IRupdate

FEBRUARY 2015
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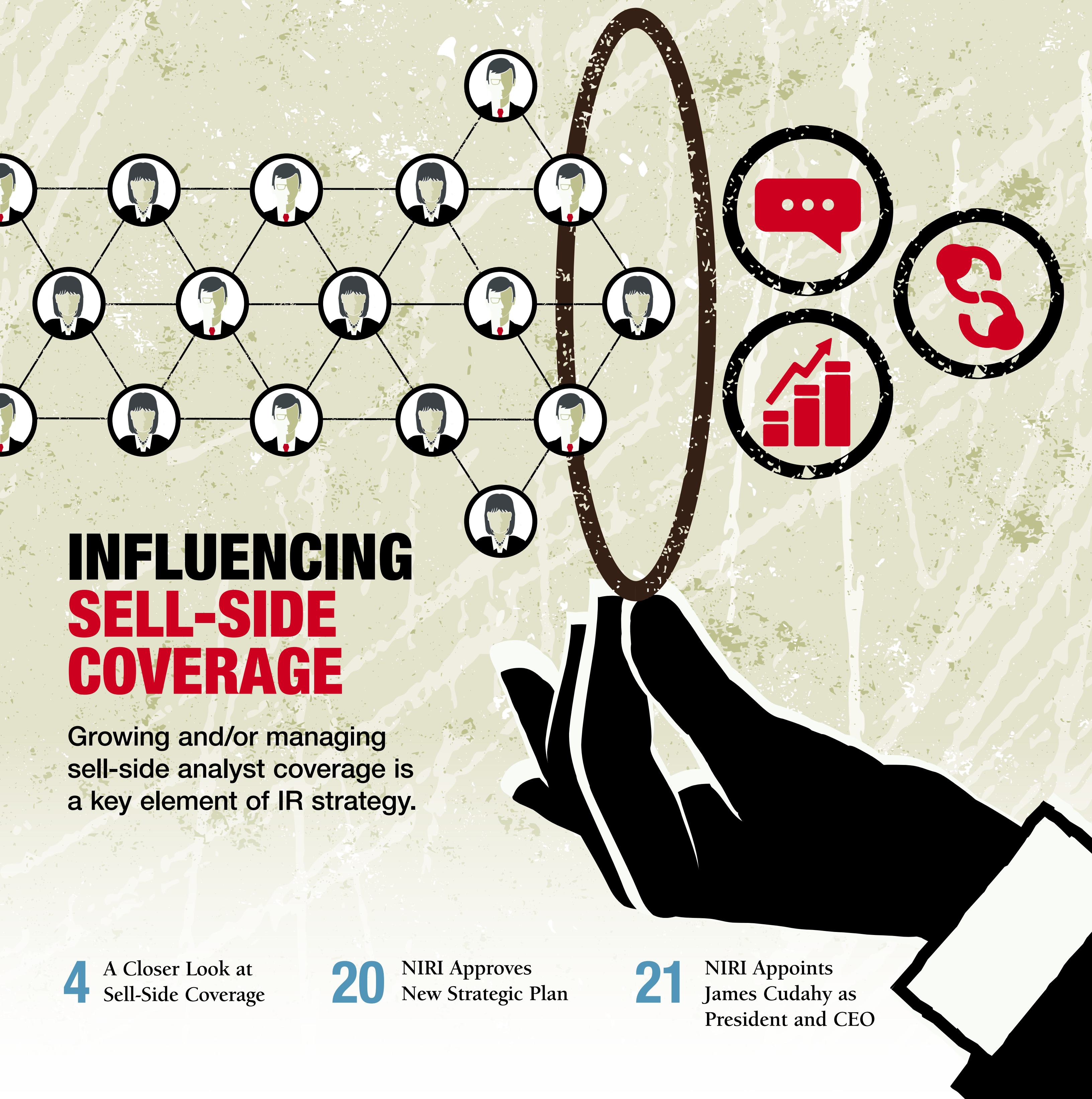

INFLUENCING SELL-SIDE COVERAGE

Growing and/or managing sell-side analyst coverage is a key element of IR strategy.

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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.

About *IR Update*

IR Update is published monthly by the National Investor Relations Institute as a service to its members.
ISSN 1098-5220

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IRupdate

DEPARTMENTS

Taking a Closer Look at Sell-Side Coverage

It's hard to believe it's been 15 years since Y2K…aka, the Year 2000 Problem. There was an incredible amount of fear and hype that there would be an interruption of operations around the world. Computers were predicted to fail and hundreds of billions of dollars were spent on preparation. When New Year's Day arrived, there was hardly a blip.

How long have we been hearing about the eventual death of sell-side research coverage? The sell side might not be what it was in the year 2000, but it's still alive and kicking. This issue of *IR Update* takes a closer look at sell-side coverage. If you're a small-cap company, you'll find advice on ways to increase your coverage. You'll also learn about sell-side coverage from the other side of the coin in an article that provides tips to large- and mega-caps that have many analysts, some of whom aren't engaged in their story but are influencing consensus.

One great NIRI member benefit is our research program. In 2014, NIRI conducted IR practice studies on such topics as IRO compensation, earnings calls, and retail shareholder programs, among others. This issue of *IR Update* highlights the recent member research report on providing guidance. If you haven't already read the report, I highly recommend downloading it from the NIRI website.

At our December 2014 meeting, the board approved the OneNIRI 2015-2018 Strategic Plan. The plan's vision continues to focus on ensuring that we leverage the unparalleled depth of expertise within our organization and expand the strong NIRI brand. The plan includes an aggressive set of goals and objectives across four primary areas: professional development, community, information, and advocacy. In 2015, we will communicate numerous elements of the plan including the launch of an IR certification credential program supported by a practitioner-developed, peer-validated, practice-domain framework.

