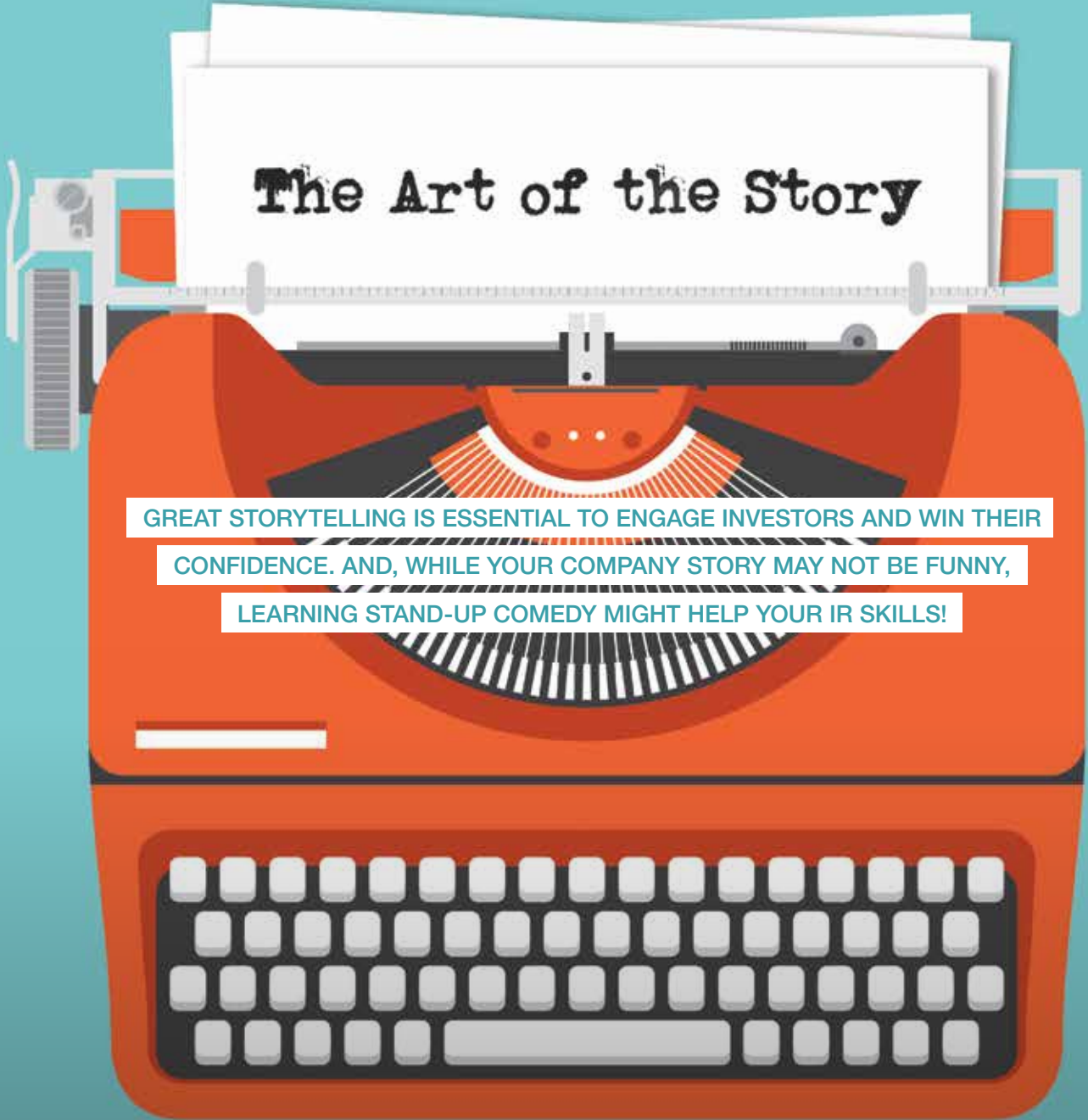


IRupdate

SEPTEMBER 2015

the voice of the investor relations profession

National
Investor
Relations
Institute
www.niri.org



The Art of the Story

GREAT STORYTELLING IS ESSENTIAL TO ENGAGE INVESTORS AND WIN THEIR
CONFIDENCE. AND, WHILE YOUR COMPANY STORY MAY NOT BE FUNNY,
LEARNING STAND-UP COMEDY MIGHT HELP YOUR IR SKILLS!

10 Shifting to a
Long-Term Focus

14 Shhhhhhh...
Quiet, Please

22 Leveling the Trading
Playing Field

ModernIR invented the light bulb.*

***We didn't – that was Thomas Edison, but
ModernIR *did* invent Market Structure Analytics™.**

Since 2005, we have helped public companies understand their trading activity. ModernIR remains the only firm modeling trade-executions into behavioral measures of the money behind your price and volume. We know if indexes are setting price, or rational investment. Shouldn't you?

We're not in the light bulb business. But we are experts in market structure. We have the contemporary – and better – answers your management needs.

Visit ModernIR.com to learn more about **EquityAnalysis™**



ModernIR

Market Structure Analytics™

President and CEO & Publisher
James M. Cudahy, CAE

**Director, Practice Resources,
and Editorial Director**
Ted Allen
tallen@niri.org

Editor-in-Chief
Al Rickard, CAE
arickard@associationvision.com

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

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

Contributing Staff
Ariel Finno
Michael C. McGough, CAE
James Taube

Letters to the Editor

IR Update welcomes letters to the editor.
Please send feedback to arickard@associationvision.com.

About NIRI

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

© 2015 by the National Investor Relations Institute. All rights reserved.

For Change of Address, Contact:

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



6

The Art of the Story

Great storytelling is essential to engage investors and win their confidence. And, while your company story may not be funny, learning stand-up comedy might help your IR skills!

By Joe Crivelli



10

Shifting to a Long-Term Focus

A conversation with Dominic Barton on the "Focusing Capital on the Long Term" initiative.

By Ted Allen



14

Shhhhhh... Quiet, Please

While 85 percent of the respondents in a recent NIRI survey put a quiet period into effect prior to an earnings announcement, the scope of quiet period policies can greatly vary.

By Margo Vanover Porter

DEPARTMENTS

4 At the Bell

Thanks for Joining Us in Chicago

By Mark Donohue

18 On the Books

Connecting With Colleagues in a Diverse World

Managing and working with people across cultures and generations is essential for IROs. The book "Flex" explores ways to do that effectively.

20 NIRI Now

- Quick Takes
- IR Research-At-A-Glance
- Professional Development Calendar
- NIRI Numbers

22 Spotlight on Chapters

Leveling the Trading Playing Field

Ronan Ryan of IEX gives an inside look at how high-frequency trading affects equity markets.

