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IR IN MOTION ... FOR THE LONG TERM

NIRI 2015 delivers excellent content and networking opportunities at its Annual Conference.

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Roads Less Traveled

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They Will Come

22 Identifying and Connecting
With Investors

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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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Impressions From My First NIRI Conference

“It was like trying to drink from a fire hose.”

That was my answer when someone asked me for my impressions from my first NIRI Annual Conference. Having visited nearly a dozen NIRI local chapters across my first three months on the job, I had a pretty good idea of what the energy and social aspects of the conference would be like, something I referenced in my opening speech.

What did surprise me, however, was the passion that enveloped the conference and the desire by most attendees to squeeze as much benefit out of their three or four days in Chicago.

Dominic Barton, managing director of McKinsey and Company, kicked things off by sharing his thoughts what he sees as the global capital markets’ need to focus capital on the long-term. It’s a conundrum to be sure, particularly during an era when the pressure is on for companies to issue dividends and engage in stock buybacks. He spoke about how to enable management and the Street to look beyond quarterly earnings to a horizon that creates more long-term value for shareholders. Barton cited this alarming survey statistic – 78 percent of CFOs would sacrifice value for smooth quarterly earnings.

That, to me, set the tone for the rest of the conference and as we moved on to some of the macro-economic factors that have dominated the global landscape: The events in Greece and high debt loads across Europe, the strength of the dollar, the price of oil, interest rates, and then how all of this intersects with the day-to-day challenges facing investor relations practitioners.

From an inside-NIRI perspective, probably the most newsworthy event was the progress update about our new certification program. In Chicago, senior members assembled to begin the challenging process of writing questions for our first examination, which we are scheduled to launch during the first half of 2016. Certification dominated the one-on-one conversations I’ve had with attendees and, generally, NIRI members seem to be excited about the new program and the standards it will bring to the profession.

Speaking of standards, it was my honor to participate in bestowing NIRI’s highest honor — that of Fellow — to four IR practitioners whose careers are worthy of such distinction:

Deborah Kelly, Partner, Genesis Inc.

Sam Levenson, Chief Executive Officer, Arbor Advisory Group

Keith Mabee, Group President — Corporate Communications and Investor Relations, Falls Communications

Doug Wilburne, Vice President, Investor Relations, Textron Inc.

And to all who participated in a highly successful 2015 Annual Conference – particularly our Annual Conference Committee – I offer my thanks and my congratulations.

Now we’re on to San Diego in 2016!



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IR IN MOTION ... FOR THE LONG TERM

NIRI 2015 delivers excellent content and networking opportunities.

By Ted Allen

NIRI's Annual Conference in June attracted more than 1,400 total registrants and nearly 70 exhibitors, the most since before the recession. The world's largest and most comprehensive IR professional event provided exceptional content, ample networking events, and the opportunities to visit with a wide array of IR service providers.

Held for the first time in Chicago, the conference, which featured the theme, "IR in Motion: Influence – Strategize – Advance," was praised by corporate IROs, counselors, and service providers alike. In fact, in post-event surveys, 98 percent of NIRI Senior Roundtable attendees said they would recommend attending the conference to well-respected peers.

Among the many highlights was the con-

ference debut of new NIRI President and CEO Jim Cudahy, who spoke about the future of IR and important role that NIRI's IR certification program would play in the profession over the next two decades. He called on senior members to be bold and sit for the first certification exam in 2016 -- and a chance to be part of NIRI's inaugural class of Investor Relations Charter holders.

This year's event was made possible by an energetic Annual Conference Committee of NIRI members led by co-chairs Shep Dunlap, vice president, investor relations, at Motorola Solutions; and Dennie Kimbrough, a NIRI Board member who is a manager for investor relations at Microsoft. Consultant Jenny Kobin worked tirelessly with NIRI staff and the committee to ensure that the conference delivered high-quality content.

The conference's Midwest location and abundant transportation options made it easier for members from both U.S.

coasts to attend. The event also attracted attendees from 26 countries, and the NIRI Chicago chapter produced an excellent user's guide to help attendees get the most out of their time in the "Windy City." To help members stay "in motion," NIRI offered a new Conference app that was downloaded by more than 800 attendees; many of them used the app to pose questions to speakers and provide feedback on sessions.

Session materials and replays are available free to attendees, and for purchase to non-attendees at www.niristream.org. Additional photos from the conference can be found on NIRI's Facebook page at www.facebook.com/NIRI.National.

HIGHLIGHTS

On Sunday, some attendees started their learning early by attending workshops on equity trading, social media strategy, job market trends, and the link between

LEFT: On Monday evening, attendees gathered for a "Taste of Chicago" reception after a full day of learning.

corporate strategy and shareholder value. These seminars were followed by the always popular Global IR Summit Program, which explored targeting and outreach practices.

Also on Sunday, the NIRI Board's Advocacy Committee hosted a reception for chapter members who are interested in serving as "advocacy ambassadors." This new initiative should provide a boost for NIRI's advocacy efforts and help ensure that the NIRI staff receives input from chapters about their regulatory concerns.

Monday Learning

The conference's first general session featured a thought-provoking address from Dominic Barton, global managing director at McKinsey & Co., and a co-founder of the "Focusing Capital on the Long Term" initiative. Barton warned about the increasing pressure on companies to generate short-term returns, even at the expense of investments that would produce long-term shareholder value. Eighty-four percent of global executives surveyed by McKinsey in 2014 said they felt the most pressure to demonstrate financial results within just 24 months, while only 18 percent cited longer time periods. In addition, 79 percent of CFOs said they would sacrifice value creation for "smoother" quarterly earnings. "Short-termism is here and it's having an effect on the long-term sustainability of our companies," he said.