I look forward to completing the new NIRI website in the second half of 2015. The site will leverage online tools to provide a customizable platform that incorporates multimedia and other channels to engage members through an individualized online experience. In addition, we will continue to expand NIRI professional leadership globally and extend efforts to support IR practitioners and communities throughout the world.

This is also a good time to start planning for the NIRI Annual Conference in Chicago, June 14-17. This marks the first time the conference will be in the "Windy City." Block the time on your calendar and register now (www.niri.org.conference).

If you have any questions or comments, please feel free to e-mail or call.

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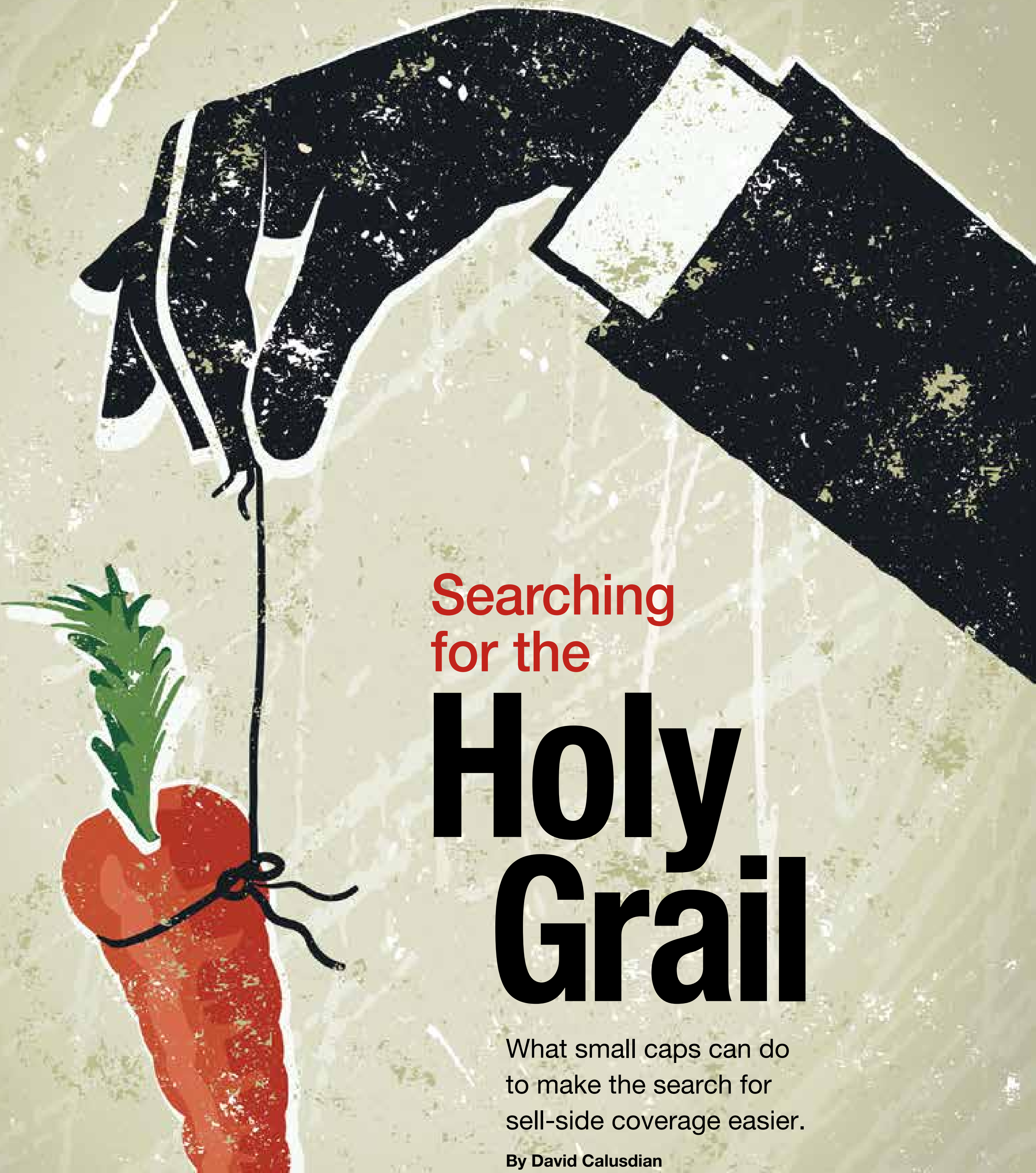

Searching for the Holy Grail

What small caps can do to make the search for sell-side coverage easier.

By David Calusdian

Investor relations officers of micro- and small-cap companies often hear a common question from their CEOs and CFOs: "Why can't we get sell-side coverage?" Of course, for a sub-$500 million market-cap company, obtaining analyst coverage can seem more difficult than finding the Holy Grail, climbing Mount Everest, and solving the world's energy crisis – all in the same weekend. In fact, for many companies, getting covered by even *one* sell-side analyst can be a highly challenging – and frustrating – endeavor.

Certainly, management expectations regarding the sell side can be dramatically misaligned with the reality of the financial markets today. Long gone are the days – if they ever existed – when good financial performance and an interesting growth story were all that it took to attract analyst attention.

Why Coverage is So Difficult

So why is obtaining sell-side coverage so difficult today? Not surprisingly, it all comes down to profitability, and the business model of the modern sell-side firm. Investment banks do not directly make money from research coverage. It's actually a cost center for these firms.

How does the system work? Sell-side firms are paid in "soft dollars" from their buy-side clients through trading commissions. Those fees have been decreasing since trading commissions were deregulated in the late 1970s, and particularly since the advent of decimalization. In 2001, the Securities and Exchange Commission required that securities prices be quoted in decimal increments versus the historical fraction method. This change reduced the buy/sell spreads and, in turn, the profits that investment banks made on trades.

As commissions decrease, it takes a higher share of trading volumes for a sell-side firm to make money on particular stocks and defray the cost of issuing research coverage. Therefore, it becomes inherently more difficult for small-cap companies with limited trading activity to gain coverage.