By Geri Weinfeld and Lori Hillman

Thanks for Joining Us in Chicago

It was great to see so many colleagues in June at the NIRI Annual Conference in Chicago. Every year I look forward to this event as a great opportunity to enhance my knowledge base, catch up with friends, meet new members, and build my professional network. The conference co-chairs, Dennie Kimbrough and Shep Dunlap, as well as the Annual Conference Committee, developed a great lineup of sessions. If you registered for the conference but missed sessions, program replays and materials are available at <http://ac15.niristream.org>. Planning is already underway for the 2016 Annual Conference in San Diego, so please mark your calendars to attend on June 5-8.

For those who could not attend this year's conference, this issue of *IR Update* includes an interview with Dominic Barton of McKinsey & Co., who spoke at the Monday morning general session about his "Focusing Capital on the Long Term" initiative. He discussed how companies, senior executives, and boards should deal with the pressure from financial markets to maximize short-term results, and he offered advice on how to communicate with investors who have a longer-term outlook.

This issue also includes a piece titled "Shhhhhh...Quiet, Please," which elaborates on the findings of the February 2015 NIRI survey report on trading blackouts and quiet periods. While 85 percent of respondents said they observe a quiet period prior to an earnings announcement, the scope of quiet period policies can vary greatly.

Of course, when we are not in a quiet period, telling a great story is essential to engaging investors and winning their confidence. And, though your company story may not be funny, learning stand-up comedy might help your IR skills! Be sure you read this month's article, "The Art of the Story."

OneNIRI 2015-2018 Strategy Update

NIRI staff and the Board of Directors continue to make progress on the long-term strategic initiatives that are outlined in the OneNIRI 2015-2018 Strategy Statement, which can be found on NIRI's website at www.niri.org under "About Us." The IR certification program is evolving with draft exam questions now being developed, and a goal to launch the program in 2016. Stay tuned for more information about this important initiative. In addition, the redesigned NIRI website is in the final stages of design and will be launched later this year.

As always, please contact me, any of the board members, or NIRI staff members with comments or questions.



Mark Donohue

Chair, NIRI

Vice President, Investor Relations and Corporate Communications

Impax Laboratories

mark.donohue@impaxlabs.com

Editorial Advisory Board

Alexandra Deignan
Schnitzer Steel Industries, Inc.

Scott Dudley
The Laclede Group

Alan Engbring
Conatus Pharmaceuticals

James Farley
Investment Technology Group, Inc.

Patrick Gallagher
Fahlgren Mortine

Eileen Gannon
Workiva

Rebecca Gardy
Nike Inc.

Heather Kos
Ingredion

Gregg Lampf
Ciena Corporation

Evan Pondel
PondelWilkinson

Maryellen Thielen
The Allstate Corporation

NIRI Board of Directors

Mark Donohue, Chair, NIRI
Impax Laboratories

Lee M. Ahlstrom
Paragon Offshore

Liz Bauer
CSG Systems International, Inc.

Robert Burton
Lambert, Edwards & Associates

David Calusdian
Sharon Merrill Associates

Ruth Cotter
Advanced Micro Devices

James M. Cudahy, CAE
National Investor Relations Institute

Laura A. Graves
Micron Technology Inc.

Anne Guimard
FINEO Investor Relations

Valerie Haertel
BNY Mellon

Dennie Kimbrough
Microsoft Corporation

Felise Kissell
HSN, Inc.

Angeline McCabe
WellCare Health Plans

Nils Paellmann
T-Mobile US

Deborah Pawlowski
Kei Advisors LLC

Charles Triano
Pfizer Inc.

Mark Warren
Vulcan Materials Company

We know it's your reputation. We're Investis.

We plan, create and manage corporate websites, apps and social channels. Helping companies to communicate with, engage and understand their audience so they can build stronger, trusted connections with the people that matter.

We currently manage IR and corporate websites, apps, and other digital services for nearly 2,000 publicly-listed companies globally.

If you need a best practice IR website, super-engaging corporate website, investor app, or just a stock price feed, give us a call for great service and access to our unique technology platform.

We're one of the fastest growing IR website providers in North America.

For further information please contact

New York

1-646-766-9000

San Francisco

1-415-302-7958

West Palm Beach

1-561-753-7051





The Art of the Story

GREAT STORYTELLING IS ESSENTIAL
TO ENGAGE INVESTORS AND WIN
THEIR CONFIDENCE. AND, WHILE YOUR
COMPANY STORY MAY NOT BE FUNNY,
LEARNING STAND-UP COMEDY MIGHT
HELP YOUR IR SKILLS! By Joe Crivelli

A lot goes into an effective IR campaign.

It takes a well-thought-out target list, intricate knowledge of top investors and their hot buttons, a management team willing to devote the time to investor meetings, a deep understanding of the financial and macro-economic metrics that drive the business, and naturally, a credible IRO who has the trust and respect of investors and management alike.

But the core of great IR is great storytelling. Our charge as IROs is to create a compelling narrative that inspires investors to act. Our goal is to leave each one-on-one meeting with the investor saying, “I love that story. Call the trading desk and initiate a position.”

The best IROs have a nice balance between their right and left brains. On one hand, we have to analyze the financial metrics that drive the business; we have to get inside the income statement and balance sheet and understand why, for example, gross margins decreased 10 basis points last quarter. But more importantly, we have to explain -- in written word, in presentations, and in spoken word -- why that 10 point deterioration is a one-time event and not the start of a new trend. That’s storytelling.

Christopher Booker, in his book, “The Seven Basic Plots: Why We Tell Stories,” observes that all of literature can be boiled down to seven stories: overcoming the monster, rebirth, quest, journey and return, rags to riches, tragedy, and comedy. I’d propose that there are three basic stories in investor relations: chart up and to the right;

chart flat; and chart down and to the right. In the first case, our narrative is crafted around why the trend is sustainable, and in the latter two cases, why it’s reversible and will soon turn up and to the right.

Sometimes you’re working for a company that’s an industry darling and is performing well. The stock is on a tear. The phone is ringing off the hook with investors who want to hear the story. Road shows are a love-fest full of meetings with happy investors, on-the-edge-of-their-seats prospective investors, or sell-siders who can’t wait to launch coverage and get you out on the road. Questions about earnings calls all start with, “Hey, congrats on another great quarter!” Our narrative is peppered with details of the company’s plans to continue to grow market share, extract earnings leverage through economies of scale or further cost controls, or continue to make smart and accretive acquisitions.

