

AT THE  
BELL 4

MESSAGING IN MAKEOVERS  
& MERGERS 12

FINANCIAL  
GUIDANCE 16

CHAPTER  
SPOTLIGHT 22

# IR UPDATE

THE VOICE OF THE INVESTOR RELATIONS PROFESSION | APRIL 2017

To succeed in IR,  
set goals, control  
your emotions, and  
display confidence.

**BE A  
BADASS  
IRO!**

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

**niri**

**Why is my stock undervalued?**  
**How has recent media coverage influenced my key audiences?**  
**What messaging resonates with my investors?**  
**How do we successfully merge cultures after an acquisition?**  
**How did the data breach affect our reputation?**  
**Do our employees believe in our mission and culture?**

## **Insights that inform.**

Grounded in a results-oriented analytical approach, ARC Research utilizes a full range of quantitative and qualitative methodologies to gather market intelligence, analyze trends and gauge stakeholder perceptions in order to provide an in-depth understanding of attitudes, behavior, and social context.

Learn more at [arcllc.com/learnmore](http://arcllc.com/learnmore)



**ARC  
RESEARCH**  
*An SVC Company*

**Stakeholder perception studies / Reputation research / Issues and crisis management / Opinion leader support / Market intelligence**

## President and CEO

Gary A. LaBranche, FASAE, CAE

## Director, Regulatory Affairs and Practice Resources

Ted Allen

tallen@niri.org

## Editor

Al Rickard, CAE

arickard@assocvision.com

## Art Direction

Thor Design Studio

colby@thor-studio.com

## Contributing Staff

Michael C. McGough, CAE

## Letters to the Editor

IR Update welcomes letters to the editor. Please send feedback to arickard@assocvision.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 11 times a year by the National Investor Relations Institute as a service to its members. ISSN 1098-5220

© 2017 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

## Advertise in IR Update

With a monthly circulation of 3,500, IR Update is an economical method to reach IR professionals. For more information on ad rates, please e-mail soser@niri.org.



## 8 IRO SKILLS

### Be a Badass IRO!

To succeed in IR, set goals, control your emotions, and display confidence.

BY STEVE CARR

## 12 BRANDING

### Messaging in Makeovers & Mergers

IROs share insights on how best to manage your company's story during rebranding initiatives and mergers.

BY APRYL MOTLEY

## 16 EARNINGS

### Financial Guidance on the Rise

Despite concerns over short-termism, a growing number of companies are providing financial guidance, according to the NIRI Earnings Process Practices Research Report.

BY ALEXANDRA WALSH

## 4 At the Bell

► Moving Into NIRI

BY GARY A. LABRANCHE,  
FASAE, CAE

## 5 NIRI Now

A NIRI Conference Panel on Commonsense Corporate Governance Principles

## 22 Spotlight on Chapters

► The NIRI Kansas City chapter joined with directors and corporate secretaries to share insights on responding to activism.

BY DON ALLEN

## EDITOR'S NOTE

Welcome to the redesigned IR Update. We hope you like the new design and typography. Our goal was to produce a more modern design that is more visually appealing and easier to read. If you have feedback on the magazine design and content, please contact Al Rickard at arickard@assocvision.com.



**Gary A. LaBranche,**  
**FASAE, CAE**

President and CEO  
National Investor  
Relations Institute  
glabranche@niri.org

## Moving Into NIRI

**S**tarting as a new CEO of an association is a lot like moving into a new house. There is a lot of unpacking to do. It takes a while to learn how everything operates. You have to figure out how everything fits together. And you have to meet the neighbors, find the short-cuts around the traffic, and learn about the best places to get what you need.


That is where I find myself as the new president and CEO of NIRI. You'd think that I'd have this down to a science by now, since this is my fourth association CEO assignment in my 30+ year career. But just as each house is different, each association is unique. And NIRI is very unique.

Not unique "weird or unusual," but unique as in "intriguing and compelling." That is what attracted me to join NIRI from a wonderful job as CEO of the Association for Corporate Growth. From my viewpoint, NIRI is poised for growth, on the launching pad to new heights.

The new, rapidly growing IRC certification program marks a significant milestone in the development of the investor relations profession. Coupled with the *Body of Knowledge*, the IRC defines the critical competencies in IR. More than ever, NIRI is positioned as the trusted source of professional development for the IR community. As an educator, I look forward to working with the NIRI Board to launch professional development programs to meet the needs of IR professionals at every career stage and in every practice setting.

Programming at NIRI chapter events demonstrates the intellectual vitality and supportive community found in NIRI's membership. Much of my career has been with chapter-based organizations, so I value what chapters can do. Chapters are a powerful resource for the IR community. It is important to help more members connect with their chapter network.

NIRI is also well-positioned as the voice of the IR community to federal regulators. As a veteran lobbyist, it is clear to me that only NIRI has the strategic position and independent authority to represent the entire industry. With all that is going on in Washington, D.C. these days, it is essential that NIRI demonstrate leadership in this arena to protect the interests of the IR community.

Now I invite you to unpack this issue of *IR Update*, which introduces a new design that is easier to read and is more visually appealing. Meanwhile, I have to get back to my unpacking. Where did I put that box-opener? 



# A NIRI Conference Panel on Commonsense Corporate Governance Principles

The 2017 NIRI Annual Conference is coming up quickly. It is the largest gathering of IR professionals in the world and will take place June 4-7, 2017 at the J.W. Marriott Grande Lakes, Orlando. Conference speakers will address a wide range of topics, including governance issues.

In July 2016, a group of 12 institutions came together to sign what they call “Commonsense Corporate Governance Principles.” Mark Harnett, managing director at Strategic Governance Advisors, who will host a panel discussion at the 2017 Annual Conference on Wednesday, June 7, with representatives from these institutions, gave NIRI a sneak preview of the session.

## Why did the authors choose “Commonsense” to describe the principles?

The group that signed the principles represents some of America’s largest corporations and investment managers. It includes a Canadian pension fund, an activist investor and several of the nation’s largest asset managers, which, as fiduciaries, represent millions of individual savers and pension beneficiaries. This diverse group holds varied opinions on corporate governance. But the signers share the view that constructive dialogue requires finding common ground — a starting point to foster the

economic growth that benefits shareholders, employees and the economy as a whole. To that end, they worked to find “commonsense” principles.

## What are the key points addressed by the Commonsense Principles?

While the principles are not intended to be an absolute and exhaustive list of governance issues, some of the key points they address and that we expect to discuss with our panel include:

- Board independence from management
- Board diversity in terms of skills, backgrounds and experience
- Strong board leadership
- Long termism vs. short termism
- Use of non-GAAP accounting that does not obscure GAAP results
- Constructive engagement between a company and its shareholders.

