference Committee has put together great general and breakout sessions – including topic and industry breakouts – to push the boundaries of IR practice. The committee's goal is for you to:

- **Extend** your knowledge of current topics and leading IR practices.
- **Exchange** and share experiences with peers and industry experts.
- **Excite** your career through collaborative learning, leading-edge content, and unparalleled networking opportunities.

Finally, the *Experience Showcase* is the center of the conference where IR teams can “outfit” themselves for the extreme elements in today's business environment. Meet best-in-class vendors that partner and extend the capabilities of your IR program.

This issue of *IR Update* includes a preview of the Annual Conference, so please read that to see what it includes. Also check out the NIRI website (www.niri.org/conference) for full details and rush to make your plans to attend now.



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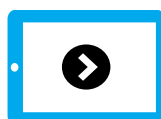
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TALKING TELEC

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A dynamic environment requires
IROs to constantly sharpen the
corporate message.

By Margo Vanover Porter

Thomas Edison must be turning over in his grave.

“Telecom continues to reinvent itself,” observes Valerie Finberg, vice president, communications and investor relations, Level 3 Communications. “We have moved into an era where bandwidth is like electricity. The Internet cannot be down. Anyone with teenagers knows that if the lights are out, they can get through it, but if the Internet is not available, it’s a crisis.”

Finberg, who has been involved in the telecommunications sector since the 1980s, has noticed in the last five years a huge increase in the bandwidth needs of all enterprises. She cites car manufacturers as an example. “If you go to a car company’s website, you can see the bandwidth-rich applications that entice you to buy their cars,” she says. “You can pick your car, look at all the different features, and build it online. It takes a lot of bandwidth to do that.”

Kevin Tarrant, executive director, investor relations, Verizon Communications, agrees. “Telecommunications has become very important to both consumers and businesses,” he says. “It’s an important piece of the total economy because so many sectors touch it or are affected by it.”

The reason for that, he explains, is that telecommunications encompasses multiple arenas that continue to multiply and evolve, including wireless, consumer, wire line, broadband, and global enterprise. “The rate of technological change makes for a very dynamic environment.”

Brad Hampton, vice president, investor relations, Sprint Corp., points out that the sector is so fast-paced that innovations can be measured in months, rather than years. “If you look at where the wireless industry was six months ago compared to now, the competitive landscape is very different,” he says, adding that recent competitive moves have caused an avalanche within the industry.

“We’ve seen a complete transformation in pricing strategies across T-Mobile, AT&T, Verizon, and now Sprint in a very compressed time period,” Hampton points out. “We’re seeing a monumental shift right now in how wireless carriers sell and how customers buy. Traditionally, when a customer signs a contract, the phone purchase is subsidized by the wireless carrier.

“Now, carriers are offering an option where the customer can pay for the phone and finance it over a 24-month period,” he continues. “The result: The carrier typically will offer a cheaper price on the monthly service. We’re seeing an evolution where handset pricing and wireless service pricing are being differentiated, giving customers more flexibility in how they buy handsets and how often they upgrade to get the latest and greatest device.”

Hampton, an 18-year Sprint veteran, has had his hands full during the two years he’s been in charge of IR. “Because we went through two significant transactions, the last year has been much more influenced by what’s going on structurally in the industry than by the day-to-day fundamentals of the company,” he explains. “Typically, investors evaluate a company’s performance metrics, its forecasts, and its operational management. The focus over the last year has been more heavily weighted toward structural issues – meaning the transactions – than how Sprint is performing in the marketplace.”

The hubbub over which deal would go through “made for a very dynamic environment and an interesting challenge for IR,” he says. It also directly influenced his message to investors and how he told the Sprint story.

Developing Just the Right Message

The swirl of activities in the telecom sector provides IROs with a rich environment for fine-tuning their company’s message.

“Our message development is done in conjunction with the senior management team,” Hampton says. “We work with the CEO and CFO to make sure our external messaging is aligned and reflects the operating strategy of the company and the

we’ve made, and where we’re going.”

The Sprint IR department includes five professionals who work closely with a four-person competitive analysis team to examine the company’s performance and benchmark it against competitors, notes Hampton.

According to Tarrant, an important part of any IRO’s job is message development. “We have about 10 professionals in IR, two of whom specialize in individual shareowners,” he says. “I don’t suspect it’s unusual, but what we do here is meet with leaders or subject matter experts from within the business to talk about what is going on – so we can begin to think about the best way to communicate this information to the investment community. These internal sessions are the first steps, or foundation, of our message development.”

“The biggest mistake is to have investor expectations be different than the actual results or be inconsistent with what you have previously communicated.”


– Kevin Tarrant, executive director, investor relations,
Verizon Communications

things that are important internally. We try to convey accurately to the external community what our strategy is all about.”

Right now, he explains, the company’s strategy is completion of a network overhaul. “We’ve had a comprehensive upgrade of our network under way, which we call Network Vision, for a couple of years. Just recently, we announced the next evolution of our network, called Sprint Spark, a super fast LTE (long-term evolution) service offering. Over the last few months, our focus has been ensuring investors and the Street understand the Network Vision program, the progress

For example, if a new wireless plan or pricing framework is coming out, the IR team would delve into the business case and develop an understanding of the financial projections. Then, after thinking it through, team members would ultimately sit down with the CFO and say, “Here’s what we propose. Do you agree?”

“Knowing what’s important to your audience helps shape what you say and don’t say,” Tarrant insists. “You have to know what information investors are going to find useful and to properly manage their expectations. You have to be consistent with the



public information you've provided about a given subject. You also don't want to surprise people. The biggest mistake is to have investor expectations be different than the actual results or be inconsistent with what you have previously communicated."