And sometimes you’re charged with telling a turnaround story. Earnings are deteriorating. The stock is down, perhaps to multi-year lows. The economic backdrop is bleak. Investor questions have an edge, and it’s a challenge to fill a day on the road. Or maybe, revenue and earnings have been flat, the stock has range traded for years, and investor interest has dried up. Long-standing investors wonder when they will see a return on their investment, and coverage has drifted away to more exciting companies.

In each of these cases, the challenge is in communicating the strategic plans that management has in place, along with a timeline for when the financials will improve, and then mining the financial statements for clues that provide investors with early indicators of the turnaround.

Regardless of the scenario, a well-crafted narrative weaves a thread of consistency from one meeting to the next, from one

earnings call to the next, and follows the marketing maxim to “tell them what you’re going to tell them; then tell them; then tell them what you just told them.”

With that as a backdrop, here are some great ways that IROs can enhance their storytelling:

Talk to employees – lots of employees. It goes without saying that quality time with the CEO and her direct reports is a fundamental ingredient to creating the corporate narrative. We have to understand what makes her tick, what keeps her up at night, and what her vision for the company is. We have to dig into the strategic plan, understand the drivers of the plan, and the expected results. But often, long-standing employees deep in the organization can provide different perspectives on what makes the company tick. It’s important to have a top-notch internal network of people you can go to for these insights. Some of the best stories I have used in IR narratives have come from engineers, production workers, front-line sales personnel, and other employees who really know the company and its keys to success.

Exercise the right brain. As many IROs come up from the financial side of the house, it’s important to strengthen the creative side of your brain to develop that storytelling muscle. Take an art class; write poetry just for fun; or doodle more. Write the first draft of your earnings release in the style of your favorite author. There are infinite ways to exercise the right brain. Be creative -- which is precisely the point, anyway!

Get on stage. Earlier this year, I signed up for an “Intro to Standup” class at a local comedy club. During the class, the teacher coached us to carry a notebook,



**To do our jobs,
IROs need
to be great
storytellers.
We need to tell
our companies'
investor stories
in a compelling,
exciting way
that leaves
investors
wanting more.**

write stuff down, and share potential new material at the next class. He then helped us craft our witty observations, ironic life experiences, and dark thoughts into comedy routines or “bits” that could be quickly remembered and performed on stage. It was one of the most fun things I’ve ever done, and while going up on stage during my first open mic night was terrifying, walking off stage to applause and laughter gave me an adrenaline rush like I’ve never felt in my life.

A few days after my show, I was on a road trip through the Mid-Atlantic with my company’s CFO. As investors asked questions, I found myself thinking, “Okay, here’s where we do the bit about net interest margin” . . . “Here’s where we do the bit about how we underwrite energy loans.” And it hit me — standup is almost exactly like IR!

Disciplines learned in standup can help you identify those aspects of your company that are worth being baked into your story. It can help you learn the discipline for distilling ideas into the narrative. It can help you refine your sound bites to manageable, easy to

remember bits. And, if you’re like me, it will push you out of your comfort zone.

If standup comedy sounds too irreverent and daunting, there are other options. “StorySLAM” competitions are gatherings in many cities in which participants tell a five-minute story about a pre-selected topic; and Toastmasters clubs across the country help members improve their public speaking skills by giving speeches at monthly gatherings.

Study other companies and other industries. I like to review the investor materials for companies that are at the top of their marketing game. I look for companies that are perennial industry darlings or cult stocks, or companies that have IROs who are winners of Institutional Investor’s All-America Executive Team awards. Imitation is the sincerest form of flattery, and sometimes it’s the clearest path to a better investor narrative.

Take time to think. Whether it’s a workout at the gym, a brisk walk through

downtown, or a quick catnap in your car during the lunch hour, it’s important to take time each day to get away from the daily grind. As the old saying goes, “all work and no play makes Jack a dull boy” (or Jackie a dull girl). Analytical minds need time to shut off to let the creative juices simmer and flow.

To do our jobs, IROs need to be great storytellers. We need to tell our companies’ investor stories in a compelling, exciting way that leaves investors wanting more. All of the deliverables we create as IROs, whether conference call scripts, presentations, annual reports, or executive speeches, should support the overarching narrative. By honing our storytelling skills, we can add value to our organizations, give voice to our management teams, and even influence the culture of our organizations. It’s worth investing time in these skills to take our IR game to the next level. **IRU**

Joe Crivelli is senior vice president and director of investor relations at BOK Financial Corp., Tulsa, Oklahoma; jcrivelli@bokf.com.

MAXIMIZE INVESTOR DAY RESULTS

Corbin Perception
Buy Side Research
Reveals...

89%

Report that investor days are a valuable use of their time and corporate resources

88%

Report the investor presentation is the most influential source of information outside meeting with management

“The event served as a catalyst for us to sit down and go over the Company. We then made our decision to invest.”

Corbin Perception provides the expertise, hands-on project management and support necessary to maximize your investor day value and impact.

We serve as a strategic partner and collaborate with our clients to execute best-in-class investor events. We leverage our deep knowledge of investor communication best practices and relevant experience to elevate your company's investment thesis and thus investment appeal.

OUR INVESTOR DAY SOLUTION INCLUDES:

- Pre-event Perception Study
- Event Strategy & Execution
- Critical Messaging, Positioning
- Presentation Development
- Post-event Survey

To learn more about our advisory services, visit CorbinPerception.com or call (860) 321-7309.



SHIFTING TO A **LONG-TERM FOCUS**

A conversation with
Dominic Barton on the
“Focusing Capital on the
Long Term” initiative.

By Ted Allen

DOMINIC BARTON delivered a keynote general session address during NIRI’s 2015 Annual Conference. Barton, global managing director at McKinsey & Co., is a co-founder of the “Focusing Capital on the Long Term” initiative, which also is led by Mark Wiseman, president and CEO of the Canada Pension Plan Investment Board (CPPIB), and Laurence Fink, CEO and chairman of BlackRock. »

IR Update magazine interviewed Barton about this initiative.

What are the goals of the “Focusing Capital on the Long Term” (FCLT) initiative?

Two years ago, McKinsey and the CPPIB invited business leaders from around the world to form the FCLT initiative. Our mission was clear: to develop actionable steps to promote long-term thinking and combat the short-termism that has come to dominate many of the world’s most important companies, investment funds, and regulatory bodies. Our research showed that an array of forces -- from compensation plans based on annual benchmarks to shorter time horizons on the part of investors -- were contributing to an organizational myopia that rewarded short-term gains at the expense of sustainable value in the future.

This initiative has grown into a global effort, comprising more than 20 different organizations around the world with representation from three key parts of the investment value chain: asset owners, asset managers, and corporate boards.