Barton advised companies to move away from quarterly earnings per share guidance and do a better job of communicating their multi-year business strategy to their long-term intrinsic investors. "Investor relations professionals have a unique role to play to translate strategy into communication," he said. "IR professionals definitely feel the short-term pressure regularly – the phone may be ringing off the hook with calls about the next quarter. But you must not fall into the trap of thinking these are the most important investors." (The September 2015 edition of IR Update will

feature a Q&A with Barton.)

The second general session included a panel of CEOs from Anixter, Motorola Solutions, and Hospira, who shared their insights on activism, global competition, and the critical role of IR professionals. "I think IR is an extension of the CEO," observed Greg Brown, chief executive of Motorola. "You have to lead. You have to push back when you see a problem. You have a beach-front seat and you need to use it."

In keeping with the "In Motion" conference theme, the Annual Conference Committee offered a variety of fast-paced, 60-minute breakout sessions. The panels on Monday morning included advice on how to avoid becoming an activist target, how to expand your sphere of influence, how to maximize your effectiveness with the sell-side, what to expect from the new U.K. rules on corporate access, and how to conduct IR during a M&A transaction.

After lunch, attendees enjoyed another round of breakout sessions that featured career advice from NIRI Fellows; strategies for engaging with the financial news media and bloggers; corporate governance insights from T. Rowe Price, TIAA-CREF, and Northern Trust; and advice on how to get the most out of non-deal roadshows.

The learning on Monday afternoon concluded with more than 20 interactive discussions on topics that ranged from IR measurement to how to work effectively with IR counselors. Attendees also had the option to participate in breakout sessions on how to host a successful analyst day, how to compete for capital globally, and how to maintain trust with the investment community.

Here are some takeaways from Monday's breakout sessions:

- The relationship between a sell-side analyst and a public company must be mutually beneficial. A company that provides access and presents a good value proposition is important to an analyst. The



easiest ways to approach a sell-side analyst is through his/her firm's institutional clients or upon the recommendation of the issuer's larger shareholders.

- During a M&A situation, a company needs to keep its messages aligned across all audiences. Employees are critical – you need to keep them engaged and informed about when regulatory approvals may happen, the deal timeline, etc. Your employees need to continue to perform their jobs without distraction.

- IROs should not expect stock surveillance firms to be exact. "Piecing together who is buying or selling your stock is an art, not a science, and it takes time."

- It makes sense to watch trading patterns in listed options. "The listed options market is very transparent and predictive; it gives you information on what an investor is thinking about the future."

- Don't send blast e-mails to reporters. It's a relationship business, so invite them to lunch, to review your corporate presentation, and let them know you'd like to work with them. An IRO who can offer a reporter access to his/her CEO is viewed very favorably.

- Don't wait until a crisis hits before trying to establish a relationship with the proxy voting teams of your large institutional investors.



LEFT: Nearly 70 exhibitors filled the Services Showcase exhibit as more than 1,400 attendees came to the NIRI Conference for learning, networking, and doing business on the exhibit floor.



RIGHT: Attendees network during the Welcome Reception.



New NIRI President and CEO Jim Cudahy connected with NIRI members throughout the conference and gave a speech previewing an exciting future for NIRI, including the new IR certification program.

“I am really excited from all the knowledge, networking I got from participating at NIRI 2015 Chicago. Keep bringing high level executives of companies (CEO, CFO) and capital markets specialists to maintain the level of knowledge and exchange of information very high!”

– A NIRI Annual Conference attendee



New NIRI Fellows honored at the conference included (left to right) Doug Wilburne of Textron, Deborah Kelly of Genesis, Keith Mabee of Falls Communications, and Sam Levenson of Arbor Advisory Group.

NIRI FELLOWS RECOGNITION

For the third year, NIRI used its Annual Conference as an opportunity to honor its new class of Fellows, recognized leaders who represent the ideals of the IR profession.

The NIRI Fellows Recognition Program recognizes members who have distinguished themselves on the basis of their leadership in NIRI as well as their integrity, involvement, and contributions to the IR profession throughout their careers. Those selected as a “NIRI Fellow” are highly engaged individuals whose commitment has led to continued service as content leaders, selection committee participants, authors, and thought leaders in NIRI and the field of investor relations.

The 2015 class of NIRI Fellows includes:

Deborah Kelly, Partner, Genesis Inc.

Sam Levenson, Chief Executive Officer, Arbor Advisory Group

Keith Mabee, Group President – Corporate Communications and Investor Relations, Falls Communications

Doug Wilburne, Vice President, Investor Relations, Textron Inc.



LEFT: Attendees mingle outdoors during the Global IR Summit Reception. **RIGHT:** Rick Santelli of the CNBC Business News network delivered his incisive assessment of the capital markets and how the Federal Reserve is handling monetary policy.

- To rebuild investor trust after it has been damaged, you should publicly acknowledge the issue, sincerely apologize, plan what to do, and make it right with your constituents and the company – even if you take a short-term hit.

On Monday evening, attendees gathered for a “Taste of Chicago” reception that featured pizza, hot dogs, and other local culinary favorites. “Blues Brothers” sunglasses were handed out and attendees posed for photos with “Joliet Jake” and “Elwood” look-alikes from that famous Chicago movie.

Tuesday Teaching

The day began with an “early risers” breakfast and Q&A session with President and CEO Jim Cudahy. Most of the questions from the audience related to the development and the timeline for NIRI’s IR certification program. Cudahy talked about the progress that has been made in recent months, including the hiring of a new director of certification and the formation of new item writing and examination committees of senior members. Cudahy shared some of the lessons he learned when he worked at the CFA Institute as it refined and expanded its certification program.

Tuesday’s first general session featured a panel with CFOs from Integrys Energy Group, Selective Insurance, and Hyatt Corp. They talked about market trends and their relationships with their IR teams.