If you have negative news, he says, be sure to explain to investors why and exactly what the company plans to do about it. "Otherwise, they're going to connect dots that don't need to be connected, and there may be unintended consequences," he says.

Tarrant describes the two weeks leading up to each quarter as a key time for message development. That's when the team members determine how to highlight and characterize the key results and determine the appropriate level of commentary around them. For the next six to eight weeks after quarterly earnings have been released, certain members of the IR team typically go out on the road and meet with institutional investors, sometimes in conjunction with conferences scheduled in the same cities.

Finberg finds herself spending a lot of time educating investors about Level 3 Communications, which is a wire line communications provider with networks around the world. "Our sweet spot is multinational corporations that want to connect their locations across the globe," she explains. "We're not in the wireless business. We don't sell a product you can see, nor do we sell to consumers, so it's difficult for investors to really understand what we do unless they have a technical background. We spend a lot of time educating investors about our deep product portfolio."

Mark Stoutenberg, director of investor relations, Level 3 Communications, adds that ideas for message development are generated through daily conversations with executive staff, as well as talking to investors to find out their needs. "In addition to explaining our story, we ask institutional

investors, 'For you to be comfortable with us, what metrics are you looking for?'"

He then passes that information to the executive team to see how the company's goals can mesh with institutional investor desires.

Both IROs communicate with investors via phone on a daily basis. Until 2007, Level 3 sponsored an annual investor/analyst day. That strategy changed in 2008 when the company initiated a program to target potential institutional investors by meeting directly with them. "Using the tools we have available to us, including third-party databases, we look to see who has invested in our peers with the presumption that certain firms have an interest in telecom," Finberg explains. "We hope to convince those funds that Level 3 is the right investment within the telecom space."

What You Need to Succeed

Tarrant, who has been with Verizon or its predecessor companies for 28 years, has spent almost two decades in investor relations.

"In terms of a typical finance career path, I'm a bit of an anomaly in that I've stayed in place this long. In many IR organizations, including here, employees may rotate through after a few years and build on their experiences in other positions of responsibility within the company. However, on the flip side, there is certainly value in continuity and in developing effective working relationships with people in the investment community. Exchanging information is a two-way street, so I find that I can add value internally by understanding how certain analysts or key investors think or are likely to react to certain messaging or information."

After all his years in the business, Tarrant is quick to claim that he still learns new things every day. "Unlike other jobs, there's

no way you can know everything," he says. "Maybe that's a unique aspect of investor relations. There's no ceiling on your level of knowledge. How we talk about technology and our growth opportunities are dynamic topics. There is so much change going on in the industry, it forces you to always sharpen your message."

According to Tarrant, to succeed in investor relations, you need good communication skills and a thorough understanding of the business. He also suggests getting to know competitors by visiting their websites, reading their press releases, studying their earnings report, and reading Wall Street analyst reports.

"You need to understand what is going on in the industry, what the competitive landscape is like, and what the valuations of your relative peers are. That way, you can say, 'Well, here's what I should be telling investors about us,'" he says. "I try to make my points with investors by influencing how they think about Verizon, not by poking the competitor company in the eye. At the end of the day, being an effective IRO is about being an effective communicator."

Hampton seconds that notion, insisting that to be effective, IROs must acquire an in-depth knowledge of the telecom business. "This is a specialized field. It's not always as simple as high-level financial numbers. You have to know what really is happening a few layers deeper into the company. You have to understand the moving pieces to accurately explain to investors why the numbers are what they are and what they will be in the future."

Unfortunately, for newcomers to the field, the learning curve can be steep, advises Stoutenberg, and "there's no easy playbook for the telecom world." **IRU**

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THE

MEASUREMENT

MOVEMENT

The public relations industry has set standards for measurement and evaluation, which could have a ripple effect on investor relations.

By Apryl Motley

Ready, set, measure. This was the rallying cry essentially re-issued last year when four major corporations adopted the first round of public relations measurement and research standards put forth by the Coalition for Public Relations Research Standards.

Established in 2012 and serving as the umbrella for six PR organizations, the coalition initiated the process of developing standards by which PR research would be governed.

“Every provider of research services has different terms and ways of measuring,” says Frank E. Ovaitt, president and CEO of the Institute for Public Relations (www.instituteforpr.org). “Without some level of commonality, you can’t compare studies and programs. The standards will provide this opportunity.”

The first two stages of the process for creating the standards required the group to identify areas where standards

were needed and to then propose interim standards. The third stage required naming a customer panel to review and approve the first round of standards, which cover traditional media measurement, digital/social media measurement, communication lifecycle, and return on investment. That has led to the fourth stage, which is publishing the standards for widespread use.

The panel consists of the four corporations that are major buyers of PR services: General Electric, General Motors, McDonald’s USA, and Southwest Airlines. All four companies agreed to move forward with implementing the standards, and countless others are expected to follow suit.

“These corporations have adopted these standards and will apply them to their purchasing processes,” Ovaitt says. “It’s not a standard until the customer says it is. When a customer panel adopts them, this is a major milestone.”

McDonald’s USA Director of PR Molly McKenna referred to the endorsement as a “significant, strategic step forward



for the public relations industry as we strive to establish more meaningful and consistent data and metrics.”

Some of the key issues driving this movement for more consistent measurement in PR are well worth IROs’ consideration as they examine how their own companies approach measurement and evaluation.