In March 2015, we held a “Long-Term Value Summit” in New York. With more than 120 participants from 18 countries, the summit truly exceeded expectations. As we broke down into working groups throughout the day, participants rolled up their sleeves, carefully delineated the problems, and came up with a range of near-term and longer-term solutions.

The candor of participants as they described the challenges they face in trying to maintain a long-term view of their businesses underscored the magnitude of the problem. From compensation packages that reward immediate results to investors who are more concerned with quarterly earnings than fundamentals, to accounting and regulatory rules that unintentionally

nudge organizations to the short term, the forces of short-termism have become pervasive. Even boards of directors have become a source of short-term pressure.

Many participants vowed to renew their commitment to finding strategies for focusing their organizations on a longer-term time horizon, in some cases, using proposals generated at the summit. Already, they have begun to send us feedback on those practices.

However, the summit is an early step in a very long process. That process will require a fundamental change in mind-sets and culture. These are not the sorts of changes that are made with the flip of a switch, but rather as the result of consistent, concerted effort by leaders throughout the ecosystem. We are determined to keep this important conversation alive and hope that companies, board members, and investor relations professionals will join us in doing so.

What are the factors that are driving short-termism today?

The main driver of this persistent rise of short-termism has been the tendency of investors to sell rather than engage with companies. The average duration of London Stock Exchange holdings fell from five years in 1966 to only eight months in 2007. Similar trends exist in the United States, where the average duration of New York Stock Exchange holdings has fallen from six years in 1975 to only six months in 2010. While some of this change can be explained by investment managers buying in and out to take advantage of price fluctuations, there are pervasive market pressures to meet returns over shorter and shorter time horizons.

Meanwhile, corporate leaders are feeling greater pressure to deliver short-term performance. McKinsey conducted a global survey of senior executives and directors in

2014 and 2013; in both years, almost two-thirds of respondents told us that pressure has increased over the past five years to generate short-term results. In 2014, 84 percent of senior executives told us that they felt the most pressure to demonstrate financial results within just 24 months, up from 79 percent in 2013.

Why is short-termism harmful for companies?

Short-termism is here and it’s having an effect on the long-term sustainability of our companies.

We surveyed 400 CFOs and asked how large of a sacrifice in value their firms would make to avoid a bumpy earnings path. Seventy-eight percent of them said they would sacrifice value creation for “smoother” quarterly earnings, while 55 percent said they would forgo a NPV-positive investment if it meant missing quarterly earnings estimates by a penny.

Short-term thinking also is causing public companies to systematically underinvest. One study of the investment practices of private and public companies found that private firms make net investments that amount to 9.4 percent of their total assets, as compared with just 2.2 percent for public companies.

Over the past decade, S&P 500 companies have committed less and less of their operating cash flows to capital spending and other long-term investments in their organizations, while increasing dividends and share buybacks, which essentially are a form of market price manipulation. In 2013, S&P 500 companies allocated 36 percent of their operating cash flow for dividends and buybacks, which surpassed the 29 percent for capital expenditures.

It also is worth noting that companies that manage closely to their short-term targets can end up destroying value. Research has shown that companies that marginally

exceed their quarterly earnings targets will underperform over a longer period (two or three years) against those companies that marginally miss those targets.

What are the benefits of long-term thinking?

Despite these short-term pressures, 86 percent of the senior executives we surveyed agree that longer time horizons would help improve corporate performance – through increased innovation, stronger financial returns, and a reduction of potential risks. Seventy-three percent said they should use a time horizon of more than three years to set strategy, but 44 percent of respondents acknowledged that they now use shorter time periods.

Long-term thinking is essential to long-term success. Consider the experience of large U.S. companies that have done business in China, where it took eight years for Procter & Gamble to break even, 10 years for Coca-Cola Co., and 11 years for Wal-Mart.

McKinsey research has shown that reallocation of investment – shifting capital to new areas and projects within a company – significantly impacts total shareholder return in the long run, but it takes time and there is a hit in the short run. Thus many companies fall into the inertia trap of simply allocating resources to what they always have.

What can IR professionals and their companies do to address short-termism?

Investor relations professionals have a unique role to play to translate corporate strategy into communication. 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.

Among the three broad types of investors, only one type (long-term, intrinsic investors) really matters in the long-term (the other two types are traders or indexers.) Long-term, intrinsic investors have a deep understanding of potential economic performance based on intensive review; they typically look for a 30-percent-plus difference between a company's market value and intrinsic value; and they do not invest without understanding a business. These intrinsic investors really try to understand strategy and how a company creates value – hence, they have relatively few positions, such as 20-50.

Companies need to target these intrinsic investors with their long-term messages. These investors will support multi-year strategies if they are convinced that value is being created.

When talking to intrinsic investors, IR professionals should:

- Demonstrate that the company's strategy is grounded in a deep understanding of competitive strengths and markets.
- Be open about both successes and failures – investors don't expect and are suspicious of perfection.
- Use concrete examples to demonstrate value added as a corporate owner.
- Assure them that you won't invest in low-payoff capital projects or M&A.
- Treat them as sophisticated thought partners.

Within their companies, IR professionals need to lead the charge in developing and communicating a compelling long-term strategy to investors. You need to clearly articulate management's view of the market and the company's sources for distinct competitive advantage. One company that taken this approach is Metso, a Finnish mining and oil and gas services firm that created a table that shares management's views on market drivers, market trends, the

potential for organic growth and acquisitions, and customer orders.

You also should identify a strategic roadmap and execution milestones and explain how the company's executive compensation is tied to these goals. One example is Siemens, which produced a separate strategy report, "Vision 2020," that detailed its short, medium, and long-term goals.