In one of the more entertaining sessions of the conference, Rick Santelli, an editor

for the CNBC Business News network and regular contributor to CNBC’s “Squawk on the Street,” was interviewed by Doug Wilburne of Textron, who is a former NIRI chairman. Santelli’s rapid-fire comments on everything from the Federal Reserve

to the presidential candidates contained a torrent of statistics and his strong opinions about what’s wrong with the economy and the people who need to fix it.

The balance of Tuesday featured sessions on topics of great interest such as ESG

THE POWER OF NETWORKING

A member shares her views on the value of NIRI’s Annual Conference.

By Sheryl Joyce

I’ve just returned from the NIRI Annual Conference in Chicago, and once again, I left the conference feeling inspired. This was my seventh time attending, but this year was a bit different. In previous years, I represented a solutions provider in the exhibitors’ showcase. As the head of marketing for a solutions provider, I was tasked with ensuring the booth was ready to go. I made it my mission to attend and live tweet as many sessions as possible, while sharing sound bites with the Twitter universe.

This year, I was representing myself – as I am currently between jobs. I have been in IR now for over 15 years and a NIRI member since 2006. That meant paying my own airfare and hotel.

While in Chicago, I caught up with old friends and made some new ones. A frequent question I heard was: What are you up to and/or whom are you affiliated with? When I said I was in between jobs, I sometimes got a puzzled look and the question: why did you come?

For me, the NIRI Annual Conference is all about the power of networking. Here are my reasons for attending:

Putting a face to a tweet: I have been on Twitter for over five years, and during that time I have made many great connections (who have turned into friends), particularly in the IR space. I was lucky enough to see the rise of the #irchat hashtag, and for a short period of time, I hosted a live #irchat. Meeting up with the people you interact with on Twitter is one of the great things about attending the NIRI conference.

The same applies to LinkedIn. There is nothing better than meeting someone you’ve connected with on LinkedIn. Of course, it also helps to reach out before the conference to let them know you’ll be there. On the flip side, sending a LinkedIn request to someone you’ve met at the conference makes it a little less awkward.

reporting, guidance practices, engaging with proxy advisors, regulatory developments, enterprise risk management, crisis management, and materiality. Attendees also had a choice among several sponsored sessions and 15 “industry summit” discussions during the afternoon.

In a session on the “Empowered IRO,” a panel of experienced IR professionals talked about how they effectively dealt with a wide range of challenges and CEOs with differing management styles. One IRO told an engaging story of how she had to convince the board the company’s stock was a value stock since growth was consistently in the single digits.

The day concluded with more networking and cocktails at the well-attended service provider showcase reception where showcase giveaway winners were announced.

Wednesday Wisdom

The last day of the conference kicked off with a presentation by Jason Schenker of Prestige Economics, who discussed the macroeconomic trends and other factors, such as energy, metals, and foreign exchange rates that influence the global economy.

During the final general session, fund managers from Fidelity, Citadel, and Adage shared their views on activism, the globalization of investment opportunities, and

the role of IR. “We want to have a dialogue instead of a one-way message,” noted Kathy Buck of Fidelity. “We want IROs to be a strategic part of the management team.”

Finally, the 2015 NIRI Annual Conference ended the way it began with topic-based workshops, where attendees discussed how to respond to an aggressive activist, as well as a “Setting Your Career in Motion” panel with three recruiters who shared their views on the most highly valued skills of successful IROs. Members also had the opportunity to learn more about options trading and take a tour of the Chicago Board Options Exchange.

Based on attendee survey responses, it appears that almost everyone enjoyed their time in Chicago. Here are some of the comments on the conference:


“Beyond expectation!”

“Excellent conference. The certification program will be a great asset.”

“I wish there was some way to actually be able to attend more of the great concurrent sessions!”

“I really enjoyed the conference. I thought it was thoughtfully done. The length of the sessions was appropriate – long enough to have meaningful discussions without being exhausting.”

“Another great NIRI conference. I had a wonderful time at the conference! Looking forward to next year’s conference.”

Please mark your calendars now for the NIRI 2016 Annual Conference, which will be held June 5-8, 2016, in San Diego. 

Ted Allen is director of regulatory affairs and practice resources & editorial director at NIRI; tallen@niri.org. Karen Winkler, Rick Hans, Bernie Kilkelly, Al Rickard, and Ariel Finno contributed to this article.

Getting involved: I am also on the board of the NIRI Virtual chapter, which allows me to interact with many IR professionals I’ve only “met” on a conference call. It’s great to finally meet them in person at the conference. Many people want to get involved with NIRI but don’t know how. Attending the conference is a great way to learn about the chapters in your area and meet their members. NIRI chapters have a great schedule of programs and sessions tailored to those new to IR and to veterans. Attending these events allows for networking throughout the year and the opportunity to get more involved.

Keeping in the game: In my experience as a solutions provider, other providers notice when one of the usual suspects isn’t in the exhibit hall. This can apply to individuals as well, especially those who have been in IR for a long time and come to every conference. But this is a “Catch 22,” as someone new to IR needs to build a network, attend NIRI events, and make contacts. So you can’t really be missed if you aren’t a regular fixture.

Making new contacts: As more than 1,400 people attended the conference, it was difficult not to bump into NIRI members. Standing in line for my morning coffee was no exception. On this particular day, I asked the two gentlemen in line how they liked the conference. They said their plane was delayed and they had just arrived. But they quickly pointed out that this was their fifth time attending and they were happy they finally made it. As they looked at my badge, I mentioned I was in between jobs. Within seconds, they both offered their business cards and said they would contact me if they heard of anything.

I wasn’t taken aback by this; that is just what happens at NIRI. Great people, great networking, and great for your IR career!

***Sheryl Joyce** is a London-based IR, marketing, and communications professional. She currently serves as the chair of the Marketing and Communications Committee on the NIRI Virtual chapter board; sherylajoyce@gmail.com.*

TWO SHAREHOLDER ROADS LESS TRAVELED

IROs' traditional perception of the ideal shareholder base may need to change to incorporate hedge funds and retail investors.