## The principles received some criticism for not addressing certain issues.

## Why did they leave out some issues?

The principles were published in an effort to foster a conversation about appropriate corporate governance. They were never intended to be an absolute set of principles or a recipe for acceptable governance. As it turned out, the principles tapped into a vein of growing interest in the governance conversation, and helped keep up the momentum for corporations and asset managers who are stewards of capital.


## If furthering the dialogue on corporate governance was the inspiration for crafting the principles, what has been the content of the dialogue since the principles were unveiled?

Many corporations have been examining their own governance in relation to the Commonsense Principles. In addition, various law firms and universities have published the principles and their analysis of them on their own websites. Other key groups that have added momentum



to the national conversation about good corporate governance include the Business Roundtable and the Investor Stewardship Group (ISG), which issued its own governance principles on February 7, 2017. The ISG principles took an additional step, asking stewards of capital outside the group to sign on. Our panel is also part of continuing the conversation.

## How can the Commonsense Principles be useful to IR professionals?

As we’ll discuss in our panel, the Commonsense Principles can be used as a baseline for examining corporate governance at your own company. While they recognize that one size does not fit all, they bring up many key issues that companies need to take into account as they consider how their own governance practices best serve their key constituencies. 

## How do you leverage the sell side in your competitive intelligence efforts?



**“Ask sell-side analysts who I have good**

**relationships with to ask certain questions on competitor conference calls or in conversations with them.”**

Richard Yerganian, Vice President of Investor Relations and Corporate Communications  
Xcerra Corporation



**“Learn which sell-side analysts are**

**most plugged in to investors who are focused on you and check in regularly, asking what call volume is like on your stock and what questions are being asked. Also remember that it is a two-way street: offering to share some competitive insights you may have about other companies in your sector can go a long way towards engendering goodwill among your sell-side analysts.”**

J.T. Farley, Managing Director  
Investment Technology Group, Inc.

### EDITORIAL ADVISORY BOARD

Geoffrey Buscher  
*Expeditors International*

Alexandra Deignan  
*Schnitzer Steel Industries, Inc.*

Scott W. Dudley, Jr.  
*Spire Inc.*

Alan Engbring  
*Conatus Pharmaceuticals*

James Farley  
*Investment Technology Group, Inc.*

Patrick Gallagher  
*Dix & Eaton*

Eileen Gannon  
*Workiva*

Rebecca Gardy  
*SecureWorks Corp.*

Heather Kos, IRC  
*Ingredion*

Gregg Lampf  
*Ciena Corporation*

Nicole Noutsios  
*NMN Advisors*

Evan Pondel  
*PondelWilkinson*

Maryellen Thielen  
*Forest Glen Communications LLC*

Theresa Womble  
*Compass Minerals*

### NIRI BOARD OF DIRECTORS

Valerie Haertel, IRC, Chair  
BNY Mellon

Lee M. Ahlstrom, IRC  
Paragon Offshore

Liz Bauer  
CSG Systems International, Inc.

David Calusdian  
Sharon Merrill Associates

Shep Dunlap  
Mondelēz International

Hala Elsherbini  
Halliburton Investor Relations

Sidney G. Jones  
Genuine Parts Co.

Gary A. LaBranche, FASAE, CAE  
NIRI

Jason Landkamer  
Fluor Corporation

Angeline McCabe  
WellCare Health Plans

Carol Murray-Negron  
Equanimity, Inc.

Nils Paellmann  
T-Mobile US

Ronald A. Parham  
Columbia Sportswear Co.

Melissa Plaisance  
Albertsons Companies

Greg Secord  
Open Text Corporation

Julie D. Tracy, IRC  
Wright Medical Group N.V.

Mark Warren  
Vulcan Materials Company

# Tired of the Same STOCK Answers?

With ModernIR, You Can Stop the Guessing Game!



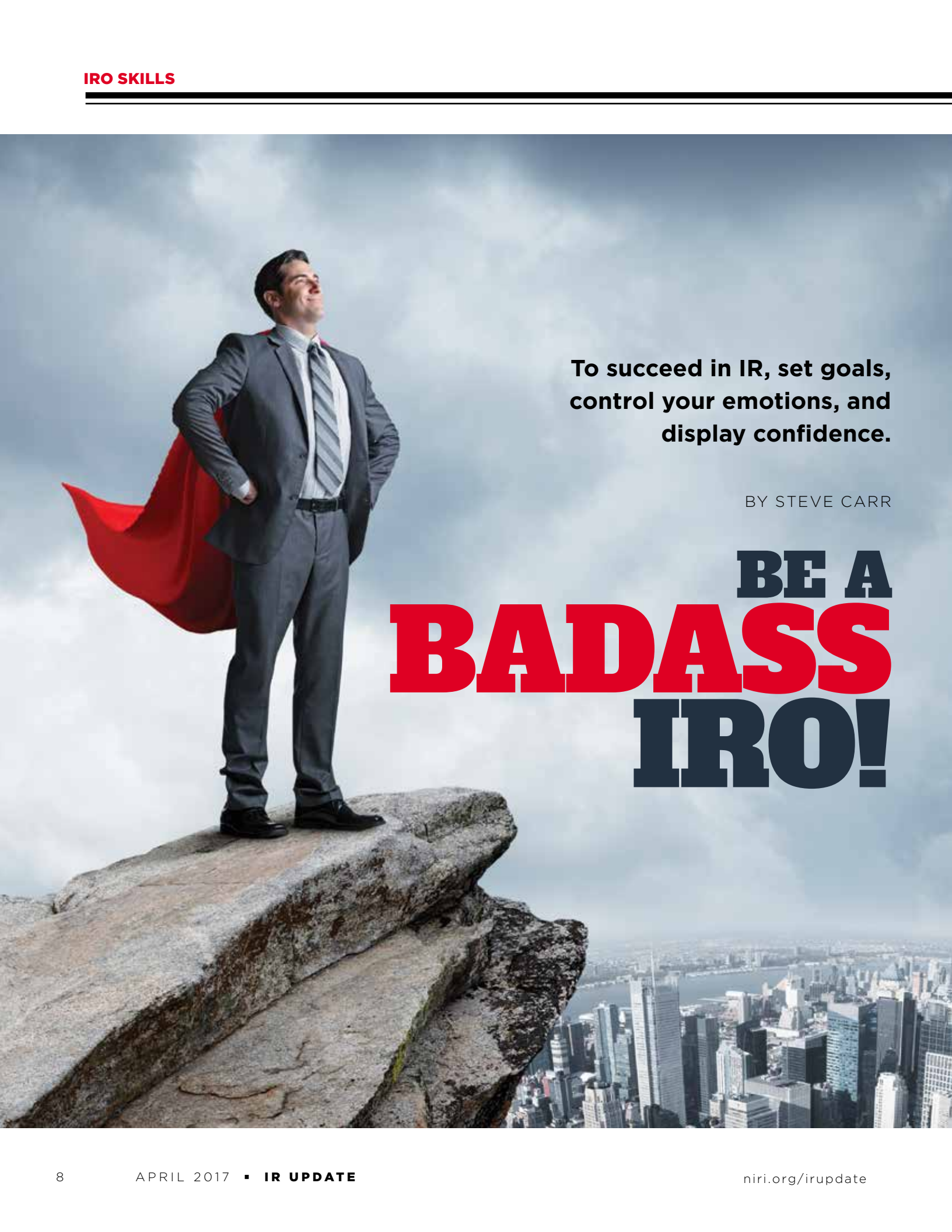
**Start seeing what all the money is doing instead of hearing what some of it is saying. We're the market structure experts.**