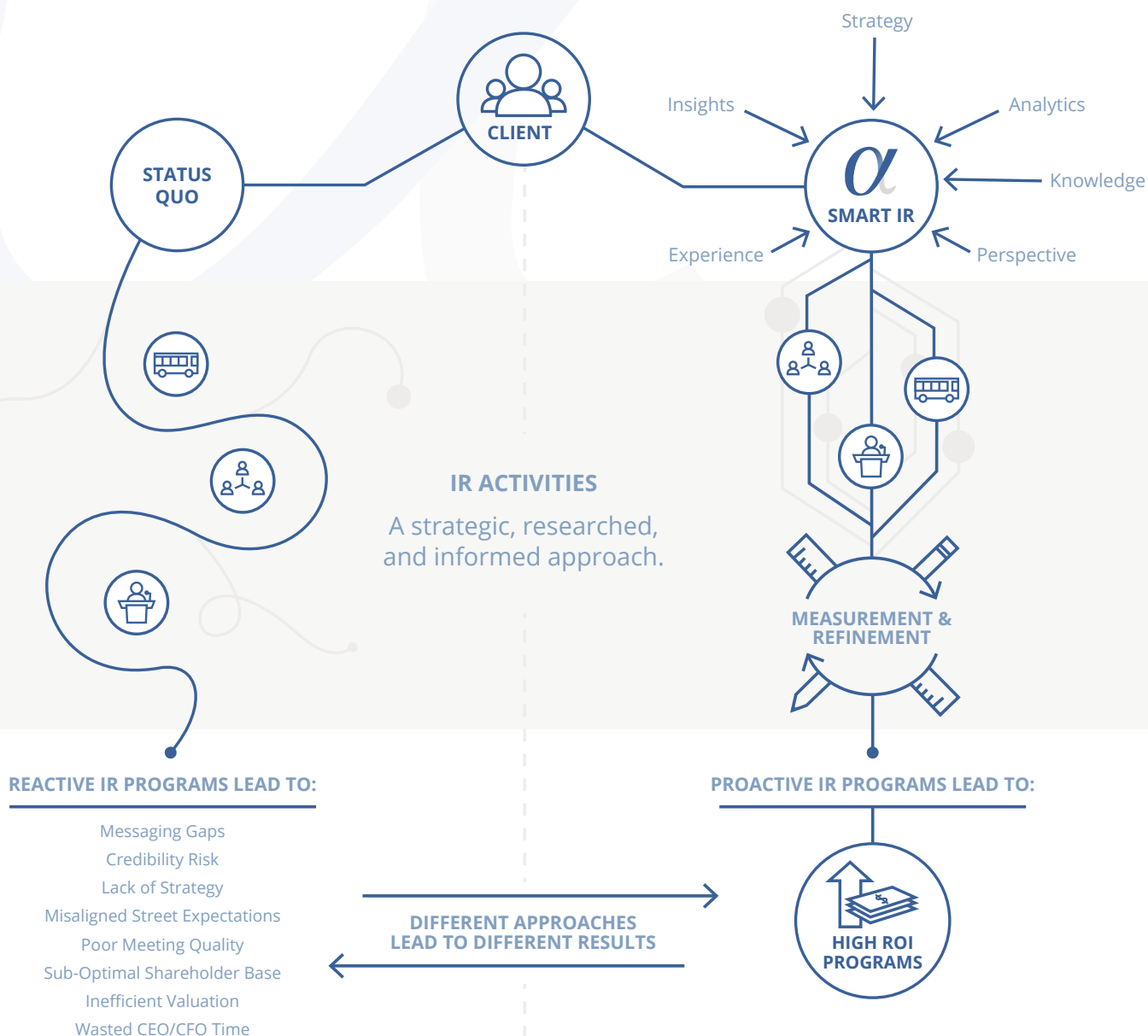
IR professionals also need to help change their company's communications paradigm – away from short-term guidance – and toward long-term returns on capital and growth. For instance, a company could adopt a methodology for identifying five-to-10 key short, medium, and long-term metrics that tie back to return on invested capital, and growth in areas like organizational health, strategic positioning, sustainability and operational performance. One company that has done this is Westpac Bank of Australia, which defined 10 objectives that are aligned with its sustainability strategies, and produced a scoreboard that of what was done each year, along with objectives, metrics, and targets.

IR professionals also should educate their management teams about the importance of focusing on long-term, intrinsic investors and their concerns. You need to identify these priority investors and proactively ensure that the CEO and CFO are spending time with them so that the executives hear their questions. Finally, remember that implementing these goals will require collaboration. IR professionals, senior executives, and board members – together with asset managers and owners – all have a role to play in addressing short-term pressures and encouraging long-term thinking and value creation. 

Ted Allen is director of regulatory affairs and practice resources and editorial director at NIRI; tallen@niri.org. More information on the Focusing Capital on the Long Term initiative can be found at www.fclt.org.

What is SMART IR™?

Shareholder activism is on the rise, economic cycles have shortened, and in general the world is a much more complex place today than it's ever been. IR has become a critical necessity for public America. That is why we built the SMART IR™ platform to better service our clients and help them navigate change and complexity.





SHHHHHH... QUIET, PLEASE

While 85 percent of the respondents in a recent NIRI survey put a quiet period into effect prior to an earnings announcement, the scope of quiet period policies can greatly vary.

By Margo Vanover Porter

Before issuing quarterly earnings press releases, public companies often implement a quiet period “to reduce the risk for misinterpretation and the spread of rumors and/or speculation,” points out Phyllis Proffer, founder of The Heights Planning Company, a firm that specializes in developing three-year investor relations plans. “This is particularly a risk for companies offering earnings guidance or management outlook on future earnings.”

The quiet period usually forbids the management team from discussing accounting and financial results for the upcoming quarter with sell-side analysts and investors. “One of the primary reasons for a quiet period is to be consistently fair and equitable to everybody,” Proffer adds.

Although 85 percent of the respondents in a recent NIRI survey put a quiet period into effect prior to an earnings announcement, the policies vary widely in their scope and duration. Of those respondents who observe quiet periods, only half of their companies have formal policies.

Comparing Two Examples

During the quiet periods at Haemonetics Corp., which typically last about three weeks, the IRO, CFO, and CEO don’t set up meetings at the company headquarters with investors or sell-side analysts.

“I will take calls,” reports Gerry Gould, vice president, investor relations. “I have no problem with that. If our largest investor was to call me two days before we release earnings, we are capable of having a conversation without violating Regulation FD in any way. Our large investors are sophisticated, and they wouldn’t ask financial questions anyway.”

Although the company prefers not to appear at conferences during this time, an exception is made for a pre-eminent health-care conference in mid-January that

is attended by investors, analysts, and business development professionals.

“It would not be consistent with our business needs to miss that conference — so we go,” Gould says. “Many companies prerelease their earnings at the outset of the conference. They say, ‘We’re going to discuss earnings at the conference, and here is how our revenues came in, and here’s how our earnings look.’ We do not do that. We go with a strategic investor deck and we talk about long-term strategy. We do not talk about current performance at all. Investors and analysts respect and understand that.”

Express, Inc. takes a more restrictive approach to quiet periods. Its policy prohibits substantive conversations about the business, strategy, performance, and results — any comprehensive information that relates to the business and how it’s doing.

“We do not have conversations about substantive matters during a quiet period,” says Marisa Jacobs, vice president, investor relations. “If somebody calls and wants to have a conversation, I explain I would be happy to speak with them after the quiet period.”

At Express, the quiet period begins one week prior to the end of the third month of the quarter and goes through the date earnings are reported. “We believe we are better served by having a black-and-white line drawn versus something more subjective and open to speculation,” she points out.