One potential solution is to expand the buy/sell spreads for small-cap companies. In June 2014, the SEC announced a proposal to implement a 12-month pilot program to widen the trading increments for certain small-cap companies. SEC Chair Mary Joe White said, "It is time for a careful assessment of the impact of decimalization on our equity market structure and the interests of investors and issuers." The SEC recognizes the impact of decimalization on the markets and listed "market maker profitability" as one potential benefit from the so-called "Tick Size Pilot Plan."

In 2003, the Global Research Analyst Settlement was intended to separate the linkage between research coverage and investment banking. And certainly, some say that the settlement has been a factor in the reduction of sell-side coverage, especially for small caps. With the separation of banking from coverage, sell-side firms would not be incentivized to provide research on companies they are courting for banking business.

Of course, newly public companies nearly always end up being covered by the banks that manage the deal. It also is rare not to see the disclaimer at the end of an analyst's research note stating that "this firm expects to receive or intends to seek investment banking-related compensation from the company." So in reality, unless they are newly public, small caps find it difficult to obtain coverage if they are not involved in investment banking deals.

At the same time, investment banks have been managing the new research cost environment by having their analysts each cover a larger number of companies, making them increasingly time constrained. As a result, for a director of research at an investment bank to decide to dedicate resources to covering a particular company, he or she needs to have a high level of confidence in the potential for a positive return on investment.

Evaluate Your Coverage Viability

So what's a small-cap company to do with the deck stacked against it from a number of different angles? First, do a company analysis to evaluate your chances for sell-side coverage. Ask yourself a number of relevant questions. How high is your trading volume? Is it only 50,000 or even 10,000 shares a day? If so, your liquidity will be a significant obstacle to obtaining coverage. As you get closer to 100,000 shares traded a day, you're nearing the ballpark.

Look at your company's recent performance and its growth prospects. Analysts seek to cover companies that have performed consistently well, *and* have the opportunity to exhibit further short-term and long-term growth and stock appreciation. The analyst's goal will be to pick up coverage of the company and recommend it to their buy-side clients prior to the next stock uptick.

In addition, be sure to consider whether the company has missed its own guidance in the past year or the expectations of the few analysts who may already follow it. Analysts do not want to be embarrassed by companies that perennially miss their estimates, and will shy away from those that cannot be trusted to meet expectations in this area.

Finally, look beyond your specific company and determine whether you are in a "hot" sector that would interest analysts

If you find that the challenge of obtaining sell-side coverage is insurmountable, remember that the sell side is only a means to an end – and that "end" is visibility with the buy side.

and their buy-side clients. For example, a company that stands to benefit from the trend toward 3D printing or is in the value stream for the next version of the iPhone stands a far better chance of gaining coverage than a slow-growth manufacturer of a commodity product.

Be Proactive

After you have a good understanding of your company's positive and negative factors, start proactively communicating with sell-side targets. For a small-cap company, it is more likely that you will find success with small regional or boutique firms. They often are more open to picking up coverage on an underfollowed growth company than covering a large cap with 17 other analysts – all trying to differentiate their research and fighting over commission table scraps.

Evaluate the boutique and regional sell-side firms that follow other small-cap companies in your space. Those firms may have a higher propensity to cover your company given their familiarity with your market. Keep in mind, however, that these firms may only be following your peers because of past investment banking relationships. For example, the bank may have initiated coverage after managing the IPO or brokering an acquisition.

You also need to make it exceptionally easy for analysts to follow your company. First and foremost, provide them with access to management. If a prospective analyst requests a meeting with your CEO and is made to wait a month for face time, you probably have missed an opportunity.

Analysts live on management access and information. If they determine that your company is not "investor-friendly" or is too busy to provide them with management access, your courtship with them will be very short-lived. They will see this as a sign of things to come if they were to pick up coverage, and will move on to the next opportunity.

Also be attentive in providing any prospective analysts with all of the information they need to conduct their due diligence. And in doing so, make sure they have an excellent understanding of the company's investment thesis and catalysts for near-term stock appreciation. Remember, in the end, analysts are looking for ways to make money for their clients and increase their firm's trading commissions. No stock appreciation catalysts = no commissions = no coverage.

Finally, offer to go on the road with them to meet with their buy-side clients, even before they pick up coverage. Remember that corporate access is extremely important to their financial model.

Going on the road before they initiate coverage demonstrates your willingness to meet with their clients on an ongoing basis. In addition, assuming the analyst you are targeting accompanies you on the road, he or she will be able to hear your story, listen to the questions posed to you by investors, and get a sense of the buy side's interest in your company.

Life Without the Sell Side

There is no silver bullet to obtaining sell-side coverage, especially for a small-cap company. Very often, the economic model of the modern sell-side firm is at odds with the company's financial characteristics. If you find that the challenge of obtaining sell-side coverage is insurmountable, remember that the sell side is only a means to an end – and that "end" is visibility with the buy side.

When there is no sell side to serve as a conduit to shareholders and prospective investors, enhance your outreach to the buy side. Conduct your own investor targeting and schedule road shows each quarter on your own. Many under-covered and uncovered small-cap companies have been very successful in building visibility with the investment community and enhancing shareholder value by taking their message directly to investors.

Of course, in addition to the challenging task of gaining sell-side coverage and communicating directly to the buy side, investor relations officers also must manage the often-unrealistic expectations of their management and board. Educate them on sell-side economics and the steps that small-cap companies can take to obtain coverage. Then, start searching for that Holy Grail. IRU

David Calusdian *is executive vice president and partner, Sharon Merrill Associates; dcalusdian@investorrelations.com.*

What does the global buy-side believe drives IRO credibility?