Great IR begins with knowing what sets price. ModernIR invented Market Structure Analytics, which demographically profile ALL the money driving your price and volume. Our solutions reflect 15 years of research translated

into trade-execution based software, algorithms and mathematical models. We're the largest next-generation market-intelligence provider. Ask to see our game-changing 2016 Market Structure Report.

Call **303-547-3380** or visit **ModernIR.com**

 **ModernIR**  
Market Structure Analytics™

A man in a grey suit, white shirt, and striped tie stands on the edge of a large, grey rock. He is wearing a bright red cape that flows behind him. He has his hands on his hips and is looking upwards with a confident expression. The background is a dramatic sky with grey clouds, and a city skyline is visible in the distance below the rock.

**To succeed in IR, set goals,  
control your emotions, and  
display confidence.**

BY STEVE CARR

# **BE A BADASS IRO!**



---

**T**his is the era to be bad in a good way. Larger-than-life figures such as U.S. President Donald Trump, Russian Federation President Vladimir Putin, and Chancellor of Germany Angela Merkel are making major policy changes that will affect us all.

CEOs of all stripes are introducing new products and services, some truly revolutionary.

Consultants with many different kinds of expertise appear as talking heads on television and as experts in blogs with mind-numbing frequency. These leaders have a confidence, even a swagger, which shows they have learned the key points of Jen Sincero's best-selling book, *You Are a Badass: How to Stop Doubting Your Greatness and Start Living an Awesome Life*.

In the corporate world, of course, we use phrases such as "trusted adviser," "senior counselor," or "problem solver" rather than Sincero's self-help terminology. Inspired by her book and what I have learned as a consultant and lawyer, here are some additional thoughts will help you become the "wartime *consigliere*" (as they said in the *Godfather* movies) you will need to be in the years ahead.

For example, consider why investment banker Vernon E. Jordan is called "Mr. Strategy." Hollywood agent Ed Limato was called "the velvet hammer" for his ability to make clients happy while meeting his business goals.

I once watched Hill & Knowlton's legendary Bob Gray charm a tough manager at a Fortune 100 company simply by handing him a business card, making a note, and saying, "That's my private number. Call me anytime." You can bet this notoriously hard-to-please executive did so, and got good advice.

### Focus on Your Goals

This may seem self-evident, but we can all point to countless examples of IR plans that were neglected after the first month, or IROs who lost track of their career goals. Somewhere, make a notation to revisit your goals on a periodic basis that works for you.

Sincero argues that an awesome personal and professional life is built on confidence, perfor-

mance, and healthy goals, and to achieve these, she argues, you need to move from wanting something different to deciding to do something different. This takes more than attitude alone.

The newly appointed IRO of a hot California tech company took a hit when the company abandoned the strategy announced during its IPO roadshow. He needed to rebuild credibility with the investment community after the company's shares tumbled 40 percent. The IRO set new goals and timelines, educating management about professional IR while re-establishing the company with investors. Over time, he persevered and is succeeding.

### Control Your Emotions

As investor relations executives, we are often tasked with delivering bad news to senior management. A top executive at a major consumer company once picked up his phone and threw it at the IRO, a good friend of mine, upon hearing that another guide-down would be needed in the coming quarter.

A trade journal called my friend to ask about the story, and concerned about the reputation of both the company and the executive, he denied it. Of course, the phone-throwing senior executive would have been hugely embarrassed (and in trouble with the human resources department) if the incident had surfaced.

That said, ruling and using your emotions can be a powerful advantage. A close colleague once faked a temper tantrum during a marathon-length merger-and-acquisition meeting and threatened to end the negotiations. The other party immediately ceded ground. The talks were back on.

**Find a mentor, somebody to learn and emulate, regardless of your age or professional station. Ideally, it's somebody in your profession or one closely related, that you can meet in person and observe, preferably in a formalized relationship.**



### Find a Mentor or Coach

Early in my career, at the international consulting firm Burson-Marsteller, I had the privilege of working with co-founder Harold Burson on several major accounts. One thing I noticed immediately at client luncheons is that Harold always had his notebook out taking notes while the CEO or CFO was speaking, while my peers continued to eat lunch and listen. Guess who I chose as a role model.

Find a mentor, somebody to learn and emulate, regardless of your age or professional station. Ideally, it's somebody in your profession or one closely related, that you can meet in person and observe, preferably in a formalized relationship. But this is not essential. It might be anyone of either sex that you admire for various professional achievements or qualities of character. In addition to Harold Burson – one of the politest people I've ever met – I have other role models in all walks of life who inspire me by the trials they have endured and the contributions they make to improve this world.

### Prepare for Anything

After ValuJet was rebranded as AirTran following the crash of Flight 592 in the Everglades, settle-

ment negotiations with the families of those lost continued for five years while new management changed stock exchanges, held annual meetings, and opened new markets.


The IR and PR teams at the airline's agency developed a contingency plan in case litigants held demonstrations at company events. Of course, great sensitivity would be important given the loss these family members had suffered. As it turned out, the contingency plans were never implemented, but the planning provided peace of mind and could have avoided a potential public relations disaster.

### Don't Look Back

American business is very introspective, and in my experience personal and professional introspection is an essential part of finding your way in life. That said, many of us look back on the way we handled fast-moving pressure situations in a negative fashion.