By Apryl Motley



Two roads diverged in a wood, and I – I took the one less traveled by, and that has made all the difference.” Like the narrator in Robert Frost’s iconic poem “The Road Not Taken,” IROs find themselves at a crossroads as some begin to rethink long-held beliefs about which kinds of investors make up a company’s ideal shareholder base.

Chris Evenden, vice president, investor relations at Electronic Arts Inc., for example, was interested in testing the conventional wisdom that IROs should be primarily targeting long-only mutual funds. “Everyone tells you to focus on long-only investors,” Evenden says. “I wanted to explore and test that hypothesis.”

So last fall, in his role as vice president of programs for NIRI Silicon Valley, Evenden moderated a panel that considered the question, “What Is an Ideal Shareholder Base?” For many companies, the answer has been the same for quite some time: long-only holders minus hedge funds with less emphasis on retail investors.

However, Crystal Shen, who also participated on the panel, says, “When we’re talking about hedge funds, it’s important for IROs to keep an open mind rather than having 100 percent policy against talking with them.”

Shen is senior vice president, U.S. Technology, Media & Telecommunications and Services Corporate Access for Jefferies LLC. In this role, there’s quite a bit of “matchmaking” involved as she works with multiple clients at a time, institutional investors, buy-side, and IROs. By not being open to hedge funds as investors, she says IROs may be “closing themselves out of some very valuable conversations.”

Ken Zak, director of corporate relations for BetterInvesting and also a panelist, urges the same consideration for retail investors when IROs fall back on the traditional view that they are time-consuming. “IROs think they

have to spend a lot of time with them,” Zak said, “but retail investors realize that management’s time to spend with them is limited.”

BetterInvesting educates its members, both individuals and investment clubs, about how to do their own research to make informed decisions about where to invest. “They are highly educated,” Zak said. “They understand the C-suite’s role and we would not want to take them away from that.”

The ongoing dialogue about IROs rethinking their approach to building the ideal shareholder base continues here as these industry observers share their insights about working with hedge funds and retail investors – two groups that may still be absent from the shareholder portfolios of many companies.

Handling Hedge Funds

In Evenden’s experience all hedge funds are not created equal, so it’s important that IROs don’t see them as a “monolithic bloc.” Working with them will require additional research on the IRO’s part, but he believes it’s worth the time and effort.

“My interaction with hedge funds has shown their diversity,” he says. “There may be some funds that are traded daily and others that are essentially long only.”

“The perception of high turnover among hedge funds can be misunderstood,” Shen confirms. “Often the increments they are trading in are smaller lots around their overall position with the company.”

“It may seem like they are trading more rapidly or frequently,” she continued, “but not on the massive level that IROs might think.”

So how do IROs go about identifying those hedge funds that might be good investors? “I go at least one layer deeper in my research when I look at hedge funds,” Evenden says. “You have to look at the fund level and drill down.”

Both he and Shen indicated that getting a feel for the size and turnover of a hedge

fund is a good initial step. However, gaining a more sophisticated understanding of the fund requires the personal touch.

“Some IROs have started taking meetings with hedge funds and have gotten valuable insights while starting to build positive relationships,” Shen said. “They have basically learned by opening themselves up to new experiences.”

Evenden is in that group. “You actually have to speak to them to get a sense of their trading philosophies,” he said. “Once you determine the best people to speak to at the funds, they can be a valuable resource as you develop your story and message for the rest of the Street because they ask very detailed and in-depth questions.”

If IROs have concerns about a specific fund shorting their companies’ stock, that’s all the more reason to have a meeting. “If you’re not seeing a hedge fund because you’re afraid they are going to short your stock, the IRO, not the CEO, should meet with the fund to have a conversation,” Shen says.

“It might be worthwhile to have an IRO-only road show visiting a secondary market,” she continues. “It’s a fact-finding mission for expanding relationships and getting to know new investors. It helps IROs educate themselves more about the market and the overall landscape of available investors.”

“The onus is on IROs to educate themselves about hedge funds so that they have the background when suggesting that their companies meet with them,” Evenden agrees.

Even so, Shen says “there are instances where it makes sense for the CEO to take the meeting. Some hedge funds behave more like traditional institutional investors.”

“For larger hedge funds, they have larger concentrated stakes to take to move the needle,” she continues. “They need to hang onto stock longer their profits over the long term.”

However, according to Evenden, “CEOs and CFOs hear the H-word, and they recoil.

Hedge Funds: A Solution for Small Caps?

The decision to work more closely with hedge funds will vary based on the company's profile. For her part, Crystal Shen, senior vice president, U.S. Technology, Media & Telecommunication and Services Corporate Access for Jefferies LLC, thinks they definitely represent an opportunity for small caps in terms of diversifying their stock and building liquidity.

"Small caps seek to diversify their shareholder bases, but larger institutions may not be able to look at their stock," she explains. "That's when it may make sense for them to build relationships with hedge funds, but small caps might not think hedge funds are large enough or worth their time."

By the same token, to attract larger investors, "they need to get their story out there in front of investors, and working with hedge funds can be the starting point in reaching their long-term goal of meeting with larger investors," Shen says.

"The hedge fund community can provide a lot of liquidity for small caps," she continues, "and the long-term shareholder base needs liquidity before they can even look at your stock."

They don't want to meet with hedge funds, so you're missing out if you don't."

"You're setting yourself up for reduced demand," he continues. "If you believe your stock is a good investment, then you are limiting the pool of buyers by not speaking to hedge funds."

Reconsidering Retail

The same might be said of some companies' reluctance to engage with retail investors. "All IR teams should be looking for quality investors," Zak says, noting that retail investors who are members of BetterInvesting "are interested in finding good quality growth companies to invest in for the long term. They are very open and receptive to IROs. They are not looking for senior management to hold their hands."