90%

Believe it's making investor concerns known to management

"They need to know investors and how they think, and present information … know what's important to investors and communicate to management what investors are thinking." **PORTFOLIO MANAGER**

89%

Believe it's advocating transparency

"Responsiveness to investors' communication in a clear and concise manner that is at or above the industry average in terms of disclosure. They need to be available and respond quickly." **BUY-SIDE ANALYST**

88%

Believe it's being responsive

"[Their responsibility is] to improve the transparency of the company that they work for and make upper management available to large shareholders." **BUY-SIDE ANALYST/PORTFOLIO MANAGER**

Managing Sell-Side Analyst Coverage

Consensus estimates based on cumulative analyst coverage influence investors in a big way – large-cap companies must work to ensure that analysts provide educated estimates.

By Margo Vanover Porter

Although it may be tempting, you can't discriminate among your company's sell-side analysts, insists Jason Landkamer, director of investor relations, Fluor Corporation. "You can't play favorites between the all-star analysts who are following your company and industry very closely and those who don't."

Landkamer readily acknowledges that not all of his company's 25 analysts provide the same depth of coverage. "Some are not close to the story," he admits. "They rarely call or e-mail questions. They don't cue up in the quarterly earnings call to ask questions. Yet they still put out research reports. You do see situations where they have estimates that are unrealistically high or low or they miss the key talking points and attributes we're trying to communicate to the investment community."

His solution is to reach out to "the analysts that cover us in name only" after the earnings call and ask them questions, including, "Do you understand the key points we were trying to make during the call and in the earnings release?" His goal: Get a dialogue going.

Every other year, he also invites all 25 sell-side analysts to an investor day. (In the opposite year, he hosts a site visit.) "We build large, complex refineries, petrochemical facilities, roads, and power plants around the world," he explains. "The investor day is a chance for those who don't follow us closely to hear straight from the senior management team and investor relations: 'Here are the key drivers in the company and our vision for the future.' It's hard for them not to become aligned to some degree."

Jeff Smith, director, investor relations, FedEx Corporation, takes a similar approach when dealing with his company's 27 analysts. "We've got an IR team of four who are actively on the road. We split up our sell-side coverage so each of the four has seven or eight analysts [for which he or she is] responsible. We reach out to them proactively after our earnings call to see if they have any follow-up questions."

"It's when the story gets complex and the stock gets volatile and they have a tricky transaction that the smaller analysts can have an outsized impact because they are writing reports that have a different viewpoint than the others." – **Beth Saunders**, chairman, FTI Strategic Communications, The Americas, FTI Consulting

Plus, every year or every other year, he brings in a group of sell-side analysts, particularly those who haven't been to the headquarters before, and sets them up with a full day of meetings with the executive team. The night before, the IR team takes the group to dinner and then on a tour of the Memphis facilities. Unfortunately, he says, many of the analysts who don't update their numbers or don't provide accurate information are the same ones who decline the invitation.

"It's an ongoing battle," Smith says. "We're limited in what we can do. It's really tough to make an analyst choose to do more work on the stock. We would almost be happier having fewer analysts who gave better coverage."

Why Bother?

"What every large-cap IRO wants to do is say, 'I already have enough coverage. Why am I bothering with them?'" says Beth Saunders, chairman, FTI Strategic Communications, The Americas, FTI Consulting. "Then they are faced with the outlier consensus estimates from guys who don't know the story."

She believes IROs can spend the time beforehand trying to ensure the consensus estimate is correct or spend the time afterward in an often futile attempt to correct the estimate. "It's one of those painful things, like teeth cleaning, that you must do," she declares. "The most frustrating thing for a client is to read an article on something important and see an analyst with an incorrect perception."

In her experience, if the company is performing perfectly well, the story isn't very complex, and the sell-side coverage is relatively uniform, IROs might feel less compelled to talk to smaller sell-side analysts.

"It's when the story gets complex and the stock gets volatile and they have a tricky transaction that the smaller analysts can have an outsized impact because they are writing reports that have a different viewpoint than the others," she observes. "People are looking for that in times of complexity."

There is another reason to keep these analysts in the loop, she says. "In a crisis situation with a complex message, there are an awful lot of investors and certainly members of media who view a Morningstar report in the same way they view a J.P. Morgan report," she says. "When reporters cannot get access to one of the larger, better-covered analysts, they're going to get their quote and comment – they just have to go further down the list to smaller analysts willing to be quoted, and that's who the reporter uses as a valid source."

Several large-cap companies make so much information readily available that it's very difficult to poorly cover the company, Saunders says. "Much of the information is aimed at small investors for whom they don't have the time and inclination to reach out to and sell-side analysts they wish would do a better job covering them. They probably won't spend a lot of time with them or give them a lot of access to the CEO and CFO, but they do try to get them as much information as possible."

Laura Paugh, senior vice president of investor relations, employs that strategy at Marriott International, which has about 40 sell-side analysts. "I provide a great deal of guidance on the upcoming quarter and on the year we are in," she explains.

"We do a long-range plan that provides three years forward and an outlook for the P&L, making certain topline assumptions. Although nobody knows what the economy will be like in three years, the plan gives investors the opportunity to play "what if" and 'Here's how the model might work.'"

After delivering a wealth of information to the Street, if a small sell-side firm decides to write a contrary point of view about Marriott, Paugh believes very few pay attention.

"The Street is pretty savvy," she says. "The Street knows which analysts who cover us do a good job, and their research gets substantially heavier weighting than analysts who don't really spend any time and effort. I think it just takes care of itself.

"Frequently, what these – I won't even call them second-tier firms, I'll call them fifth-tier firms – do is a very cursory read of a press release and then write something, I don't think there is a meaningful audience for it. Our primary focus is on educating the buy side and our resources are not unlimited, so we focus our efforts on the high-quality sell-side research that the buy side values."

Analysts should be treated much like reporters. "In both cases, you can't treat the poor performers as second-class citizens because they are the ones with the ink." – **Jason Landkamer,** director of investor relations, Fluor Corporation

You Can Say You Tried

In Landkamer's opinion, analysts should be treated much like reporters. "In both cases, you can't treat the poor performers as second-class citizens because they are the ones with the ink," he points out. "They'll put out reports that may be negative or not be aligned with the rest of the investment community. Then you will have a much bigger problem on your hands. Take the time to reach out with a phone call or e-mail at the end of each quarter. At least you can say you tried."