Although she will take questions about upcoming schedules or administrative matters, she won’t answer background queries about the business during a quiet period. “This practice precludes anyone from speculating whether a conversation crossed the line from something general to topics that could conceivably be viewed as involving material, nonpublic information.”

Too Quiet, Too Long

During a quiet period at Signet Jewelers, executive management does not attend con-

ferences, host group meetings in its offices, or attend formal events, according to James Grant, vice president, investor relations.

While he is still available as a point of contact for financial constituencies during that time, he reminds callers that “We are in a quiet period, so we aren’t going to discuss guidance because our books are closing.”

He tries to direct the conversation to safe subjects. “We would rather not have to give a non-answer and have people wonder about our tone of voice or open ourselves up for follow-up questions in which somebody asks the same thing in a different way.”

Grant, who believes companies can stay too quiet too long, recently helped revamp Signet’s formal policy about quiet periods. “We used to be overly conservative,” he says. “Our quiet periods, which summed to a total of seven months a year, did not foster a good ongoing relationship with financial constituencies.”

Until earlier this year, the company’s quiet period extended from late October until the beginning of April, with the exception of a 10-day window in January.

“It wasn’t just a turnoff for sell-side analysts,” Grant explains. “We were losing prospective investor opportunities. I would be talking and working with investors through September and October, and they would want to talk to management, but we closed in late October before the quarter was over, stayed quiet through earnings, and were quiet again all the way until April, except for 10 days in January. I got multiple complaints from investors, saying, ‘I can’t take my due diligence to the next step.’”

To solve that problem, Signet decided in February to open up for 10 days following the November quarterly earnings announcement. “This way, we will be able to continue clarifying and telling the story after an earnings period,” Grant says. “For those who are doing work on the story in September and October, there isn’t a

colossal barrier to finishing their work anymore. Now they can hear the November earnings call and then interact with senior management to help their decision making.”

To achieve the change, Grant solicited external and internal support. For example, he encouraged one of the company’s largest shareholders — who had complained about the old policy — to write a letter citing the ramifications of an overly extensive quiet period. “That input is what ultimately started to influence management and the board,” he explains.

Reg FD Takes Priority

Since the implementation of Regulation FD in 2000, Gerry Gould of Haemonetics believes the emphasis on quiet periods might be diminishing.

“Since Reg FD went into effect 15 years ago, we — IROs, company spokespersons, analysts, and investors — have all grown to understand it and live by it,” he insists. “The analysts and investors know what questions they can ask. They don’t call and ask about earnings during that period. Our analysts and investors are very sophisticated and professional. They know it’s [a] quiet period. They say, ‘Look, your company just came up on my screen. I want to know about your strategy and growth over the last five years. I have no intention of asking about any quarters or performance.’ They get it.”

He also emphasizes that IROs always have material, nonpublic information at their fingertips that can’t be shared. “The moment your earnings release crosses the wire and you conduct your conference call,

the information is out there in the public domain, but you still have information that is material and nonpublic because you didn’t release everything you know,” he says. “You probably didn’t talk about a customer contract under negotiation or an acquisition that might be moving forward. You’re always in a quiet period with other information you know.”

What’s important, he maintains, is compliance with Reg FD. “We never say anything that is not in the public domain that is material outside of a public forum, such as a webcast, an announced presentation, or a conference call,” he continues. “In investor relations, we deal with that every day. There’s always inside information that we have not put out, and we know not to talk about it.”

He also believes it is important to differentiate quiet periods from blackout periods. “In virtually every public company, the in-house counsel comes down with a trading blackout period for a group of people in the company who routinely have inside information,” Gould says.

At Haemonetics, the trading blackout period usually starts a couple of weeks before the quarter ends and goes all the way to 48 hours after earnings are reported, which translates into about six or seven weeks every quarter.

“So from March 15 to April 30, none of us could buy shares, exercise options, or in any way trade in the stock,” he concludes. “Many companies match their quiet period to the trading blackout period. All of a sudden, there are six or seven weeks every quarter when they don’t talk to investors and analysts. That’s a tremendous burden to the IR team and Wall Street and a big mistake.” **IRU**

Margo Vanover Porter is a freelance writer based in Locust Grove, Virginia; m.v.porter@comcast.net. To view and download “Trading Blackouts and Quiet Periods Survey – 2015 Report,” or other NIRI research, please visit www.niri.org/Analytics.

CONSIDER FOUR TIPS

In her 35 years working in corporations, Phyllis Proffer, founder of The Heights Planning Company, acquired a number of tips about quiet periods. Here are four of them:

Incorporate your quiet period into your disclosure policy. “That does two things,” says Proffer. “It’s helpful in achieving a consistent application company wide and creates a distinction between quiet periods, which promote full and fair disclosure of information, and blackout periods, which clarify and enhance rules on insider trading. It is also an opportunity for you to have a discussion with the CEO and CFO about quiet periods unrelated to an invitation to an investor conference or request for a group or one-on-one meeting.”

Post your fiscal calendar. You can increase acceptance of your quiet period by posting your fiscal calendar online. “For anybody that does not have a December 31 year end, it’s good to put your fiscal calendar on your website,” she says. “It is difficult to commit to an earnings release date with accuracy one year in advance, and changing the earnings release date is never a good idea. Providing the quarter end date should be enough to help others plan around the quiet period.”

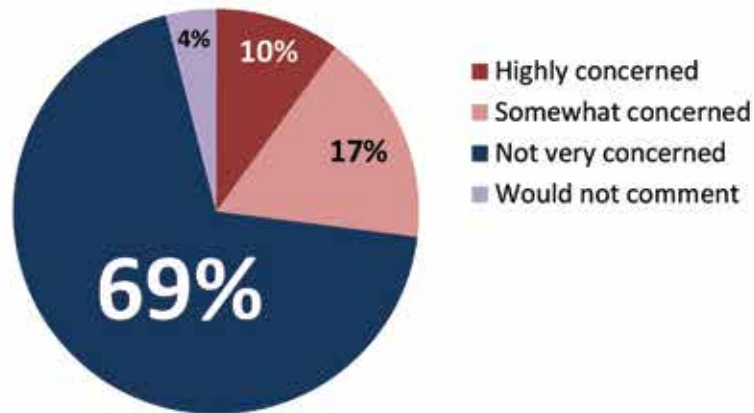
Delay visits. Because it was against company policy, she always turned down invitations to meet with the financial community during quiet periods. “In the event we had to decline an investor conference, we would make ourselves available to that sell-side firm for marketing in one or more cities after the quiet period,” she says. “It was an appealing alternative for the sell side.”