A Common Language

Proponents of measurement in PR definitely say adoption of the standards is the next logical and essential step in a movement that began three years ago with the development of the Barcelona principles (see sidebar, “Barcelona Building Blocks”), the first-ever set of principles for PR measurement. The same groups in the current coalition developed and supported the principles.

The primary author of the Barcelona Principles, David B. Rockland, says, “they established the foundation for measurement. These are the basic truths about how you go about measurement. Now with the standards, the principles are coming to life.”

Rockland, partner and managing director of Global Research Network, and CEO of Ketchum Pleon Change, says the company supports the standards and has asked clients and other agencies to do so as well. Rockland believes a lot of companies will say “yes” to the standards because they provide an opportunity for being consistent and having a common language for communicating about measurement.

Further, in his role as the current chairman of the International Association for Measurement and Evaluation of Communication, Rockland says, “We will be sharing and encouraging the use of the standards. We will continue to push and promote them.”

As this happens, the way organizations view measurement and evaluation will continue to change. “Serious

research providers are trying to get away from language like hits, impressions, and clippings,” observes Matt Ragas, an assistant professor in the College of Communication at DePaul University. “There’s a move towards measures that deal with intent, attitude, and even behavior, and how specific efforts advance business goals and objectives.

“The challenge is figuring out what metrics actually matter to your company and tying those back to its goals and objectives,” Ragas continues.

“To be successful in our roles, we need information to act, which means being engaged with your data,” says David Geddes, managing director of Geddes Analytics LLC and former chair of the Institute for Public Relations Commission on Measurement and Evaluation.

“Having standards is going to make life easier,” he continues. “They will save people a lot of time, and they can allocate those time savings to delivering better insights.”

“Increasingly people are able to make decisions based on data rather than gut feeling,” offers Katie Delahaye Paine, CEO of Paine Publishing and an international thought leader in communication measurement. “There is a cohort of generally younger PR people and communications professionals who are delighted to have data with which they can make their arguments.”

She offers this example to illustrate her point: “In 2008, the IR team at Intel needed to rethink how it measured its efforts since traditional metrics like share price were increasingly irrelevant in the highly volatile market of 2008 and 2009.”

The company had specific messages that it was trying to communicate to institutional investors. Paine’s team analyzed all relevant analysts’ reports to identify the presence of those messages and then correlate them to buy/hold/sell recommendations. This analysis provided hard data on

what messages were helping the company and which were irrelevant.

“Given the increased interest in more comprehensive measurement, all the major PR and communications programs at North American colleges and universities now require research classes,” Geddes notes. “In 10-15 years, we’ll have a new generation of PR professionals taking over in leadership roles who have training in research, measurement, and evaluation.”

Power Professionals

Geddes and Paine are not alone in making a clear link between measurement in PR and the growth of the profession as a whole.

“Adoption of the standards is a helpful evolution for PR,” Rockland says. “This field has come a long way in 15 years, and these are the right steps for an industry that is being professionalized.”

Ovaitt acknowledges that not everyone in the PR profession is using research measurement. “Certainly as the practitioner, you are in a better position to ask questions during pitches if you understand measurement and evaluation,” he says. “And it can be a learning experience for individual practitioners, an opportunity to build credibility by having proper research behind them.”

From Ragas’ perspective, if PR professionals desire more respect within their organizations, “they have to contribute at a strategic level and not just be thought of as technicians.” By demonstrating value in business terms to non-communication professionals, he says, “they can get the attention of the C-suite and have a seat at the table.”

“The measurement movement is about helping to link results to objectives in a manner that is very clear,” says Mark Weiner, CEO of PRIME Research Americas. “It provides practitioners with opportunities for continual improvement; to refine the program over time for better results.

“The reason for [adopting] standards is more than just proving value,” he continues. “More and more people are moving towards evaluation and performance improvement. The desire to measure and improve performance is a reflection of professionalism.”

Despite its potential benefits to the profession, not everyone in the PR industry is excited about the move towards standardization of measurement and evaluation. “[Many] think of measurement as a report card, and no one looks forward to that,” Ovaitt says.

“Instead think of it as a GPS,” he suggests. “It has the destination and tells you how to get there by updating information to make sure you’re taking the best route. It’s your opportunity to say, ‘we now know what to do better.’”

“You should want to know what works best,” Geddes notes. “You continue to do what works, and you don’t repeat what doesn’t.”

Demonstrating Value

Geddes’ seemingly simple advice is prudent given that the internal competition for resources to support PR and other communication work appears to be continuous.

Weiner offers the example of a client who, through measurement, determined that a special event was expensive and not particularly productive. “He eliminated the event,” Weiner explains, “and at the end of the year, was awarded a 700 percent budget increase. The next year he took a 50 percent cut without having to cut programs or lose personnel.”

“The reality is that we are fighting for dollars,” Paine offers. “You have to show meaningful value.”

She adds that “a lot of the drive towards measurement in PR and mar-

keting is the result of social media coming along and taking away a lot of resources and attention, including budget.”

“If we want bigger budgets and more resources, we have to speak the language of business,” Ragas observes. “We have to demonstrate how our efforts contribute to a company’s mission and strategic goals and objectives.”

“Measurement helps people who are funding and practicing PR to link performance to meaningful, reasonable, and measurable objectives,” Weiner says. “Each of us has a responsibility to deliver ROI for our companies, and we’re helping our clients navigate this and uncover the value systems within their own organizations by conducting executive audits.”

Interest in IR?