Beating yourself up by asking, "Why did I use that word?," or "I wish I had thought of something different to say," just builds anxiety about your own professional ability. If you think you made a mistake, try to put it behind you quickly, learn a lesson from it, and move on quickly. The most successful senior executives make a point of doing this. It seems to help them immeasurably in their careers.

### Bogart Your Way Through

An important trait in a badass, by the way, is a knack for using nouns as verbs. Therefore, when all else fails and you don't know what to do, just "Bogart" (as in the actor Humphrey Bogart and his ability to talk his way out of trouble in *Casablanca* and other classic films) your way through. Trust in your proven ability to do what needs to be done. The motto of the professional society *Les Clefs d'Or* is to do "whatever is legal and kind." Those are words to live and work by. 

---

**STEVE CARR** is managing director, Dresner Corporate Services, [scarr@dresnerco.com](mailto:scarr@dresnerco.com).

# NIRI

ANNUAL CONFERENCE

JUNE 4-7 • ORLANDO, FL

# 2017

DEFY/**SHATTER**/SHAPE

# BREAKING THE MOLD

NIRI ANNUAL CONFERENCE  
JUNE 4-7, 2017 | ORLANDO, FL

## General Sessions Include:\*

Good Corporate Governance:  
Is it Just Common Sense?



**Glen Booraem**  
Principal & Fund  
Controller  
Vanguard Group



**Molly Carpenter**  
General Counsel,  
Corporate Secretary  
JP Morgan Chase

Reconciling the  
ESG Disconnect



**Elisse B. Walter**  
Former Chair and  
Commissioner  
Securities and  
Exchange Commission

Power Broker: The  
Latest View from Wall  
Street, Main Street and  
Pennsylvania Avenue



**Anthony Scaramucci**  
Founder, SkyBridge Capital

*\* subject to change*

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



# MESSAGING IN MAKEOVERS & MERGERS

**IROs share insights on how best to manage your company's story during rebranding initiatives and mergers.**

BY APRYL MOTLEY

**D**uring almost any conversation with investor relations officers, individually or as a group, one topic is likely to be mentioned: the message. The company's story or message is the foundation upon which successful IR programs are built.

During one recent talk with an IRO, the conversation was about the role of IR during periods of significant corporate change, such as those that occur when companies rebrand or merge.

"It was our job to understand all the unique elements of the brand and make sure the message was communicated consistently and regularly," says Andrew Simanek, head of investor relations for Hewlett Packard Enterprises, which split from HP Inc. in November 2015.

In preparation for the split, HPE developed a new brand identity. "The other side (HP Inc.) kept the existing logo and brand whereas we wanted to signal elements of change," Simanek explains. Once the new brand identity had been solidified, the IR team worked in the broader financial community to communicate the company's strategy and investment thesis.

"You can't stick with what you had before," says

Scott W. Dudley, Jr., managing director of investor relations for Spire Inc., of his company's corporate rebranding effort. "People know you've changed, and the brand has to reflect that.

In contrast to HPE's rebranding effort, which focused on one entity breaking apart from another, Spire's effort was driven by the need to "facilitate the integration of three different gas companies and align them under one corporate umbrella," according to Dudley. "After acquiring two other gas companies, we knew that our corporate name, which reflected the name of our legacy gas utility, needed to change to better reflect the growing company we had become," he says.

Integration and a coordinated effort are also key to maintaining consistent communication when companies merge. "Everything has to be coordinated; themes and messages have to be aligned," says Lori A. Hillman, IRC, now vice president of investor relations at PennyMac, of her experience as manager of investor relations and corporate communications at Health Net. During Hillman's 20-year tenure there, Health Net acquired several companies and then merged with Centene in March 2016.



One of the added challenges during a merger is that two IR teams, the incoming and outgoing ones, must work together through the transition, knowing one team will replace the other once the deal is complete. “The two teams need to be able to work together to ensure consistent messaging, but the acquiring company is leading the charge,” says David C. Calusdian, president and partner at Sharon Merrill Associates Inc.

While every company approaches these situations differently, IROs need to reach consensus in regard to the importance of consistency and relevancy when communicating with investors about these shifts in strategic direction.

### Get on the Brand Wagon

“Our marketing/communications team drove the brand identity creation process,” Simanek notes, “which is most important to customers and employees, but IR provided input to ensure it resonated with the financial community.”

“IR’s job was to help investors understand what the brand meant. To accomplish this, we started to incorporate brand elements into the IR story six months before the split with HP occurred, which gave us a chance to preview it and get people warmed up to it. We did an IPO road show, so people fully understood the story and what the brand stood for.”

During rebranding effort at Popeyes® Louisiana Kitchen (formerly AFC Enterprises Inc.), its marketing, IR, and corporate communications worked closely together to ensure a similar result for the restaurant chain. Popeyes® Louisiana Kitchen is the franchisor and operator of Popeyes® restaurants. Rebecca Gardy, head of IR at the company from 2011-2014, describes the process this way: “The main objective was to leverage the company’s Louisiana heritage and signal to the financial community a clear focus on the Popeyes brand.”

“IR led the effort to ensure that messaging to key financial stakeholders—franchisees, investors, and analysts—stayed closely aligned. Changes to the brand were far-reaching, from a menu redesign and changes in the restaurant layout and fixtures to more financial aspects, including a new name and ticker symbol.” According to Gardy, now investor relations

## IR INSIGHTS ON REBRANDING

involve IR early and often. “If it’s truly going to be a redo of the brand and there’s something behind it like a corporate strategy shift, IR’s involvement is critically important for positioning the businesses and having investors understand how the rebranding fits into the overall vision for the company,” Dudley says. “IR is uniquely qualified to offer an opinion on this.”

Stay in the close connection with your marketing and communications teams. “That way you can really understand what the brand stands for and make sure that coincides with the story you’re telling investors,” Simanek advises. “Maintaining consistency and adhering to your new brand guidelines helps ensure that the rebranding initiative resonates and triggers a story in investors’ minds.”

Be very clear about the different messages you need to share with your partners, customers, and investors. “Investors have different opinions and concerns than customers do. It’s a very different approach,” Gannon stresses. “Be careful in a rebranding about how you target messages into those stakeholder groups. Our investors know we’re evolving our name to coincide with our expanded market share.”

officer for the recent Dell spin-out, SecureWorks Corp., this was a well-orchestrated process that reflected the company’s core strategy and made a measurable impact on the company’s valuation.

Spire’s Dudley also stresses the importance of making sure investors and other stakeholders understand the strategic thinking behind a rebranding effort. “As the company was growing and expanding its geographic footprint through executing its strategy that included acquisitions, we needed to be creative and thoughtful about communicating that to stakeholders,” he says. “We didn’t want people to conclude that a name change was a reflection of a shift in strategy.”