Keep quiet periods as brief as possible. According to Proffer, the length of a quiet period often depends on the complexity of the company and the sophistication of its financial system. Quiet periods should be as short in duration as possible. “If you shave off a day or two over time, the financial community appreciates the effort,” Proffer says.

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)



ARE YOU PREPARED?

WHAT YOU DON'T SEE ...

CAN SINK YOU

UNDERSTAND THE ISSUES BEFORE THEY SURFACE



PERCEPTION STUDIES

INTELLIGENCE COUNCIL

WWW.RIVEL.COM

CONTACT: Barbara Sullivan

bsullivan@rivel.com

Connecting With Colleagues in a Diverse World

Managing and working with people across cultures and generations is essential for IROs. The book “Flex” explores ways to do that effectively.

By Beth Kurth

In their book, “Flex,” co-authors Jane Hyun and Audrey S. Lee have written “The New Playbook for Managing Across Differences.” Based on personal history and hands-on experience, the book explains why the traditional approach of ignoring differences in the workplace is ineffectual. Rather, to manage across culture, gender, and generations, business leaders must learn to “flex” their interpersonal styles and meet their colleagues partway.

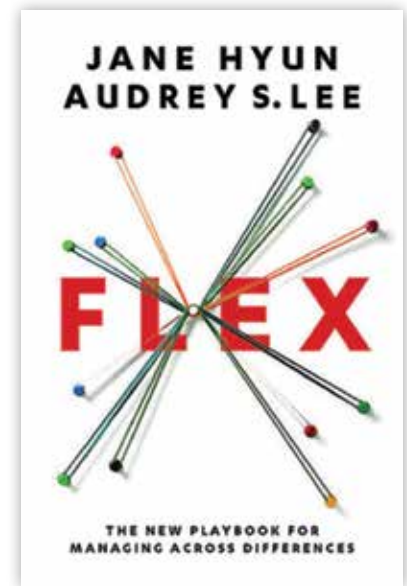
Lee was born in the United States into a family that had recently emigrated from China. Her parents made a conscious choice to preserve and enforce their Chinese cultural heritage, which included humility – a belief that accomplishments only count if an authority figure assigns them value. However, in the workplace, this mindset resulted in Lee undervaluing her services. She quickly remedied the disconnect between her Chinese upbringing and the Western business world.

The book includes examples of gaps between the American business norms and the expectations of different cultures, genders, and generations.

Hyun and Lee bring insight to this topic based on their backgrounds first as outsiders and later as consummate insiders. Hyun was born in Korea and brought that country’s school rules – raise your hand and never interrupt the teacher – to her American classroom. However, in her new classroom, the teacher thought she was disengaged. Hyun was quickly able to adjust as a child. Years later, when entering the workplace, she recognized a similar disconnect between managers who had one set of expectations, and employees who had been raised with very different codes of behavior.

For investor relations professionals, it is important to connect across different cultures, genders, and generations because of the unique inside/outside perspective of the role. Internally, IROs must work closely with varied departments and employees to ensure information flow. Externally, IROs communicate with a diverse group of investors and analysts with whom it is equally important to ensure information flows smoothly, in both directions.

Hyun and Lee are very clear that it is not enough to simply “respect differences” and have an “open door policy.”



This approach is flawed because “it puts the onus on the employee to identify the problem and speak out,” the authors write.

The book includes examples of gaps between the American business norms and the expectations of different cultures, genders, and generations. Direct versus indirect communication is one example. In American culture, there is a preference for direct communication; in other cultures it is more important to keep your head down and solve a problem on your own, without asking for help.

Examples of “flexing” include viewing the talent pool through a wide-angle lens; searching for solutions alongside an employee; asking questions in a neutral and nonjudgmental way; and providing feedback that is real-time and continuous.

The authors conclude, “The art of the flex lies in noticing when your preferred mode of relating to people is not shared by those different from you, and then reaching across the power gap in search of a solution.”

Beth Kurth leads investor relations for LeMaitre Vascular Inc., Burlington, Massachusetts; bkurth@lemaitre.com.



Ritz-Carlton, New Orleans, LA

2015 NIRI SENIOR ROUNDTABLE ANNUAL MEETING

December 2–4, 2015 in New Orleans, LA

Address your unique challenges and distinct professional needs...

- ▶ **LEARN**—with quarterly peer-driven webcasts
- ▶ **CONNECT**—with the member-only online community
- ▶ **EXPERIENCE**—the prestigious Senior Roundtable Annual Meeting
 - December 2-4, 2015, Ritz-Carlton, New Orleans, LA
- ▶ **ATTEND**—special SRT-member in-person events
 - SRT gathering at the NIRI Annual Conference
 - Networking meetings in U.S. financial centers
- ▶ **SAVE**—with reduced rates on NIRI education programs, including Annual Conference

For SRT membership criteria, a sample meeting agenda, and to apply go to www.niri.org/srt

Quick Takes

What was the hardest job interview question you've ever been asked?



Rima Hyder

Vice President, Investor Relations
Houghton Mifflin Harcourt

► “If you could be a character in a book, movie or musical, what would it be?”



Eileen Gannon

Vice President of Corporate Communication
and Investor Relations
Workiva

► “What would you like written on your tombstone?”



Mark Warren

Director, Investor Relations
Vulcan Materials Company

► “The interviewer was trying to assess my analytical thinking on the fly and asked me, ‘How many wheels are there in the city?’”



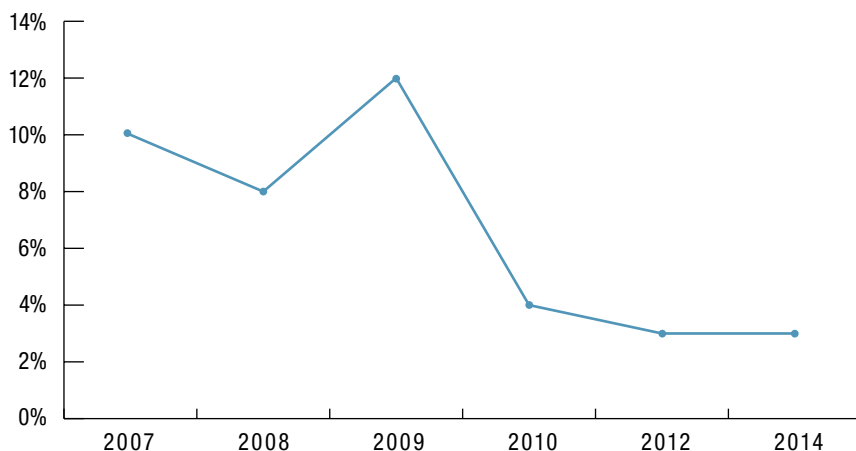
Nate Rozof

Senior Vice President, Investor Relations
Vantiv

► “GAAP or Pro Forma, and why?”