Other advice from IROs includes:

Double-check outlier numbers. It doesn't hurt to check in with FactSet or First Call about outlier numbers, according to Tony Takazawa, vice president, investor relations, EMC Corporation. "If an analyst is way outside the range and there are particular things in [his or her] model that are a mistake, Fact Set or First Call will go back to the analyst to double-check the assumptions," he says. "Sometimes it's because they have a particular point of view, which they are entitled to [have]. You can't do anything about that. But sometimes it's a numerical mistake."

Examine the models. You do yourself a disservice if you ignore analysts who are outliers, claims Takazawa, whose company has about 40 analysts, 38 of which are in consensus about earnings per share. "You may not be able to influence them, but you have to stay aware of them. You have to monitor what they are saying and what their estimates are. Read their research and take a look at their models to see what their assumptions are."

He points out that one benefit of Wall Street is it does tend to be a meritocracy. "If people are out there with unusual points of view that don't pan out over time, eventually they get what they deserve, which is lack of clients and notice. You can't change their minds, but if they're wrong enough, eventually people stop paying attention."

Try out junior team members. According to Saunders, several mega-cap companies with large IR teams develop a script and then assign junior members to talk to in-name-only analysts on a quarterly basis. In addition to developing a dialogue with the IRO team, this approach has the added benefit of providing practice to less experienced IROs.

Use your leverage. Landkamer remembers when one of Fluor's analysts didn't update the company rating for three years, didn't call IR with questions, and then wondered why the company hadn't done any road-show marketing. "I took that as an opportunity to say, 'We believe you're out of touch with our key growth drivers and message points, and I'm not comfortable going on the road with you or with our senior management team. We need to find a way to bridge this gap.'"

After that conversation, the analyst started calling IR every quarter, had a call with management, has now reviewed and changed his rating, and has become much closer to the story.

Determine motives. Landkamer points out that some analysts may only be tangentially curious about your company's prospects – their real motive is seeking in-depth knowledge about the sector, which your mega-cap company is in a position to provide. Because Fluor is the largest publicly traded engineering construction firm in its space, a boutique firm might say, "I'm really a machinery guy. I follow Caterpillar and John Deere so I've got to cover you for insight on that value chain."

Takazawa reports a similar experience. "Unfortunately, I think some analysts have to cover us because we're one of the bigger, more interesting names in the space," he says. "They know they probably won't add any value, which is why they don't call us. Their attitude is 'I've got to cover them. They're in my universe,' but they figure they can make more of an impact following a different company."

Ask for insight from the buy side. "Talk with your buy siders to see if they're listening to these analysts," urges Takazawa. "That will give you a sense for how much danger you're in. Over time, it all shakes out and the people who are wrong are known to be wrong. Buy siders tend to pay less attention to analysts who are wrong."

Smith agrees. "Pick your battles," he says. "If you recognize that a particular analyst is not doing very good work, there's probably many on the buy side that recognize it, too. While you want to be proactive and reach out and offer them access to information, you have to be careful about going on a campaign to correct people. Just realize there will be good and bad analysts, and there's only so much you can do." IRU

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More Companies Providing Guidance

A new NIRI survey finds most companies are in the business of discussing their outlook.

By Alexandra Walsh

"Companies providing guidance of all kinds are on the rise, and I'm not surprised," comments Judy Meehan, vice president of investor relations for American Eagle Outfitters.

Meehan is responding to the recently released *2014 NIRI Survey Report on Guidance Practices*. In the survey, 94 percent of respondents confirm their companies provide some form of guidance (either financial, non-financial, or both) compared to 88 percent in 2012.

For IR professionals, providing what most commonly is referred to as "earnings guidance" is a core concern. The practice extends beyond the decision to communicate EPS expectations, and the degree of nuance in how each organization issues or does not issue guidance is considerable. NIRI regularly conducts this survey in order to understand all facets of guidance practice and provide benchmarking data for best practices.

The uptick in guidance provision from two years ago caught the attention of Doug Wilburne, CFA, vice president, investor relations, Textron. "The survey finding that got my immediate attention is the 7 percent increase, over the past two years, of companies that provide guidance. We went through an economic downturn and financial collapse when lots of companies gave up, or modified, guidance practices, but the survey indicates we are now back to prerecession practices," notes Wilburne.

For Darin Arita, head of investor relations for Voya Financial, the overall findings of the survey are not surprising, but the importance of what they signify cannot be underestimated. "Guidance practices are very much on my mind because I think they represent a fundamental aspect of why investor relations exists – to contribute to the value of the company's stock being reflected accurately by the market; not too high relative to where it should be, and not too low.

"An IRO might dive into the weeds of guidance and lose sight of what we are ultimately trying to do here," continues Arita. "The survey helps us step back and reassess the importance of our function. It helps us benchmark what we do against others, which puts our own practices in perspective, and also helps us to argue for or against guidance."

"An IRO might dive into the weeds of guidance and lose sight of what we are ultimately trying to do here." – **Darin Arita,** head of investor relations, Voya Financial

Management Philosophy

"Who is not providing guidance?" wonders Meehan. "I would love to understand who helps the management team make that decision and whether that is a board-level conversation."

The survey indicates 6 percent of respondents do not provide any form of guidance, slightly down from eight percent in 2012. For the 6 percent of respondents who do not provide any form of guidance, the most common reason reported is management philosophy (59 percent) followed by focus on long-term performance (41 percent).