The corporate communications group for Spire (then The Laclede Group), in conjunction with an outside firm, took the lead in methodically evaluating the brand equity of the corporate and gas utility names and working to define what the company’s

## IR INSIGHTS ON MERGERS

**H**ost a joint road show. “Both IR teams and CEOs go on the road and talk about why the deal makes sense,” Hillman says. “If you’re announcing a deal and both sides are in favor, why wouldn’t you do a road show together to get out in the front of investor questions and concerns?”

Plan your communication strategy to capture the value of the deal. “You’ve got to look at your internal audiences as well as your external audiences,” Elsherbini says. “Companies should work on a communication plan with IR from the outset. They need to consider how the merger will be received by the investment community.”

Try to anticipate what shareholder concerns might be about the new company. “It’s a challenge for the acquiring company to understand the culture of the acquired company. That’s the same for a combined IR team,” Calusdian says. “For example, they need to be aware of activist shareholders who emerge because of the combined company.”

vision and mission should be. Strategy is not the same as vision. According to Dudley, this process, in which he actively participated, took well over a year.

“One of the biggest audiences is our investors,” Dudley observes. “I was on the internal core/advisory teams at different times during the rebranding process. From the IR perspective, the main question was, how does this help drive the success of the business? Will investors understand that the name change actually supports the strategy rather than being part of a shift in strategy?”

“Having me at the table made it clear that we weren’t just doing this as an exercise. We positioned the rebranding as a further step in our transformation as a company, so our investors understood the rebranding as supporting our efforts to integrate our gas utilities and align our organization. And they have responded well to the new brand. They consistently refer to us as Spire now.”

The impetus for the decision by Workiva Inc. (formerly Webfilings) to launch a rebranding effort was similar. Essentially, the company had outgrown

its original name. “We didn’t sell software until 2010, and our solution was for SEC reporting,” says Eileen Gannon, the company’s vice president of corporate communications and investor relations. “More than 70 percent of public companies are our customers, and people started seeing how well the solution worked for collaborative work on documents that could all be linked back to the same data. People needed and wanted the solution for more than SEC filings, so the original name (Webfilings) seemed limiting.”

The company’s new tag line is “redefining the way enterprises work.” It was developed to help communicate the message that the company, in Gannon’s words, “was no longer a one-trick pony.” Since both corporate communications and IR fall under her leadership, her entire team was laser-focused on the rebranding effort for 12 months. “We did everything in-house,” she explains, which made sense strategically since the rebranding effort coincided with the company going public.

“When you’re going from being a private company to being public, 100 percent of corporate communications is investor relations,” Gannon says. “Rebranding was critical to telling investors our expansion story, which was essential to the success of the IPO.”

For this reason, Gannon believes IR has to be at the table during any rebranding effort. “Sometimes companies forget to put IR at the table,” she says. “But to be successful, they need to respect and have IR at the table on the ground floor of developing the messaging. In a day of complete transparency, IROs need to get in front of the messaging before investors do their own interpretation.”

### Moving on from a Merger

While getting a seat at the table may not be as difficult for IROs during a company’s merger, this scenario comes with its own unique set of challenges from a communications standpoint. “Messages and talking points must be consistent throughout departments that will communicate about the merger,” Hillman says. “If they aren’t, it creates confusion in the marketplace.”

During her time at Health Net, which was Health Systems International when it acquired Foundation

Health Corp., Hillman recalls working cooperatively with the acquired company's investor relations and corporate communications teams. "We were very hands-on and had open dialogues between IR and corporate communications. We worked together to make sure everything was taken care of from a communications standpoint," she says, noting the importance of having a communications plan and making sure all the teams are working on the transition.

Despite establishing open communication, Hillman acknowledges that there will always be "questions about who's going to be left." Typically the acquiring company's IR team is the one that remains, but they may keep someone from the acquired company's team for historical purposes, which Hillman thinks is a good idea.

In one instance, she recalls, "The head of IR for the acquired company left, but the head of corporate communications came to Health Net and replaced our consultant. It made sense to get talent we needed on a full-time basis and maintain historical knowledge."

## Cultural Differences

In the midst of a merger, Hillman says working with two companies with different cultures can be a challenge. "You are establishing relationships with people for the first time and trying to develop trust between two companies while working within regulatory requirements. You have to do things in ways that you're not used to, and it can take a lot of stamina and patience to do this." For this reason, in many instances, there are usually external parties/consultants involved in mergers.

It's in that capacity that Hala Elsherbini, senior vice president and COO at Halliburton Investor Relations, has worked with companies during mergers. She says it's important to "establish a two-way dialogue and be sensitive to the fact that the existing team will be moving on."

"Focus on continuing to drive shareholder value. Be proactive in a sensitive manner. To a certain extent, the new team will rely on the existing team. Take a friendly and diplomatic approach in your efforts to learn about the company."

And for Elsherbini, it's that pre-learning that will be critical to successful communication with a new

shareholder base. "It's critical for that IR team to do as much pre-learning as possible about the acquired company," she says.


Calusdian agrees, "It's beneficial for the acquiring IR team to do research on the new shareholders and understand who they are and who might stay in the stock. Some investors may have investment criteria that don't meet the characteristics of the new company. The combined company may gain and lose shareholders."

"Understanding the new shareholder base of the new combined company and quickly communicating with them to establish credibility is crucial. The new management team should get to know all the new shareholders face-to-face. Because of geography, an introductory call may be needed, but a face-to-face meeting should happen as soon as possible."

For Elsherbini, "it goes back to establishing a central voice. The IRO is tasked with communication to Street. Also the CFO needs to be brought into the fold. And they need to be on the same page. After developing your message, you need to funnel your inquiries and outreach through a central voice. That's critical."

"If there's not sufficient planning and the IRO is not privy to the deal and part of the communications team, details may be missed in keeping the message consistent. If you don't invest the time in messaging appropriately, there is greater risk of misunderstanding in your communications with investors."

Still, as the new IR team gets up to speed, there is the human factor and that short, sometimes lengthy, period of time in which two IR teams must coexist. "When two companies are combined, it's extremely rare for both teams to stay," Calusdian notes. "Unfortunately, IR becomes one of the cost synergies. However, there are still things for the acquired team to do during the transition, and the acquiring company needs to do their best to keep that team around."

In Hillman's view, the best case scenario is a team effort where both IR teams work together and make the best of the situation: "No one likes going into a situation where people will lose their jobs, but that's the reality of the M&A world." 