In general, the measurement movement in PR begs the question of how much IROs feel they should involve themselves in this ongoing dialogue. “In IR, by measuring, you enable companies to identify which outreach activities do the best job for them,” Geddes observes.

For her part, Paine recommends that IROs “sit down with their boss and their boss’s boss and get very clear on objectives and expectations for their area’s results.” From there, they can develop strategic measurement plans that correlate with those expectations: “It all depends on your goal. You need to know your target audience and what you want to achieve within that group.”

Certainly, none of this is completely new to IROs. “I have the utmost respect for IR professionals. I can think of few positions that are more complicated,” Ragas says. “The majority of IR professionals come from finance, treasury, and other business areas, so they understand numbers.”

BARCELONA BUILDING BLOCKS

The Barcelona Declaration of Measurement Principles was presented in June 2010 at the Second European Summit on Measurement. These seven principles have served as the building blocks for measurement in PR.

The architects of the principles believe that these basic tenets of measurement are applicable to almost any communication field and encourage IROs to identify specific ways in which they may be useful in their work.

- Goal setting and measurement are fundamental aspects of any PR program.
- Measuring the effect on outcomes is preferred to measuring outputs.
- The effect on business results can and should be measured where possible.
- Media measurement requires quantity and quality.
- Advertising value equivalents (AVEs) are not the value of public relations.
- Social media can and should be measured.
- Transparency and replicability are paramount to sound measurement.

RESOURCES

- **Barcelona Declaration of Measurement Principles**
http://amecorg.com/wp-content/uploads/2012/06/Barcelona_Principles.pdf
- **The Principles of Measurement**
http://www.ketchum.com/sites/default/files/principles_of_pr_measurement_0.pdf
- **The Barcelona Principles Checklist**
<http://kdpaine.blogs.com/themeasurementstandard/2010/06/the-barcelona-principles-checklist.html>

Yet, he says “one challenge is that while they use both methods of measurement, IROs see more value in qualitative measures than quantitative ones. For example, they are more likely to look for informal feedback from shareholders and investors than from outside groups.”

Ragas made this observation while analyzing the results from a recent survey that he helped NIRI develop to identify trends in how IROs approach measurement and evaluation of their goals (see sidebar, “How IR Programs Measure Up”).

Further, he recognizes that “IR sees itself as different from PR and strategic

communications; the profession has its own body of knowledge and skill sets that many PR people don’t have.”

However, he also emphasized that in some companies, these departments do a better job of working together than in others: “Strategic communications and PR professionals are getting on the measure-

ment bus, and it’s important that IROs give this proper care and feeding as well.”

Along these lines, Ragas hopes that IROs will consider allocating a larger portion of their budgets to measurement and evaluation. NIRI’s survey indicated that, on average, IROs allocate only 1 to 5 percent of their total operating budgets to this area.

In contrast, a recent study from the University of Southern California, Annenberg, reported an increase from 4 to 9 percent in the total amount of budget that corporations were allocating to the measurement of their PR and communication programs.

“Others are focusing in on this; so should you,” Ragas says. “Have more conversations internally about measurement; figure out what others are doing within your company. Ask, ‘Is there a way for us to work together?’ Perhaps, there is mutually beneficial overlap in how you are approaching this task.”

“Setting objectives applies to everything,” Weiner asserts. “If your CEO doesn’t know anything about IR, all you have to say is, ‘This is what we wanted to do, and we did it.’ If everybody else can measure in those ways, so can IR.”

The Institute for Public Relations’ Oviatt says, despite their differences, there are close relationships between IR and PR. “I encourage IR professionals to become familiar with the [PR] standards and adopt what they can. Then, communicate with us about what could be more useful to them. Whatever is missing is something for us to consider for the future.” **IRU**

“Have more conversations internally about measurement; figure out what others are doing within your company.”

– Matt Ragas, assistant professor, College of Communication, DePaul University

HOW IR PROGRAMS MEASURE UP

In September/October 2011, NIRI corporate members participated in an electronic survey, “Measuring IR Programs.” Seventy-three percent of respondents indicated that they set specific goals and objectives to measure their IR programs.

Of respondents that set IR goals and objectives:

- 80 percent use both numerical and non-numerical measures.
- 79 percent set their IR program goals and objectives once every 12 months.
- Respondents strongly rebuked using the change in company share price as a valid measure of IR program success with 87 percent indicating that share price should not be used.

Other key findings include:

Five criteria most used to measure IR programs

- Relationship with the financial community (73 percent).
- Feedback from the financial community (71 percent).
- Individual meetings with top shareholders (70 percent).

- Qualitative assessment by the C-suite (67 percent).
- Composition of the shareholder base (59 percent).

Five criteria least used to measure IR programs

- External recognition/awards (18 percent).
- Stock liquidity/trading volume (16 percent).
- Financial news media coverage (14 percent).
- Change in company stock price (13 percent).
- Social media channels (2 percent).

The survey was open from September 28 to October 13, 2011. Three hundred eighty-four members participated, yielding an approximate response rate of 15 percent. Matthew Ragas, assistant professor, College of Communication, DePaul University, assisted in the development and analysis of the survey.

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EXTREME IR: FAST, FURIOUS, AND HIGHLY CONNECTED

The 2014 NIRI Annual Conference theme is Extreme IR, pushing the profession and your career to the limit.

By Al Rickard



Extreme sport activities involve speed, the ability to reach new heights, a high level of physical exertion, and the use of highly specialized gear. Extreme IR is really no different. Investor relations is fast-paced, operates at the highest-level of the organization, is mentally and physically demanding, and requires the use of state-of-the-art tools and resources.