"Some companies don't use their IR departments as much as they could," he continues. "They don't always have the personnel, but it's worth their time to get in front of high-quality retail investors to show that they have an interest and desire in having them as investors."

To that end, Zak emphasizes that there are efficient ways to get in front of retail investors. "They don't try to consume man-

agement's time with questions," he says.

"Instead, most feel comfortable using company websites that provide clear and concise messages that individuals and institutions can understand."

Kris Wenker, senior vice president, investor relations for General Mills Inc., concurs. "The retail audience doesn't want to see the CEO or CFO," she says. "That hasn't been a demand from them. This is an IR time decision and not a senior management decision."

Wenker also acknowledges that engaging retail investors does create phone traffic and says that IROs should "be prepared to devote staff time and resources to answering individual questions." General Mills launched a direct stock purchase plan in 2008, and individual investors make up 30 percent of its shareholder base.

From Zak's perspective, in addition to not taxing the C-suite's time, producing materials electronically has removed another barrier to companies engaging with retail investors. "It used to be more costly because of producing printed materials," Zak says. "Now everything is produced electronically and available through websites, which aren't just for institutions; individuals use them too."

General Mills, which has partnered with BetterInvesting by leveraging its regional and national conferences, definitely had its retail investors in mind when designing the company's investor website and blog. "Our website is set up for individual investors," says Penny Leporte, director, investor relations. "The graphics and language appeal to an individual who might not have in depth knowledge of the industry," she continues. "Our blog is similar in tone. It highlights what's going on in the company and features financially oriented posts as well."

Wenker says, "both the blog and website are great tools for reaching out to retail investors. Determining how to take advantage of cost effective means to reach retail investors is essential."

Another strategy that Leporte and Wenker use is partnering with an institution to host a telephone Q&A session with the company's CEO that will be broadcast through a larger brokerage network," which Leporte says, is "a good way to reach a broader audience."

In regards to audience, working with retail investors often means appealing to them as consumers, too. "Some of our messaging has to address both investor and consumer perspectives," Leporte notes. "We're attractive to retail investors because we've paid dividends for 116 years, and they know our products. They approach us from both angles."

In Zak's experience, "individual investors, for most companies, are also their consumers. They embrace the companies' products, as well as investing."

"Companies may think they aren't reaching out to retail investors, but they are," he says.

"Do they need to be 50 percent of the shareholder makeup? No. Could they be 5 or 10 or 20 percent? Yes." **IRU**

Apryl Motley is a freelance writer based in Columbia, Maryland; amotley27@aol.com.

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BUILD IT AND THEY WILL COME

The Laclede Group flew under the radar for 115 years as one of the original Dow Dozen. **Then it created an IR program. The results are impressive.**

By Alexandra Walsh

How often do you find a company that has more than a century of public trading that doesn't have an investor relations program? Not often.

But The Laclede Group, founded as the Laclede Gas Light Company in St. Louis before the Civil War, was just such a company. It was also one of the original Dow Dozen component companies back in 1896.

Until two and half years ago, it was a small, quiet company that wasn't followed by a lot of analysts, its stock didn't trade heavily, and its shares were not easy for investors to get in and out of.

Laclede didn't hire its first IRO until late 2012.

Since then, the company has begun traditional investor relations activities, which has coincided with the launch and execution of a growth strategy that includes acquisitions. And the results of a more proactive outreach effort to the financial community has been impressive – Laclede now has coverage from 11 top-tier analysts, has expanded the composition of its shareholder base (increasing its percentage of institutional investors from 50 to 80 percent), and has seen its share price rise 34 percent and its market cap grow dramatically from less than \$900 million to more than \$2.2 billion.

For a very old company, that until a few years ago was simply the gas company that served the St. Louis area, this is all very new. So how do you grow a successful IR program from scratch and build and maintain management credibility with the Street for a company that's been around for 158 years and publicly traded for 126 years?

"You need a catalyst to change perceptions about the company," says Scott Dudley, Laclede's managing director and

the IRO who created the company's first IR program. "And that catalyst was a new CEO who was recruited by the board to lead the company on a growth trajectory."

When Suzanne Sitherwood took the reins as CEO in early 2012, she was surprised to discover there was no IR person at Laclede. By late fall, Dudley had been hired to spearhead investor relations for Laclede.

"I thought it was a very attractive proposition to be the first IRO at this company because it was very clear from the start that the c-suite and the board were fully committed to the function and realized how important a function it was," Dudley recalls. It was also a sector he was familiar with, since he spent the first 15 years of his career doing IR in the utilities industry.

Dudley says from day one, the CEO articulated the pillars of her strategic growth plan for the company. The first pillar was to acquire gas companies. Laclede acquired Missouri Gas Energy in 2013 and Alabama Gas Corporation in 2014. This meant Laclede was no longer just the local gas utility in St. Louis – it was also a clear marker on the path to longer-term growth. "These acquisitions made strategic sense," points out Dudley. "They obviously fit with our existing business and our natural gas industry expertise. They were well-run companies that we believed we could integrate well to create additional value and grow organically over time."

Another growth pillar for the old company was to invest in infrastructure, which for gas utilities means underground distribution pipelines. "We did this primarily to not only improve safety and reliability, but also to grow our earnings through regulatory recovery of our investment," Dudley explains.

In addition, Laclede's growth strategy included developing and investing in emerging technologies – all gas related. "We started by investing in compressed

natural gas (CNG) fueling solutions, opening our first CNG station in St. Louis in late 2013," he notes. "We have a second one under construction in South Carolina."

Dudley says these strategic pillars for growth were wrapped around a mandate to leverage current expertise and competencies. "In pursuit of long-term growth, we're not going off the reservation. We stick to what we know well and find ways to grow our company in its core business – delivering gas at the consumer end."