---

**APRYL MOTLEY** is a freelance writer based in Columbia, Maryland.

# FINANCIAL GUIDANCE ON THE RISE

**Despite concerns over short-termism, a growing number of companies are providing financial guidance, according to the NIRI Earnings Process Practices Research Report.**

BY ALEXANDRA WALSH

**T**he past few years have seen a marked increase in the number of companies providing guidance, according to the NIRI Earnings Process Practices Research Report released in late 2016, which surveyed 407 NIRI corporate members about quiet periods, earnings guidance, earnings releases, and earnings call practices.

In earlier years – from 2009-2012, for example – there was a decline in the number of respondents providing some form of guidance (either financial, non-financial, or both). The trend reversed in 2014 when 94 percent of respondents (up 6.8 percent from 2012) said they provide guidance and that number held steady in 2016.

In 2016, 58 percent of respondents provided both financial and non-financial guidance, up from 39 percent in 2012. Also in 2016, 33 percent provided only financial guidance, up 5 percent since 2014.

“It’s interesting that after a number of years of less guidance given, we now see a reversal of that trend,” says Jeff Smith, director, investor relations at FedEx. “I think this is a result of companies going down the path of less guidance and then seeing the risk that can occur. This reversal probably reflects that reality.”

Smith notes that FedEx never completely abandoned earnings guidance but pulled back from quarterly to annual, and still sees it as an important effort to manage market expectations and reduce stock price volatility.

Nils Paellmann, vice president and head of investor relations at T-Mobile US, adds that part of the reason companies were not providing guidance for a while was concern over short-termism among investors.

“Especially with quarterly guidance, you run the



risk that people will become single-minded about a company missing its earnings per share (EPS) by a few cents,” he notes. “Everybody agrees it’s good when the Street is less short-term focused, but even if you don’t provide guidance, the Street will come to its own conclusion based on whatever the consensus is in the investment community.”

Robert Brunn, vice president, corporate strategy and investor relations, Ryder System, Inc., concurs and points out that the survey indicates 31 percent of respondents did not provide earnings/EPS guidance in 2016.

“I am of the opinion that every company has to determine what is right for them in terms of guidance,” he declares, “but research has shown that investors will discount companies that won’t provide financial guidance and you really have to think through the potential implications of that.”

The report also showed that the percentage of those reporting that they would update financial guidance during the quarter (or year) if there were a material change has declined by 5 percent since 2014 to 89 percent, and is now approaching recession-level percentages.

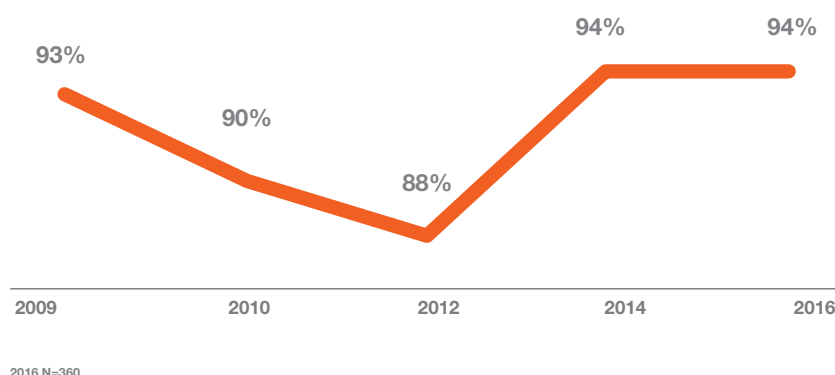
“No one likes to update more often than they have to, but that 11 percent of companies that are not updating when there’s a material change need to make sure they are thinking through this position,” Brunn points out. “Generally investors don’t like surprises, and these companies need to ask themselves whether they are applying best practices in building relationships with investors and confidence and credibility with the investment community.”

Dave Dragics, senior vice president, investor relations, with CACI International Inc., adds, “Once a material change is vetted internally and approved by board and management, we have a responsibility to get that out. I’d suggest somebody at those companies that aren’t reporting material changes should take a very close look at the disclosure laws.”

### Shhh... Quiet

In the NIRI survey, quiet periods are defined as a specific period of time, typically prior to issuing a quarterly earnings press release, during which

## Company Provides Some Form of Guidance (Financial, Non-Financial, or Both Forms, By Year)



the officers of a company will not talk about the company’s financials.

The proportion of respondents participating in a quiet period has increased by 9 percent up to 91 percent over the last six years. In addition, 82 percent of companies report abstaining from broker conferences, and 70 percent from meetings with the investment community during a quiet period. The quiet period is informal for 58 percent, and codified in formal policy for 42 percent of respondents.

“The idea that during a quiet period 18 percent of respondents would attend broker conferences and 30 percent would hold meetings surprises me quite a bit,” Brunn acknowledges. “I think companies define quiet periods very differently and how they actually implement them probably varies significantly across companies.”

Brunn says his company has a written policy related to quiet periods that is followed but also allows for a fair amount of latitude. “In my definition of a quiet period, I would not have my CEO attend a broker conference without putting out some sort of press release and most companies would not want to do that late in the quarter unless they were pre-announcing. I can have conversations anytime with brokers on certain topics, like a basic 101 on who we are and what we do.”

Brunn believes it’s important that a company’s policy on quiet periods matches its practice. “If you have a written policy related to quiet periods, it’s important that it reflects how you are intending to deal

## Non-GAAP Items Provided in Earnings Release

	%
<b>Do not provide any non-GAAP items in earnings release</b>	<b>4</b>
<b>EBITDA</b>	<b>40</b>
<b>Cash flow/free cash flow</b>	<b>32</b>
<b>Adjustments to common metrics</b>	<b>40</b>
<b>Industry specific metrics</b>	<b>19</b>
<b>Company specific metrics</b>	<b>20</b>
<b>One time/special items</b>	<b>35</b>

with the investment community – you don't want to be engaged in activity against your written policy.”

### The Earnings Release

Little has changed during the past eight years regarding the percentage of companies that issue an earnings release (97 percent in 2016, as compared with 91 percent in 2008). The vast majority of respondents continue to issue a full press release (98 percent) despite SEC guidance indicating that an advisory release with link to the full release on the corporate website fulfills transparency requirements.

IROs choose to disseminate the earnings release through four different channels, on average (the minimum number of channels was one and the maximum was nine). The most popular dissemination method continues to be through press releases using a paid press release distribution service (80 percent), followed by the company website (73 percent), and conference calls or webcasts (65 percent). The least popular dissemination method for the earnings release is an advisory press release with a link to the full press release on the company website, which is practiced by only 5 percent of respondents.