The 2014 NIRI Annual Conference, to be held June 8-11, 2014 at the Bellagio Hotel in Las Vegas, Nevada, will be the largest event ever for the global IR community. The Annual Conference Committee has put together a comprehensive program where attendees will:

- **Extend** knowledge of current topics and leading IR practices.
- **Exchange** experiences with peers and industry experts.
- **Excite** their careers through collaborative learning, leading-edge content, and unparalleled networking opportunities.

“Let’s face it – no corporate executives do more with less and handle a wider range of responsibilities than IR professionals,” says Laura Graves, vice president, investor relations for Polycom. “In keeping with our

‘extreme’ theme, the goal of the conference is to push the outer limits of the thinking of our profession.”

Mark Donohue, vice president, investor relations and corporate communications, IMPAX Laboratories, adds, “This conference recognizes the fast and furious pace at which we all operate and helps us succeed with new learning and professional connections. Our lineup includes speakers who will deliver some provocative ideas and solutions to help us move ahead.”

Your Learning Connections

Following the Official Conference Kick-Off on Sunday evening – new this year – the Extreme Open and General Session on Monday morning with Michelle Edkins of BlackRock and Peggy Foran of Prudential

Financial will spark extreme thinking with a different perspective on activism.

Edkins and Foran will share their views on the impact of activism as governance professionals. Edkins heads BlackRock’s corporate governance and is responsible for the investment team focused on engagement and proxy voting activities. Foran is chief governance officer and corporate secretary at Prudential and currently is a director at Occidental Petroleum Corporation, a firm that has experienced recent activism.

A host of conference sessions tackling critical issues facing IR professionals will then fill the four-day program with a fast and furious series of programs in eight areas:

BUSINESS INSIGHT

- Non-GAAP Financial Measures: Useful Tool or Smokescreen?
- Earnings Guidance - Does it Still Matter?
- Wow Your Management Team and Board with Market Know-How and Insights

CAPITAL MARKETS AND CAPITAL STRUCTURE

- Understanding Valuation in an IR Context
- Inside the Shark Tank: Understanding the Activist Agenda
- Taking On Wall Street’s Predatory Robots
- Broken Markets: An Interview with Joe Saluzzi

CORPORATE GOVERNANCE

- Shareholder Activism Workshop: Hands-On Preparation for Real-Life Scenarios
- Activism from the Other Side of the Table
- Equalizing the Balance of Power – Board, Investors, C-Suite

GLOBAL IR

- How Do You Benchmark Globally? Part I: Evaluating the Metrics
- How Do You Benchmark Globally? Part II: Comparing the United States, Asia, Latin America, and Europe

- Taking Your Investor Relations Program Global
- The Nuts and Bolts of Success with European Shareholders

IR PLANNING, IMPLEMENTATION, AND MEASUREMENT

- Be Heard! Creating Value When There are Internal Headwinds
- IR Strategic Plan – Are You Doing Everything Wrong?
- IR Services Shark Tank – Where Do You Get the Most Value Add?
- Crisis Preparedness: Your Crisis Plan is on the Shelf, but Now What?

IR STRATEGY FORMULATION

- Reputation – Protecting Your Personal Credibility

MARKETING AND OUTREACH

- Make or Break Your Career with a Blowout Analyst Day!
- Social Media: Monitoring the Chatter from an IR Perspective
- Finding Opportunity in the Sell Rating
- Effective Investor Targeting: How Do You Do It and Do You Measure It?

MESSAGING DEVELOPMENT

- Around the World in 60 Minutes: NDR Tips and Tricks from the Pros

On Tuesday morning, NIRI will honor those IR professionals who have been extremely successful over a long career with the prestigious NIRI Fellows designation. Attendees will then hear a report on the State of NIRI before listening to Christopher Probyn, Ph.D, chief economist at State Street Global Advisors, engage in a unique approach to debate on the global economy.

Probyn has enthralled Senior Roundtable members with his jargon-free explanations

about the economy. He has served as an economist for UBS and Salomon Brothers, and received his Ph.D from the London School of Economics.

On Wednesday morning, renowned leadership and communication expert Steve Smith will put attendees in the center of the conference theme of extend, exchange, and excite. Smith will challenge conventional wisdom on personal growth and apply his leadership and emotional intelligence insight to everyday IR tasks.

Smith has written books on communication and leadership, including his groundbreaking work *Economics: What Makes Ego our Greatest Asset (or Most Expensive Liability)*, in which he discusses how, in an instant, ego can undermine meetings. Smith will provide examples of how this might look for the players in investor meetings – both investors and management – and offer techniques to avoid the ego pitfall.

Connections and Networking

The conference will also feature the Experience Showcase, including more than 70 exhibits, where IR teams can outfit themselves for the extreme elements in today's business environment. Attendees will meet best-in-class service providers that partner and extend the capabilities of IR programs.

The Experience Showcase serves as a central gathering point for meals, happy hours, and break times. It's the ideal forum to become highly connected and maximize networking opportunities.

Conference Workshop Opportunities

Several of the provocative topics highlighted above will be covered in Conference

Workshops held before the official conference opening on Sunday and at the close of the conference on Wednesday morning. Be sure to check these out to make sure you're not missing a critical session that can help you in your career.


The Rest of the Story

We've just scratched the surface of the 2014 NIRI Annual Conference in this article. Visit www.niri.org/conference for more details about the agenda, learning opportunities, Experience Showcase, registration, hotel, and travel.