The First Call

"When I arrived, my first charge was to tackle what was of immediate importance and that was instituting quarterly earnings conference calls." Dudley recalls his first five weeks were spent pulling everything together for that first earnings call including an expanded news release with a full set of financials, scripts for the CEO and CFO, Q&A, and a target list of key investors and analysts to reach out to. That list has more than tripled since that first call.

Dudley says he got a lot of positive feedback about that call, which was really just basic IR best practices – providing a substantive earnings news release, and having a CEO and CFO willing to provide detailed commentary. According to Dudley, the CEO spent time reiterating her growth strategy on that call in late November. One month later, the company announced its first acquisition.

The announcement of the acquisition triggered a major outreach initiative and Dudley spent the next several months squeezing in as many road shows and investor calls as possible – some on his own, many with sell-side analysts escorting him. In June 2013, Laclede completed a very successful equity offering as part of the financing for the deal. Dudley explains that the investor outreach (deal roadshow) for the equity offering occurred

in the middle of executing a broader strategy to do proactive IR, including investor targeting. The equity offering was like a mini-IR program unto itself. The process repeated a year later when Laclede announced its second acquisition.

“From the beginning, we took extra care to know not only who are shareholders were but also who potential new shareholders were. We started doing surveillance with an outside firm, and using the Thompson database for investor targeting and identification. These were just some of the basic things we needed to do to have a mainstream IR program.”

According to Dudley, it has been relatively easy to tell their story and garner analyst and investor interest because in terms of strategy and execution, the company has done what they said they would.

“We established credibility for our management team by reinforcing why the first acquisition made sense, why it was good for supporting our long-term earnings growth plan, how we did what we said we would do. That is why we could be trusted,” sums up Dudley. “That’s our consistent drumbeat and the message we are getting in front of our key audiences, including the sell-side who are important messengers on our behalf.”

Metrics for Success

Dudley says they do have metrics for success, such as how well the financial community outreach program, including targeting, is executed – the quality of meetings during road shows and investor conferences, and the scope and quality of sell-side coverage.

“Many of our metrics early on have been around mainstream activities to get our program up and running, to get more coverage, to build our investor base, and improve our valuation,” Dudley points out.

All About the Team

“How engaged the management team and board has been on this journey is every-

“WHEN I ARRIVED, MY FIRST CHARGE WAS TO TACKLE WHAT WAS OF IMMEDIATE IMPORTANCE AND THAT WAS INSTITUTING QUARTERLY EARNINGS CONFERENCE CALLS.”

SCOTT DUDLEY, MANAGING DIRECTOR, LACLEDE

thing,” Dudley adds. “All the activity and things we’ve done are of great interest to them and to our employees, most of whom own company stock. They think it’s very important that we get noticed for all our efforts by how well our stock performs, by having as good analyst coverage as anybody in the space, having the right kind of investors, and that we’re ultimately doing all we can to ensure value is realized.”


He adds, “Part of what makes IR so rewarding as a profession is that what you’re doing is important to so many people, both inside and outside the company.”

Dudley says he also ramped up quarterly reporting to the board regarding IR plans, activities and outcomes, including changes in the shareholder base, new analyst cov-

erage and sell-side opinions, and how the stock is performing on a relative basis.

He explains that the company is also progressing towards providing earnings guidance, another basic element of good IR. “Initially, we were an outlier in not providing traditional guidance, but we’ve taken steps over the last year or so to move in that direction. With our first acquisition, we communicated that we thought earnings would be flat for that first year and then we’d see accretion starting the second year. With the second acquisition, we were able to provide a long-term earnings-per-share growth target, which helped the Street with how to think about the next couple of years.”

Compared to other IR positions he’s held, Dudley admits the last two years of back-to-back acquisitions and equity offerings while doubling the company’s analyst base have been more intense, busy and all about activity and change – but good change.

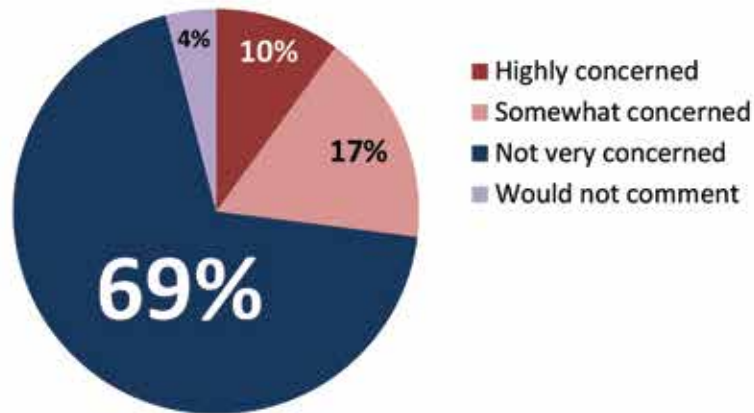
“As IROs, we generally are not the creators but the packagers of information, and the most important thing we can do for the success of our program and our company overall is to build credibility by constructing and effectively communicating a compelling investment story for the financial community,” Dudley points out. “The key to successful IR, especially when you’re building a program from the ground up, is to understand your audience and your company so that you can package and deliver a convincing argument for owning the stock. Good IR is built on establishing and maintaining credibility, so performance against strategic objectives matters a lot. But in the end, if you build it (a solid, proactive program) they (investors) will come.” 