“For years we just issued the press release and posted a stats book on our website followed by a call less than an hour later,” Smith says. “Now we’ve finally started doing a presentation with slides that

accompanies the release.”

Smith acknowledges that the change was driven by having a more complex story to tell after the company made a major acquisition. “The slide presentation allowed us to better tell the story of our acquisition and integration plans and so far, the executives like having the tool to help tell our story.”

In 2008, 22 percent of respondents filed a 10-Q the same day as they issued an earnings release. By 2016, that percentage had almost doubled to 43 percent.

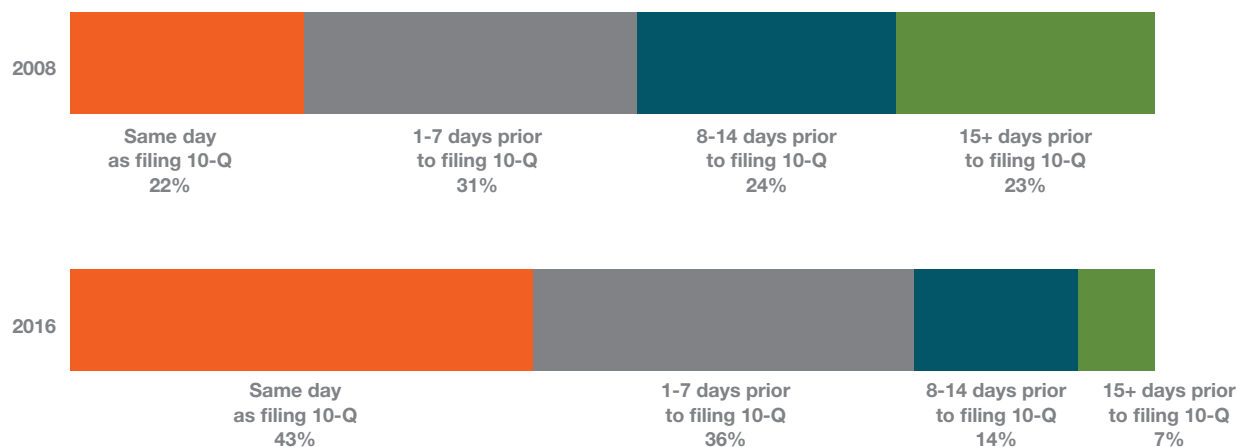
Similarly, in 2008, only 12 percent filed a 10-K the same day an earnings release was issued with the largest majority by far (59 percent) filing 15 or more days after the release. In 2016, the number of companies filing a 10-K the same day as an earnings release had doubled to 24 percent with only a slim majority (30 percent) filing 15 or more days after the earnings press release.

“Electronic filing has certainly helped companies close the time gap between filing 10-Qs and 10-Ks and issuing earnings releases, and this should be best practice,” Smith says. “We’ve invested in our reporting staff in order to close that gap.”

Brunn notes that the significant acceleration in timing filings with the earnings release is a good direction to move.

“Providing as much information as possible at the same time, including updates to company information and modeling, aligns with what investors

## Earnings Release Timing Relative to Filing 10-Q



are looking for, and as they cover so many companies, the investor community is pleased to see real meaningful moves in this direction,” he explains.

An overwhelming 96 percent of IROs surveyed provide non-GAAP items in their earnings release. In May 2016, the SEC published 12 new Compliance and Disclosure Interpretations regarding the use by reporting companies of non-GAAP financial measures. These interpretations give additional guidance on practices the SEC staff has indicated may result in misleading financial presentations.

Paellmann says that in light of the SEC disclosure guidelines, his company has added specific language to the earnings release explaining why it’s guiding on non-GAAP rather than GAAP figures. “Adjusting to the new guidelines is probably something other companies are struggling with as well,” Paellmann admits.

“There might be examples out there of companies playing fast and loose with non-GAAP measures, but obviously non-GAAP measures are widely used and that reflects that companies think they are meaningful and an important way for investors to know how their businesses are operating,” Brunn points out.

### The Earnings Call

In 2016, the overwhelming majority of respondents said they held earnings calls (97 percent),

as compared with 20 years ago when 80 percent held earnings calls.

For those that do conduct quarterly earnings calls, the majority format is still a telephone call (80 percent), followed closely by webcasting (70 percent). One percent each reported utilizing in-person, live-streaming video, and podcast formats (participants could select more than one format).

Thursdays are the most popular day to hold the quarterly earnings call (42 percent of respondents), followed by Wednesday (30 percent) and Tuesday (17 percent).

Seventy-four percent of respondents host their earnings call on the same day as the earnings release. That percentage has not changed since 2014.

“It’s interesting that companies don’t typically report on Monday, but we did last quarter because competitors were reporting on the day we wanted, which was Tuesday,” Paellmann acknowledges.

Brunn notes that his company often used to hold its call on Tuesday mornings, but that left everybody hustling on Monday to get their final notes together, so now the call is scheduled for Wednesday or Thursday morning when possible to give them extra time for last minute preparation.

“It provides time for management to review information after the weekend and for the team to research any final questions in a thoughtful manner,” he says.

In the past, FedEx generally scheduled the earnings call for a Wednesday or Thursday morning, Smith recalls, adding, “We made a decision over a year ago to move the call from a pre-market release and call to post-market because we had a more complicated story and wanted to have more time to spend on the call telling our story, answering questions, and not being distracted while the market was trading.” Smith adds that their earnings release is issued just after the market closes and the call is held 45 minutes later.

Dragics believes the worst thing you can do in relation to earnings calls is to become a creature of habit, resisting change, and continuing to do things the way they’ve always been done.

To counteract this tendency, Dragics says, “We are considering putting out the script for the call and the slides the night before when we release earnings and then holding the call the next morning before the market opens. When we release earnings after market, we also send a note to the sell side alerting them that we are taking questions that night.”

Dragics adds his company is considering this change primarily to free up time for the most important part of the call – the Q&A. He adds that taking questions the night before is not only great practice for the call the next morning, but also provides an opportunity to adjust remarks before the call the next morning. “We want to raise the level of questions away from housekeeping to strategy and long-term issues, which we think will make the call much more informative.”

A market-cap increases, the survey indicates, so does the likelihood of utilizing supplemental materials during the earnings call. Of the 65 percent overall that do use supplemental, the most common utilized is a slide deck followed by other company-specific materials and a fact book.