The conference takes place at the award-winning Bellagio Hotel in Las Vegas, Nevada. Optimally located on the Las Vegas Strip, this spectacular property will host all conference sessions and nearly all events.

Be sure to reserve your room at the Bellagio through NIRI by May 14 for special discounted rates at www.niri.org/conference. And by reserving within the NIRI room block, you will be eligible to win fun technology prizes, free nights at posh hotels, valuable gift cards, and more. Prize drawings will occur at Experience Showcase receptions.

The Bellagio is the official housing provider, and special discounted NIRI rates are only available through the NIRI portal. We appreciate your support of the IR Community by staying at the Bellagio and booking through NIRI.

Conference attire is business casual. 

Al Rickard is president of Association Vision, the communication company that produces IR Update magazine for NIRI; arickard@associationvision.com.



IR's Role in the IPO Process

Learn how IR can add value before, during, and after a company goes public.

By Tammy K. Dang

“The whole IPO is a big puzzle,” said Rima Hyder, vice president of investor relations at Houghton Mifflin Harcourt, a company that provides educational content and solutions to 50 million students in more than 100 countries. “It’s a lot of people; it’s a lot of teams, internal and external, working together.”

Hyder, along with Dave Spille, director of investor relations at Engility Holdings, a company that services the U.S. government, and moderator Bill Powell, a professor at New York University who teaches investor relations in its strategic communication, marketing, and media management master’s program, shared their insights on a January 2014 NIRI sponsored webinar titled, “IR in the IPO Process.”

this person up-to-speed on the story and function as a key member of the IPO team. Powell, who was Guidance Software’s IRO for three years immediately following its IPO in 2007, agrees. “The IR needs of a newly public company are different than the IR needs of a more mature, well known company,” he said.

Fortunately, Hyder came on board with her 180-year-old privately held company about eight months before it went public. Houghton Mifflin Harcourt’s \$252 million IPO in 2013 was a return to the capital markets after being held privately for more than 10 years to give its existing shareholders liquidity and easier access to capital. She says an IRO’s involvement in the IPO preparation process involves different facets:

defining the growth plans and strategy of the business, formalizing and documenting key processes, and determining the company’s capital structure.

According to Spille, the prep process means creating a target list of institutions and vendors and an IR budget and website, as well as related information on stock price data, and a stock symbol that is easily correlated to the company.

From a legal and financial point of view, IR must prepare financial statements, develop quarterly and annual projections, ensure proper reporting systems and controls, comply with the Sarbanes-Oxley plan, and engage with counsel and accountants. “Think about developing financial projections at least 3–5 years out,” Hyder said. “You’re going to need those in an IPO, but also how the numbers define the company’s strategy.”

The company must develop and shape the investor story, identify research analysts for future coverage, and define peers for comps. At the same time, management must determine if it wants to hire an internal IRO or an external IR consultant while staying focused on running the company. All three panelists agreed that when going IPO, it is a best practice to both hire an IRO and retain external IR support for the new public company.

Hiring the right bankers is another essential part of the process, as there are ones with which the company will have existing relationships, those who may be good at mergers and acquisitions, and others with IPO expertise in certain sectors. “What you

The Prep Process

Spille, who joined Engility as the IRO after its spin-off, was involved in webMethods’ \$165 million IPO, Deltek’s \$162 million IPO, and Strayer Education’s secondary offering. He strongly recommends that a company hire an IRO at least 6–12 months before going public to get

“The IR needs of a newly public company are different than the IR needs of a more mature, well-known company.”

- Bill Powell, professor at New York University

really need to think about is - it's got to be somebody you can live and work with because you'll be spending a lot of time with them," Hyder said. "You want to be able to respect their judgment and value their input into the process."

Managing the IPO Process

IR should take on additional tasks during the IPO process that include managing the entire IPO process to ensure deadlines are met as time can kill a deal. "During the IPO process, you really want to become an invaluable resource to the CFO, general counsel, and CEO," Spille emphasized.

Help write portions of the Form S-1, which contains basic business and financial information on an issuer with respect to a specific securities offering. IROs should have input on how the company is communicating its strategic position and why investors should invest in the company.

"The underwriters are going to put you through an intense due diligence process," Spille said. "They're going to ask you to verify customers and substantiate all claims you make throughout the entire document, even customer case studies." This enormous data collection and verification process will take a lot of time.

Hyder agrees. "It's important that IROs get involved in not only drafting, but [also] making sure that all the language in that marketing piece is very factual and backed up," she said. Her company experienced five rounds of Securities and Exchange Commission comments. She worked with her finance team to understand the financial projections and develop an easy-to-understand story for both retail and sophisticated investors.

According to Spille, review the nondisclosure agreement and risk factors sections and check the 10K and 10Q forms of peer groups to see how they explain the fluctuations in their business. Help prepare for the

road show by creating various documents for internal and external constituents as well as develop an agenda for the equity analyst meeting. Also, help with the quiet period rules, disclosure policies, and the due diligence process.

When dealing with the bankers, know up front their intentions for distributing shares between institutional and retail investors, the panelists said. Closely monitor peer group disclosures and analyst notes. Participate in at least part of the road show, including cities such as Boston, New York, and San Francisco as it will allow IR to hear

After the IPO, ensure that the entire communication team complies with SEC rules and regulations, the panelists said. Any material information needs to be reported on 8-K forms. IR has to get involved in preparing earnings documents, press release scripts, and Q&A. Help your management team set expectations for the Street.

"It's critical that you meet your Wall Street estimates or expectations, especially your first quarter after an IPO," Spille said. "If you miss a quarter out of the gate, you're going to be in the penalty box for at least a year."