IR Research At-A-Glance

COMPANIES CONSIDERING SUSPENSION/DISCONTINUATION OF FINANCIAL GUIDANCE BY YEAR



Source: NIRI Guidance Practices Surveys.

Professional Development Calendar

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

September 2015

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

30 Wisdom Roadshow – Singapore

October 2015

1 Keys to Successful Investor Presentations seminar, Boston, MA

2 Writing Workshop for IR – Boston, MA

2 Wisdom Roadshow – Taipei, Taiwan

7 Wisdom Roadshow – Seoul, South Korea

9 Wisdom Roadshow – Beijing, China

November 2015

2-3 Finance 101 for IR – New York, NY

4-5 Finance Essentials for IR – New York, NY

NIRI NUMBERS

\$187,691

North American IROs' **mean base salary** in 2014. Median was \$184,500. Fortune 500 IROs made \$202,161.



3 most popular benefits:

401(k), health insurance, and life insurance are top.

Base salary in North America in 2014

\$205,000

Middle Atlantic (NY, NJ, PA) made highest.

\$185,000

Pacific (CA, OR, WA) made second highest.

\$155,000

Mountain region (AZ, NM, UT, NV, WY, IA, MN) made lowest.



Typical bonus for 2013 was between \$50,000 and \$75,000.

\$228,818



European IROs' mean **base salary** in 2014. Median was \$220,000.



Males made **20% more** than females in 2014.

\$202,799 and \$167,879, respectively.

From 2014 NIRI-Korn Ferry International Corporate IR Profession and Compensation Study

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



**NATIONAL INVESTOR
RELATIONS INSTITUTE**
www.niri.org

Leveling the Trading Playing Field

Ronan Ryan of IEX gives an inside look at how high-frequency trading affects equity markets.

By Geri Weinfeld and Lori Hillman

When your stock price moves for no obvious reason, management usually looks to investor relations for an explanation. IROs need to be able to explain how high-frequency trading (HFT) impacts the markets and how listed markets are likely to change.

Earlier this year, Ronan Ryan, chief strategy officer at IEX, addressed the issue of HFT as a featured speaker at NIRI Silicon Valley and Los Angeles chapter events. At the NIRI Los Angeles chapter lunch meeting, he talked about equity trading and how it could evolve.

Ryan was featured as a main protagonist in Michael Lewis' account of the high-frequency trading markets – "Flash Boys: A Wall Street Revolt." IEX, which is owned by a consortium of mutual funds, hedge funds, and venture capital funds, is now the fourth-largest dark pool with just a 1 percent market share, underscoring today's fragmented trading environment.

Milliseconds Matter

The crux of the HFT issue boils down to milliseconds, which can make the difference between market winners and losers.

When he worked at BT Radianz, Ryan discovered a latency issue in trading. After learning from a trader that it took 43 milliseconds to execute a trade from Kansas, Ryan moved the company's computers to a Nutley, New

Jersey, data center and reduced the trade time to 3.8 milliseconds.

In 2009, Ryan joined the Canadian investment bank RBC Capital Markets as head of high-frequency trading. He realized that if a buyer of 100,000 shares saw an offer on the screen for 10 minutes, when the buyer hit the purchase button, the trader ended up with just 40,000 shares. Someone else was seeing the trade

first. In May 2010, Ryan's team introduced a product that allowed clients to execute trades more efficiently.

Ryan, along with Brad Katsuyama (who became the president and CEO of IEX) and others, left RBC to create a dark pool that, according to Ryan, aims to be fairer to market participants. IEX charges the same fees to both sides of a transaction, limits order types, and pays no rebates to the makers or takers of liquidity. IEX created a 38-mile coil of optical fiber placed in front of its trading engine, which adds a delay of 0.0007 seconds in the processing of orders. This levels the playing field

among traders, so high-frequency shops cannot front-run orders, Ryan said.

Today, IEX is registering as an exchange with a goal to grow its market share to 5 percent. Ryan said its exchange registration application does not include public company listings.

Buyback Concerns

IEX is now courting IROs and wants to help companies improve the efficiency of their share buyback programs, which have become more prevalent in recent years. Ryan said IEX is currently working with a beta group of companies to evaluate the effectiveness of their buyback and 10b5-1 trade execution programs.

According to Ryan, regulatory restrictions on executing these trades enable

The crux of the HFT issue boils down to milliseconds, which can make the difference between market winners and losers.

high-frequency traders to easily identify them and front-run the buyback trades. For example, IEX analyzed buyback plan execution across three sell-side firms and found that two of the firms had extremely poor execution because they were using their own internal dark pools to execute trades when these internal pools represented a very small fraction of the total trading in a specific security, Ryan said.

Geri Weinfeld is director, investor relations, at DTS; geri.weinfeld@dts.com. **Lori Hillman** is a manager at Health Net; lori.a.hillman@healthnet.com.



GAIN CONTROL OF YOUR FINANCIAL STORY

MAKE YOUR WEBSITE THE MOST ACCURATE DESTINATION FOR FINANCIAL INFORMATION

With the Virtua Research **Interactive Analyst Center (IAC)**, give analysts and investors what they really need - easy, real-time access to your company's financial data in a convenient, interactive, and user-friendly spreadsheet.

By providing your detailed, as-reported GAAP and non-GAAP financials directly from your website, you gain control of your company's financial story while eliminating 3rd party provider inaccuracies.

With the **IAC**, your **IR** website can:

Enhance investor engagement by making financial modeling easier

Increase your company's credibility, improve transparency

Reduce investor reliance on inaccurate 3rd party data providers

Become a smarter resource for buy-side and sell-side investors

Call Virtua Research today @ 617-426-0900 or visit www.virtuaresearch.com to learn how you can improve your financial communication with Virtua's best-in-class **Interactive Analyst Center**.





the**CONFERENCE**TM
app

by APP**rise** mobile

**Effectively communicate
with attendees
before, during and after
your event**

- iPhone, iPad and Android Devices
- Take notes directly onto presentations within the app
- Send broadcast alerts to reach attendees instantaneously
- Print fewer hard copies of your presentation (or none at all!)
- Ready in 2-3 weeks

ANALYST DAYS

CONFERENCES

ROADSHOWS

**YOUR NEXT
EVENT!**

Contact us today to schedule a free online demo!

CustomerCare@APPrise-mobile.com
212.896.1255

www.APPrise-Mobile.com