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

Companies are not concerned about being targeted by activists:

Senior Management's Level of Concern about Being Targeted by Activist Shareholders

(156 CEOs and CFOs; December 2014)



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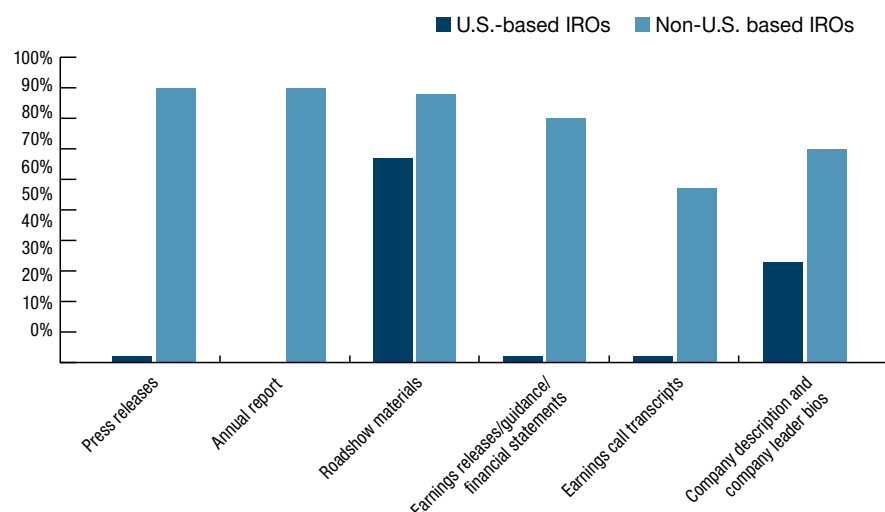
ONE OF THE MOST frequently visited pages on the NIRI website, the NIRI Career Center is a valuable resource. Members can search job listings nationwide and post their resumes free of charge. A sampling of job postings this spring:

- Vice President, Investor Relations (New York, NY)
- Director, Investor Relations & Corporate Communications (Burnaby, BC)
- Senior Analyst, Investor (Deerfield, IL)
- Director, Investor Relations and Corporate Communications (San Francisco, CA)
- Director, Investor Relations (Bethesda, MD)
- Senior Manager, Investor Relations (Deerfield, IL)
- Manager, Investor Relations (Houston, TX)
- Senior Manager / Director, Investor Relations (Palo Alto, CA)

Members can also access the NIRI-Korn Ferry International Corporate IR Profession and Compensation Study - 2014, the NIRI Compensation Wizard, as well as IR job descriptions. Employers and executive recruiters can post a job for 30-days and search member resumes for a \$350 fee. For more information or to post a job on the NIRI Career Center, please contact James Taube at jtaube@niri.org or (703) 562-7672.

IR Research At-A-Glance

MATERIALS IROS HAVE PROFESSIONALLY TRANSLATED INTO THE LOCAL LANGUAGE WHEN VISITING INVESTORS OUTSIDE THEIR HOME COUNTRY MARKET



Source: Global IR Considerations Survey - 2015. Number of Respondents = 254.

On the Move



Bruce Mann, vice president, investor relations at Rogers Communications, has been named

to the NYSE Listed Company Advisory Board. The board reviews and prioritizes issues such as Form 13F filings, proxy access, share repurchasing plans, sustainability practices, and International Financial Reporting Standards implementation. Mann is the only Canadian investor relations officer on the board. This board also includes John Chevalier, Director, Global Investor Relations, Procter & Gamble Co.; David Dragics, Senior Vice President, Investor Relations, CACI International Inc.; and Bina Thompson, Senior Vice President, Investor Relations, Colgate-Palmolive Co.

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

Professional Development Calendar

For more information, visit www.niri.org/calendar.

September 2015

27-30 Fundamentals of Investor Relations seminar, Boston, MA

October 2015

1 Keys to Successful Investor Presentations, Boston, MA

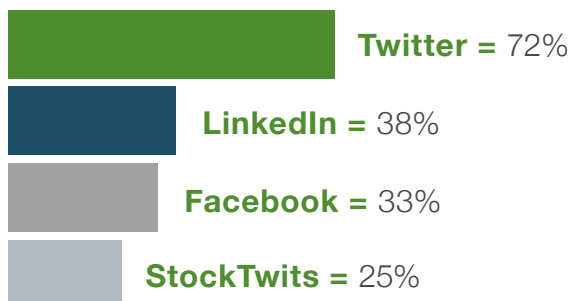
26 Managing Shareholder Activism seminar, New York, NY

NIRI NUMBERS

Social Media use for Investor Relations



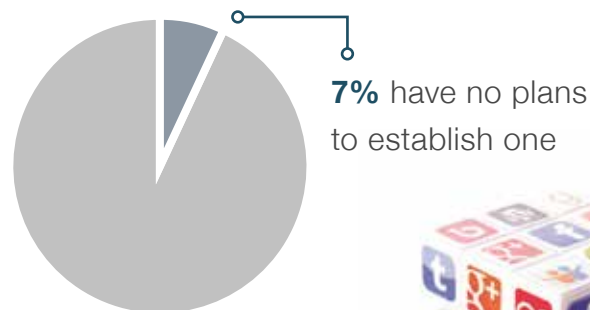
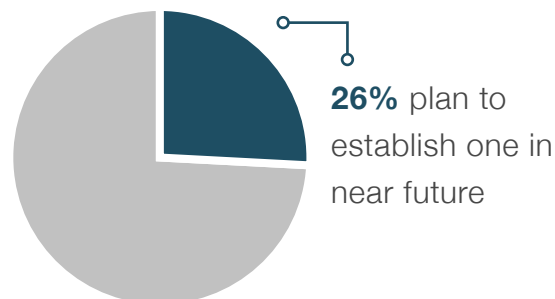
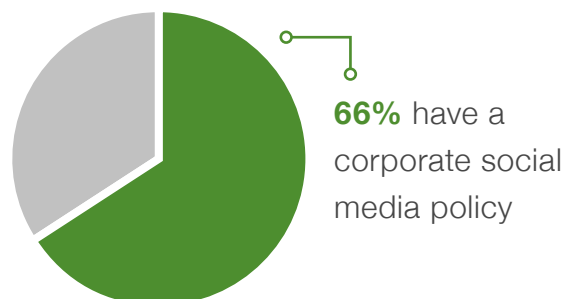
Top four social media tools among IR practitioners using social media



2 out of 4 counselor members use social media for IR



1 out of 4 corporate practitioner members use social media for IR



84%

of IROs indicate no interest, or neutral interest from the investment community regarding engaging with their IR departments through social media.