"It's critical that you meet your Wall Street estimates or expectations, especially your first quarter after an IPO."

– Dave Spille, director of investor relations at Engility Holdings

how management answers questions. IR can also help management modify key messages.

Hyder warns against getting sucked into high company valuations. According to Powell, in his 20 years of IR experience, he never met a CEO or CFO who didn't feel their company was undervalued by the market. "They fail to acknowledge that a company may be undervalued because of a lack of information in the market, the market doesn't know the company, or because there is doubt about what that company is saying, doing, or its ability to perform with consistency," he pointed out.

The Post-IPO Agenda

Hyder recommends creating a post-IPO calendar and figuring out whether your company will provide guidance or not. Research analysts will initiate coverage 40 days after an IPO and use the information shared with them during the process.

Powell agrees. "The first time an IPO fails to meet a key financial metric, it often triggers a massive decline in stock price – the company loses credibility with its investors," he said. "New IPOs should also consider if they've issued sufficient shares in the market to not only raise needed capital, but if there are sufficient shares available for real trading so enough liquidity exists for investors to get in and out of a stock easily, and investors are not turned off by a low-volume 'trade by appointment' stock."

Give yourself some cushion to build credibility with the Street. Review press releases and all disclosures, and follow industry trends, the panelists advised.

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

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

Quick Takes

What is the best question you ever heard at an annual meeting, on a road show, or on an earnings call?



John E. Shave

Vice President, Business Development
& Corporate Communications
Safeguard Scientifics

► “At our most recent annual meeting, an individual asked, ‘Why did the company decide not to serve Danish this year?’”



Anne Guimard

President
FINEO Investor Relations

► “To a CEO: where do you see yourself 10 years from now?”



Don De Laria

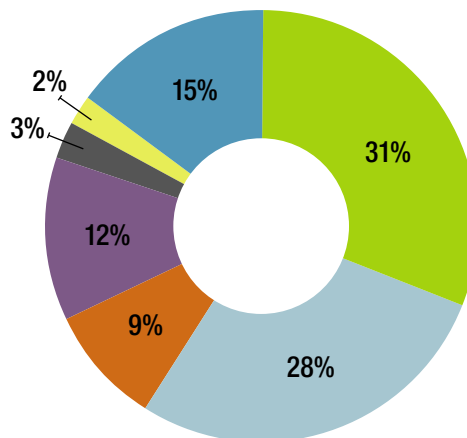
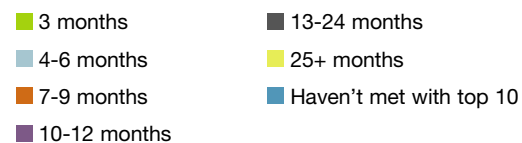
Vice President, Investor Relations
& Communications
Zep Inc.

► “The worst question is, ‘What do others ask about?’ and if you don’t recap your three key takeaway messages at that point you’re an idiot!”

“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.

IR Research at a Glance

In the past ____ months, I have met all our top 10 shareholders.



Source: NIRI Quick Poll. Compiled by NIRI, October 2013.
Number of Responses =104.

Professional Development Calendar

April 2014

29 Distinguish Yourself as an IRO in an Extreme Environment webinar

May 2014

6 Investors Part I: Sell-Side Coverage webinar

20 Investors Part II: Targeting the Buy Side webinar

June 2014

7 Finance 101 seminar, Las Vegas, NV

7 Managing Shareholder Activism seminar, Las Vegas, NV

8-11 2014 NIRI Annual Conference, Las Vegas, NV

17 IR Plan & Budgeting webinar

Innovative Options for Earnings Calls

Technology expands ways to present your company's performance.

By Chris Evenden

A popular feature of the NIRI Silicon Valley chapter's program is its series of monthly panel discussions. A recent forum focused its attention on the earnings announcement and how technology has given IROs more options in how they present their companies' performance, over and above the statutory requirements. Highly visible developments like Yahoo's video webcast are prompting CFOs and CEOs to ask whether they should be considering the same.

Fifty attendees turned out to hear the insights of the panel, which comprised Matt Sonefeldt, head of investor relations at LinkedIn; Joon Huh, vice president, finance at Yahoo; and Chris Evenden, senior director, investor relations at NVIDIA. Tricia Gugler, vice president, investor relations at Silver Spring Network, moderated the conversation.

A gathering of 50 IROs is certainly an opportunity to benchmark and there was much interest in call mechanics.

Evenden introduced his CFO commentary. Posted in advance, along with the press release, it's a superset of the prepared remarks that enables the CFO to concentrate on color during the call. It frees the sell side to think more deeply about its questions and, because the analysts ask stronger questions on the call, portfolio managers can better defend their positions once the call is over.

NVIDIA's CFO commentary releases in time for the Q&A, which is important

because NVIDIA is tracked by nearly 40 selliders. The commentary has been extremely popular with analysts, yet a show of hands by the audience indicated that only three other companies post one.

Increasing Transparency

Sonefeldt drew on his background as an analyst to increase transparency, and now posts a four-page breakdown of various company metrics each quarter, such as revenue by geography, channel, and product. He posts it as an Acrobat PDF file, not as an Excel spreadsheet, because the need for document security outweighs the advantages of giving audience members something they can copy directly into their models.

Two companies are currently engaged in video calls – Netflix and Yahoo. Netflix chose an informal interview format, with an analyst and a journalist both asking ques-

tions of the management team, but Yahoo has chosen a much more polished approach.