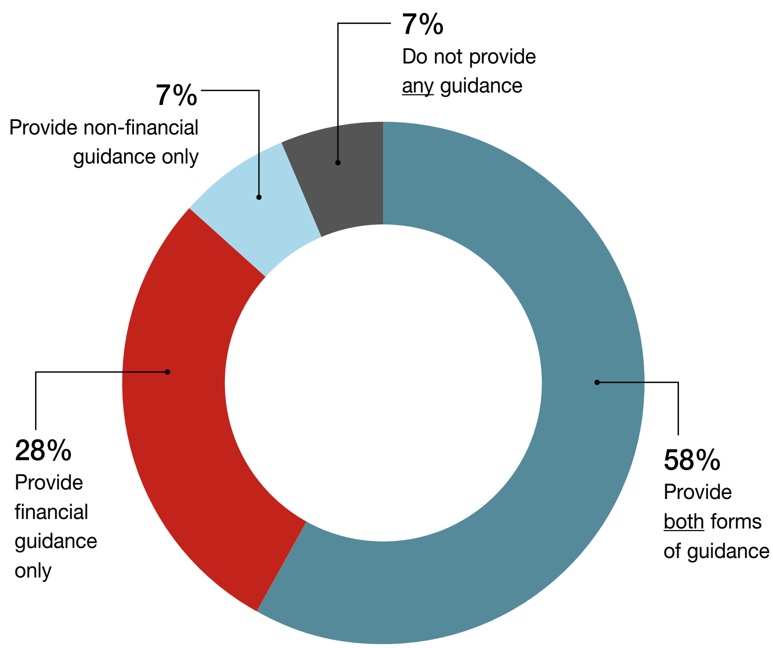
"I'm in the retail sector, which is fairly volatile, but we've always provided guidance," says Meehan. "Otherwise we're depending on analysts providing guidance to the Street, and whether we like it or not, we will have to deal with the published consensus view of the company. We're followed by 30 sell-side analysts, and if we're not out there providing some form of guidance, it's hard to manage expectations.

"And you can't guide the Street unless you provide public guidance," Meehan emphasizes. "It's nice to be philosophical about it and say you refuse to be held hostage by the Street but, practically, how can you be an effective IRO without providing some form of guidance. I think it would be very difficult to do my job effectively."

"If one could get a little more at what 'management philosophy' means as a reason for not providing guidance, you might find there is internal disagreement, inconsistency, or misperception of what IR is trying to do," Arita speculates.

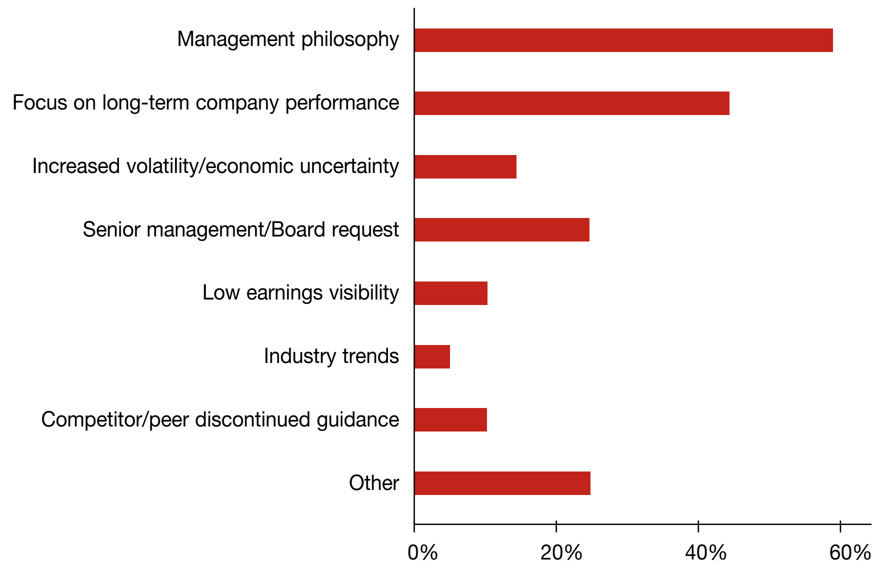
Debbie Hancock, vice president, investor relations for Hasbro, finds it interesting that smaller companies provide less guidance. The survey indicates that 18 percent of micro-cap respondents do not issue any guidance, while more than 90 percent of mega-caps do issue guidance in one or both forms. "I wonder if it is the lack of resources,

FIGURE 1: Type of Guidance Provided



Source: *2014 NIRI Survey Report on Guidance Practices.* N=416. Compiled by NIRI, September, 2014.

FIGURE 2: Reasons Companies Do Not Provide Any Form of Guidance



Source: *2014 NIRI Survey Report on Guidance Practices.* N=22. Compiled by NIRI, September, 2014.

infrastructure or visibility for a micro-cap company – maybe they don't have a dedicated IRO?"

Defining Guidance

Hancock wonders if the definition of guidance was broadened, would it impact the percentage of companies that claim to not provide any.

"I think the definition of guidance is expanding," she suggests. "It's not just about revenues and EPS in the next quarter, but a broader conversation about what your business is going to do over the long term and what factors go into achieving the long-term objectives of your company."

Hancock points out that a company's management philosophy and strategy will hugely inform its guidance practices, as they should. "It's a very individual company decision based on a lot of factors that may be related to that specific industry, or visibility to earnings, or strategic competition, and you have to craft the right approach for your investors and management team. No one size fits all.

"My company has evolved its financial objectives and what it communicates and it's changed over time," explains Hancock. "We provide guidance on some things and have set forth medium-term objectives that we're trying to achieve over a certain period of time. While we don't provide traditional revenue and EPS guidance, we do provide visibility through key financial metrics on an annual and multiyear period." Hancock says that's what is appropriate for her business.

Arita ponders what alternatives to guidance companies might choose. He posits that maybe, in lieu of guidance, companies are providing metrics that make it easier to understand what's driving the earnings of a company or industry segment and believe they are giving investors tools with which to better forecast for themselves.

"Once you have established a certain pattern, the Street will interpret deviance from that pattern as having an ulterior motive."