Not a member? Go to www.niri.org/joinniri and gain access to NIRI survey results.

SOURCE: NIRI Social Media Use in Investor Relations – 2013 Survey Results



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Identifying and Connecting With Investors

The NIRI Virtual chapter explored how targeting can help your IR program during a recent webcast panel discussion.

By Kevin Mead

At its core, investor relations is about promoting a fair and sustainable valuation; targeting is a process that IR professionals can leverage to accomplish that goal. The NIRI Virtual chapter recently hosted a webcast, “Identifying and Connecting with Investors,” which explored these topics.

As vice president for investor relations at Regal Entertainment Group, I moderated a panel discussion with Justin Vieira, global head of corporate analytics at Ipreo, and Raj Mehan, director of investor relations and assistant treasurer for Steelcase. Here are some of the key takeaways from the discussion.

What targeting tools are currently available?

There are a number of online solutions that provide quantitative research about institutional portfolios, as well as ranking metrics to identify which portfolios are the best candidates to own your stock. There are also several service providers that offer targeting on a consulting basis. These services range from one-time projects for an event to ongoing retainer programs that provide IROs with continuous feedback and monitoring. Which is right for your IR department? That depends on the size and capabilities of your function.

Whom should you be meeting with and why?

The first step in a successful targeting program is to understand your current

shareholders. You have to go beyond high-level listings of your holders and dig down to the fund level where an investment is held. Individual funds have specific investment strategies, risk characteristics, and holding patterns. This analysis of behavior and fit helps you gain a better understanding of the investor’s profile and

“IROs should focus the majority of their time on investors that tend to invest in assets that are similar to your securities fundamentally.”

– Justin Vieira, global head of corporate analytics, Ipreo

ownership composition, as well as ultimately identifying suitability characteristics that enable targeting other similar investors.

How much influence do you have with banks and corporate access teams?

You receive the list of one-on-one meetings for an investor conference and it doesn’t look anything like your list. Now what? There is a balance to managing sell-side priorities with your company’s. Whether you have five or thirty-five analysts, you have to build relationships; there has to be a comfort level and trust to have an open and candid dialogue to ensure you are getting in front of the right investors.

How can you improve communication with the investment community?

Much time and effort is spent on investor presentations and investment materials — targeting efforts should mirror investor communication. In other words, the investment thesis being communicated should serve as a basis for building metrics to identify and rank which portfolios are the best candidates to own your stock.

What is the impact of your targeting efforts?

Measurement is a critical element to understanding the effectiveness of your efforts and communicating to management and the board. You can use surveillance to monitor activity after meeting with inves-

tors. In addition to monitoring activity, you can request feedback from sell-side analysts to better understand if the message resonated with the target.

All of the techniques discussed are valuable, but are not without challenges. In today’s competitive marketplace, IROs need to be able to combine a traditional qualitative approach with quantitative or analytical tools to react quickly in a rapidly changing environment. The art and science of targeting will help you attract and maintain investors.

Kevin Mead is vice president, investor relations and planning at Regal Entertainment Group; kevin.mead@regalcinemas.com



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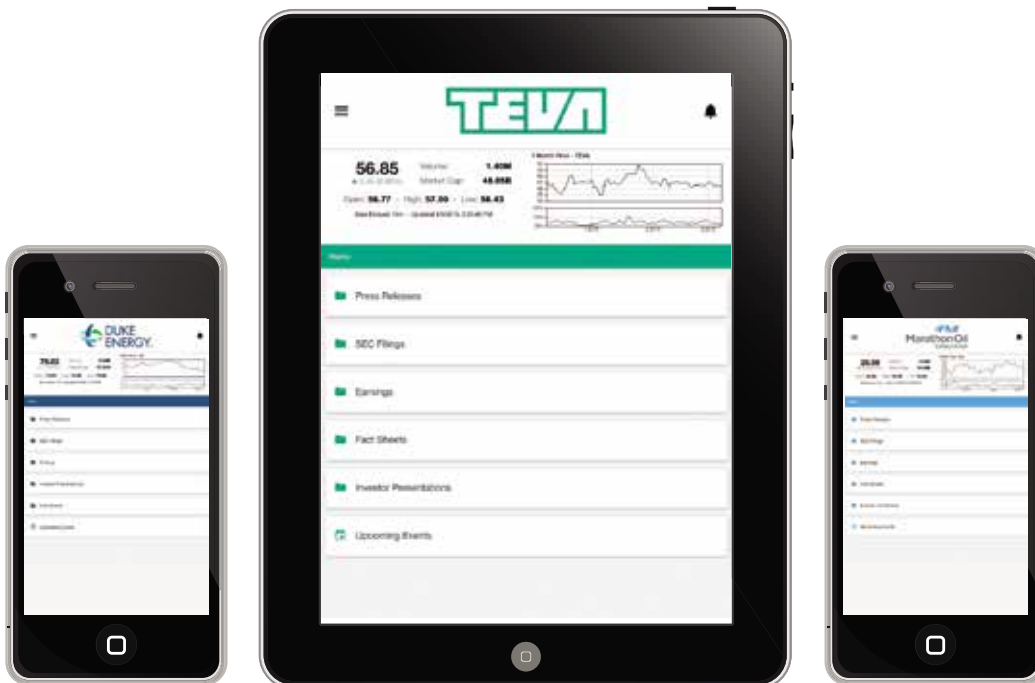
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