With access to professional-grade video production

facilities and executives who are comfortable in front of the camera, Yahoo turned out an earnings call with all the sophistication of a network news show. Features include multiple cameras, cuts to animated slides, use of a teleprompter, and captions for the Q&A.

The decision to move to video was made by Yahoo's CEO and CFO to enable a more interactive dialogue with investors and offer Yahoo a platform from which to showcase its products.

There was concern in the room about

the increased workload, but Huh downplayed this, and believes it was "just another variable." Audience feedback had been extremely positive, with investors highlighting the opportunity to interpret executives' body language.

Focus on Call Mechanics

A gathering of 50 IROs is certainly an opportunity to benchmark and there was much interest in call mechanics. For example:

- Ten of the companies present allowed buy siders into the question queue, but they rarely asked questions.
- Eleven posted the script.
- Almost all sorted the sell-side analysts in the call queue; many chose a friendly analyst to ask the first question.
- Many suggested questions to their analysts before the call.
- About a third published outlook in their earnings release; less than a sixth only put guidance in the script.
- Three companies prerecorded the script (in every case the Q&A was live); proponents suggest it reduces stress and allows them to focus on preparing with management for the Q&A.

The combination of innovation and getting the basics right demonstrated that there remain plenty of opportunities for IROs to differentiate themselves and their organizations, even within something as ubiquitous as the humble earnings call.

For more information about the NIRI Silicon Valley chapter, visit www.niriv.org.

Chris Evenden is senior director, investor relations, NVIDIA; ceunden@nvidia.com.

48%

Percentage of the global buy-side that believes a
company deserves a lower multiple if they do
NOT give earnings guidance.

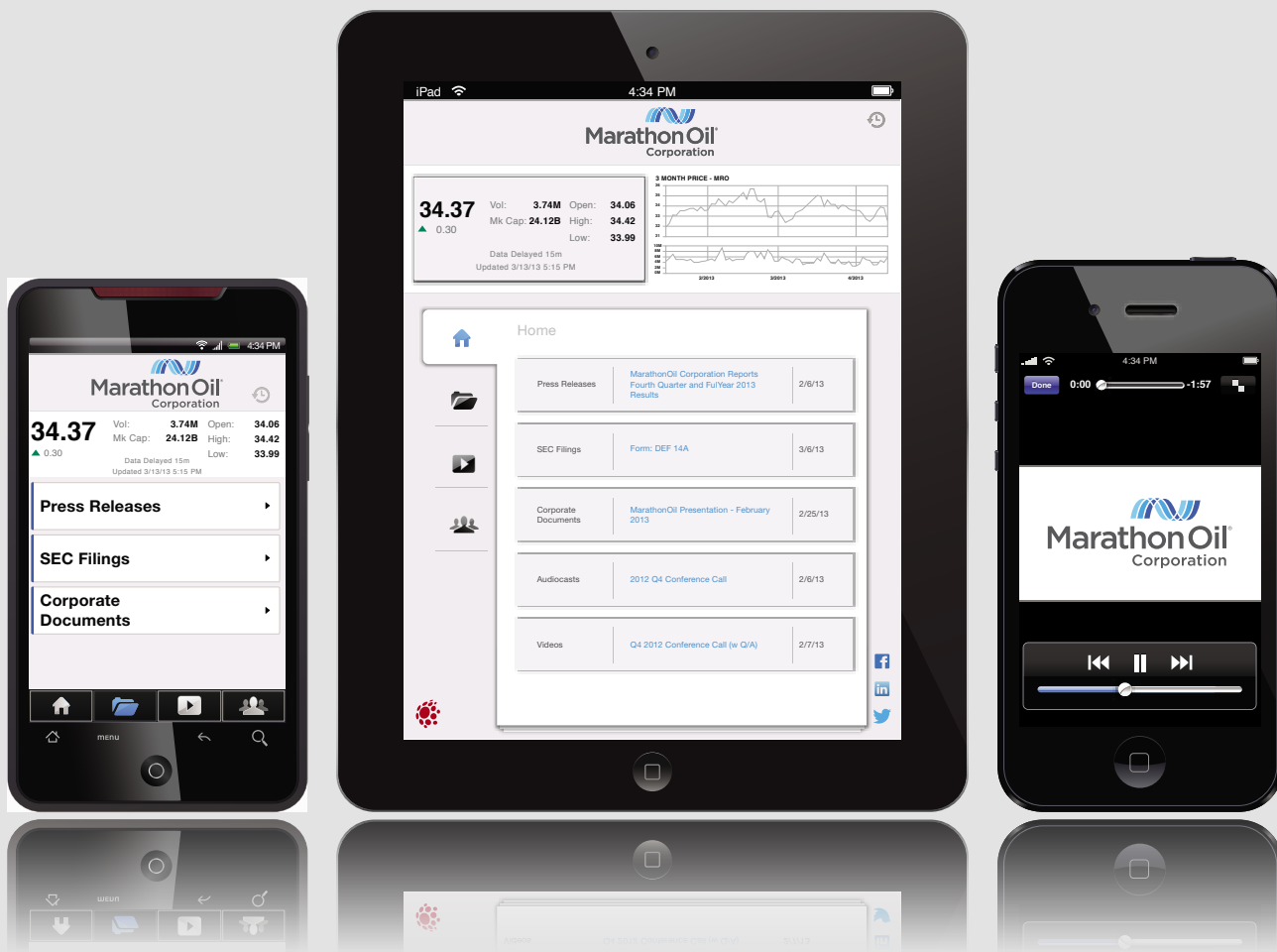


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