– Doug Wilburne, CFA, vice president, investor relations, Textron Financial

If analysts don't have the right tools, the risk is greater that they'll be all over the place with their forecasts, believes Arita, who adds that generally, analysts should be in a range even without guidance, and if they're not, guidance is something of a supplement to get there. "But I have to wonder if there are other tools that companies use besides the traditional financial guidance of 'here's what we reported and here's how to quantify that for the next period.'"

Arita says in the life insurance industry, traditional financial metrics aren't helpful for investors to understand a company's earnings drivers. "So we have provided alternative metrics that help investors to understand what will move earnings this way or that are transparent and understandable.

"Another approach we used to help set expectations after we report a quarter is to quantify a normalized earnings level or a baseline. It's a number analysts can grow their forecasts off of without us having to provide forward guidance. These approaches can address the most commonly cited reason to provide guidance – to ensure market expectations are reasonable."

Annual Guidance Reporting

Regarding when estimates are provided, the survey indicates the majority of respondents choose to provide guidance that extends across an annual time period (85 percent) and the majority do so on a quarterly basis (85 percent).

"In our case, severe financial pressures we faced in 2009 gave us an opportunity to revisit our prior practice of quarterly guidance, and we abandoned the practice in favor of annual guidance, with no intention of going back," reports Wilburne. "It doesn't mean we don't have internal goals, but it relieves some of the communication pressures around quarterly guidance."

Wilburne adds that it would have been difficult to get away from quarterly reporting without the financial downturn. "Once you have established a certain pattern, the Street will interpret deviance from that pattern as having an ulterior motive."

"We used to provide monthly sales information and now we report quarterly," says Meehan. "We're usually a month into the quarter before we provide guidance. That allows less forecasting and a more accurate sense of how the quarter is going."

Summing up the survey findings, Wilburne observes: "Guidance continues to be the practice keystone among the majority of companies as it is a very important part of interacting with the Street and establishing a path toward fair valuation. There's a lot of diversity and variance in guidance practice in terms of specificity and form and frequency, but now, as we see in this survey, most companies are in the business of discussing their outlook." IRU

Alexandra Walsh *is vice president of Association Vision, the company that produces* IR Update; *awalsh@associationvision.com.*

NIRI Board Approves New Strategic Plan

AT ITS DECEMBER MEETING, the NIRI Board of Directors approved the new OneNIRI 2015-2018 Strategy Statement. The new "OneNIRI 2.0" strategy contains a number of important growth objectives designed to expand the organization's strengths and increase the value provided to members as outlined below. More information is available on the NIRI website: www.niri.org/OneNIRI.

ONENIRI 2015-2018 STRATEGY STATEMENT

OneNIRI Strategic Vision

Leverage the unparalleled depth of expertise within the NIRI organization and the strong NIRI brand to…

1. Further strengthen NIRI's reputation as the world's most trusted organization dedicated to the development and promotion of best practices in investor relations and financial communications.

2. Provide the IR professionals, senior corporate management, and their respective organizations with information, practice, advocacy, and community to build and improve core IR competencies.

3. Create a world-class Investor Relations Charter that establishes NIRI's role as the global standard for the education and validation of investor relations competence and capability, thus providing a compelling basis for IR practitioners to aspire to become a charter holder.

4. Elevate the strategic importance of the practice of investor relations and NIRI professionals in IR roles to their highest potential and capacity and on a global scale.

2015-2018 OneNIRI Goals and Objectives

1. *PROFESSIONAL DEVELOPMENT* (including IR CERTIFICATION): Launch a certified investor relations credential supported with a practitioner-developed, peer-validated, practice-domain framework.

a. Complete the creation of a peer-developed "Body of IR Knowledge" and IR certification exam.

b. Market and launch a NIRI certification exam for IR professionals governed by professionals.

c. Provide appropriate support, learning mechanisms, and a relevant (initial and continuing) education delivery framework for IR certification.

d. Evaluate and implement educational programs/materials specifically addressing the needs of international IR practitioners via external partnerships.

e. Continue to leverage technology to develop and provide new educational opportunities for IROs.

2. *COMMUNITY* (including MEMBERSHIP & IR COMMUNITY): Focus on the evolving needs of IROs to enhance both the membership and community experience.

a. Analyze, develop, and implement opportunities for IROs to foster individual (one-on-one) relationships within the IR community.

b. Facilitate the use of technology (video, social media, etc.) among and across communities and chapters to share targeted education, information, career advancement, and networking opportunities for members.

c. Evaluate the potential for specialized community development (i.e., by region, like Africa, or by specialty, like small company CFOs) to ensure inclusion of closely related disciplines, and provide a learning bridge for IROs looking to gain additional expertise.

3. *INFORMATION* (including IR PRACTICE): Create flexible knowledge-based learning and information-based experiences for IR professionals covering the IR career continuum.

a. Complete the development of NIRI's website and implement/leverage online tools to provide a customizable platform that incorporates multimedia and other channels to engage members through a personal, individualized, online experience.

b. Evaluate and consider various methods to foster career development for IROs with differing professional backgrounds (e.g., former sell-side analysts).

c. Develop and/or facilitate sharing of chapter programs that increase engagement of senior-level IROs.

4. *ADVOCACY* (including REGULATORY & ADVOCATING ON BEHALF OF THE STATURE OF THE IR PROFESSION): Expand NIRI professional leadership globally and extend efforts to support IR practitioners and communities throughout the world.

a. Champion IR certification through active engagement with IR professionals and the broader constituent community to advance the need for certified IR professionals globally.

b. Participate in global events/summits/programs where NIRI can engage in thought leadership and promote best practices for the IR profession.

c. Continue select Washington-based advocacy to support the IR profession and IR practice with the U.S. Securities and Exchange Commission, other U.S.-based associations, and federal agencies.

NIRI Appoints James M. Cudahy, CAE, President and CEO

THE NIRI BOARD OF DIRECTORS has appointed James M. Cudahy, CAE, to be its next president and CEO effective March 2, 2015.

He currently serves as executive director and CEO for the National Court Reporters Association (NCRA), an organization that certifies stenographic court reporters and broadcast captioners while protecting and advancing their professional interests. At NCRA, Cudahy manages a staff of 35 and a $7 million budget.

During a career that spans 24 years working in and around associations, Cudahy worked for nine years at CFA Institute as vice president of marketing and communications. There, among his responsibilities, he was responsible for engineering campaigns to build global recognition and appreciation of the Chartered Financial Analyst (CFA) credential.

"Jim brings strategic leadership and extensive experience with certification programs, including significant time at CFA Institute," says NIRI Chair Mark J. Donohue. "In the selection process, the search committee recognized the value of his experience working with association chapters as well. Jim views the CEO position at NIRI as a unique opportunity to leverage his experience and skill set to expand NIRI's value to its members through a broader scope of services and to build upon our global sphere of influence."

NIRI's board of directors worked with executive search firm Spencer Stuart to assist in recruiting a new CEO. The CEO search committee was comprised of:

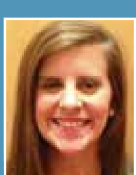
- **John T. Chevalier**, committee chair, former NIRI board chair and director of global investor relations, The Procter & Gamble Company
- **Mark J. Donohue**, NIRI board chair and vice president of investor relations and corporate communications, Impax Laboratories
- **Barbara L. Gasper**, former NIRI director and executive vice president/group executive, investor relations, MasterCard
- **Valerie C. Haertel**, NIRI director and head of global investor relations, BNY Mellon
- **Deborah K. Pawlowski**, NIRI director and president & CEO, Kei Advisors LLC
- **Douglas R. Wilburne**, former NIRI chair and vice president, investor relations, Textron.

"The board recently approved our OneNIRI 2015-2018 strategic plan, which focuses on several key initiatives including introducing the industry's first IR certification program, further broadening NIRI's global brand, and leveraging technology to build upon our highly valued member benefits," Donohue adds. "We look to Jim's skills and experience to assist NIRI in delivering on these important tasks."

"It's an honor to be chosen by the NIRI search committee and the board to lead the association through the next phase of its history as we further strengthen NIRI's reputation as the world's most trusted organization dedicated to the development and promotion of best practices in investor relations and financial communications," Cudahy says. "I look forward to engaging with NIRI members, chapters, volunteers, staff, and the worldwide investor relations community at large to work in concert to achieve our strategic initiatives."

Quick Takes

How has your job affected your personal use of social media?



Krista McKinney
Investor Relations Associate
Mid-Con Energy Partners

"I believe it's important to recognize the link between personal and professional. Therefore, I try to keep my personal use of social media as professional as possible."

J.T. Farley
Managing Director, Investor Relations
& Corporate Communications
Investment Technology Group

"It has made me a lot more cautious about what I write – and tweet."

Christiane Pelz
Vice President, Investor Relations
Safeway

"I have posted less and generally restricted my posts to innocuous topics."

In Memoriam: Howard A. Christensen

LONGTIME NIRI MEMBER, entrepreneur, corporate executive, and board director Howard Alan Christensen of Fountain Hills, Arizona, passed away December 3, 2014 at the age of 81.

Born on August 15, 1933 in Atlantic, Iowa, he graduated from the University of Iowa and became a certified public accountant with Arthur Andersen. He eventually founded his own company, Christensen & Associates, growing it into a leading global capital markets advisory firm. In between, he served as vice president, strategic planning and investor relations, for the $6.5 billion American Natural Resources, a NYSE energy company.

Christensen also served as vice president, CFO, and corporate secretary of St. Joseph Light & Power Company, St. Joseph, Missouri, and served on numerous corporate boards and committees, including Protection One, Topeka, Kansas; Research Magazine and Research Video, San Francisco, California; and Blue Shield of Kansas City. He also held leadership positions in multiple professional and nonprofit organizations, and led strategic planning workshops in the United States, Canada, and Europe for hundreds of the world's largest companies.

He asked that donations be made to Cancer Comfort Centers at www.cancercomfortcenters.org to help others facing terminal illness.

Professional Development Calendar

www.niri.org/calendar

March 2015

24-26 Finance Essentials Intensive for IR and Corporate Communications seminar, New York, NY

June 2015

13 Finance 101 for IR and Corporate Communications seminar, Chicago

14-17 2015 NIRI Annual Conference, Chicago

22-23 Finance 101 for IR and Corporate Communications seminar, New York, NY

24-25 Finance Essentials Intensive for IR and Corporate Communications seminar, New York, NY

26 Managing Shareholder Activism seminar, New York, NY

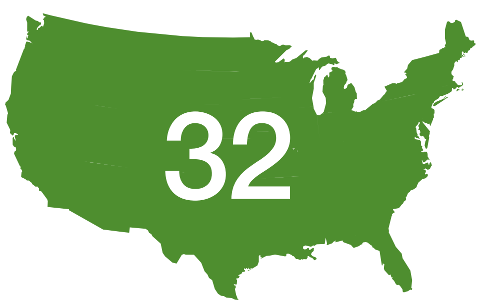
NIRI NUMBERS

$9 TRILLION

Combined **Market Capitalization** represented by companies with NIRI members

10,000+

Number of people who have attended NIRI's **"Fundamentals of IR"** seminar



Number of NIRI chapters; These chapters held 96 programs between September and December 2014

45

Countries with NIRI members; led by the U.S., then Canada, Japan, U.K., Brazil, Israel, Indonesia, Australia, and Switzerland

1969

Year NIRI was founded; **founding member Dick Morrill was honored** as the first NIRI Fellow in 2013

$300

Savings on **Annual Conference registration** for members from the non-member rate

98.9%

Percent of NIRI Annual Conference attendees who would recommend it to a well respected colleague

Not a member? Go to www.niri.org/joinniri for more information

NATIONAL INVESTOR RELATIONS INSTITUTE
www.niri.org