“One thing that’s different about our earnings call from most companies is that we provide not just audio but also video,” says Paellmann. “In our case, everyone is wearing T-Mobile t-shirts and a branding spectacle works for us.”

Another unique feature of T-Mobile’s earnings call is that during the Q&A is the company allows people to ask questions via social media. “We don’t

respond to every Twitter question, but we respond to some live and some after the call as well. We also take questions occasionally via text message and also Facebook but Twitter is the most used.”

While Paellmann notes that only two of the 30 analysts who follow his company actively tweet, many journalists and bloggers do.

“So our earnings information on social media gets picked up by various news outlets and online sites and that helps the company get a fair amount of free publicity,” he notes.

Paellmann adds that the SEC allows companies to use social media to disseminate earnings information as long as the company preps the market so the investment community is aware.


“If you look at our most recent earnings release, you’ll see we have a paragraph about material dissemination essentially advising investors to be aware we use social media,” he says.

## Educating Investors

Paellmann’s advice about earnings process practices is to get management involved in the prep and to get buy-in.

“We typically have three or four earnings prep sessions with top leadership where we also review the documents together,” he reports. “In addition, we do one or two earnings call rehearsals where we ask top management the toughest questions analysts are most likely to ask. I find that very useful.”

How earnings are released, Dragics observes, is specific to each company but everyone has the goal of producing an informative release and presentation or speech for the earnings call.

“Our position is we want to do more than answer questions about results. We want to educate and inform our investors of the context of our results and expectations going forward relative to strategy and our strategy path,” he explains. “That’s why we believe Q&A is so important and why we cut down on the length of the prepared remarks to accommodate those questions.” 

---

**ALEXANDRA WALSH** is senior publishing consultant for Association Vision, the company that produces *IR Update* for NIRI.



## NIRI EARNINGS PROCESS PRACTICES RESEARCH REPORT

Learn more in the  
complete NIRI Earnings  
Process Practices  
Research Report,  
available at  
[www.niri.org/analytics](http://www.niri.org/analytics)



A portrait of Robert Burrows, a man with light brown hair and a friendly smile, wearing a dark suit jacket over a white shirt. He is positioned on the left side of the frame. 

“The decision to take an additional step professionally was an easy decision to make. The feedback from my C-suite has been that it’s fantastic and great for our company.”

Robert Burrows, IRC  
VICE PRESIDENT, INVESTOR RELATIONS  
EMERGENT BIOSOLUTIONS INC.



# IRC Certification is DEDICATION



Advance your career.  
Elevate your profession.  
[www.niri.org/certification](http://www.niri.org/certification)



## ACTIVISM



## Preparing for Activists

The NIRI Kansas City chapter joined with directors and corporate secretaries to share insights on responding to activism.

BY DON ALLEN

**Panelists Theresa Womble (left) and Nicole Russell with moderator Jack Bowling.**

**N**IRI Kansas City chapter members joined with their local counterparts at the National Association of Corporate Directors and the Society for Corporate Governance in December to hold a program on strategies for effective shareholder communications, interaction with activist investors, and responding to takeover bids.

The session included eight panelists with expertise in investor relations, investment banking, corporate finance, or M&A.


Moderators were Jack Bowling, co-chair of the corporate finance division at the law firm of Stinson Leonard Street LLP, and Scott Andreasen, deputy general counsel and corporate secretary at H&R Block, Inc.

The panelists included Theresa Womble, Ph.D., director of IR at Compass Minerals International, LLC, and Nicole Russell, vice president, investor relations, at Waddell & Reed Financial, Inc., who represented NIRI-KC; David Rosewater, managing director, investment banking, Morgan Stanley; Matthew Parr, co-head, investment banking, Morgan Stanley; John Granda, co-chair, corporate finance division, Stinson Leonard Street; and T.J. Lynn, co-chair of the firm's M&A practice group.

Notable points covered in the lively discussion before an audience of nearly 80 attendees included:

- The dirty secret of investing today is short-termism.
- Shareholder engagement activism is growing, with actively managed funds hunting for op-

portunities in the \$10 billion market cap range.

- Many activists are teaming up with institutional holders, talking to portfolio managers privately so companies aren't aware of these under-the-radar efforts.
- Companies should assess activist triggers such as excess cash, management effectiveness, non-core assets, and platform activism (roll-ups).
- Companies do prepare "mock" activist white papers and even vulnerability exercises in advance so they can better resist activists.
- Consider your corporate governance posture to address issues before they arise (activists need to believe that the company is taking their concerns seriously).
- Familiarize management with the activist's track record (i.e., how do they behave once they're "in the tent").
- The range of results sought by activists can include board seats, capital returns, strategic alternatives, and governance changes (such as board structure).
- When it comes to takeover defenses, poison pills are usually only effective if they're already in place.
- Strengthen corporate defenses such as classified boards, poison pills, and dual-class shares. 

**DON ALLEN** is a NIRI Fellow and is the program chair and a former president of the NIRI Kansas City chapter; [dballen@attglobal.net](mailto:dballen@attglobal.net).

# The ultimate team player.

Q4 Desktop: All the tools, insight and information you need to run a successful IR program.

STOCK SURVEILLANCE

OPTIONS INTELLIGENCE

TARGETING

OWNERSHIP

CRM

EVENTS & TRANSCRIPTS

RESEARCH & ESTIMATES

WEBSITES

WEBCASTING



Call for a Q4 Desktop demo today. 1 (877) 426-7829

[www.q4inc.com/desktop](http://www.q4inc.com/desktop) [sales@q4inc.com](mailto:sales@q4inc.com) [@q4tweets](https://twitter.com/q4tweets)

Q4



A black and white photograph of rowers in a boat, with their oars dipping into the water. The image is used as a background for the top half of the page.

"We can count on Corbin when we need high quality and **want to raise the bar.**"

Head of Strategy and IR, Mid-cap Healthcare

# Corbin is action: A proven model for creating value

## Introducing Corbin Advisors

Entering our 10th year, we have a strong track record as strategic advisors and catalysts for positive change. Our proven methodology, proprietary analytics database and in-depth experience generate a foundation of unique insights. We partner with IR and C-suite executives to tailor strategies that enable high-impact decision-making, secure maximum investor mindshare, and create long-term shareholder value.

If it's **CORBIN**, it's **ACTIONABLE**.

**CORBIN**  
ADVISORS  
INSIGHTS • STRATEGY • RESULTS

Join the growing list of progressive companies who are partnering with Corbin Advisors to unlock value.

(860) 321-7309  
[CorbinAdvisors.com](http://CorbinAdvisors.com)

Perception Studies | Investor Presentations | Investor Targeting & Marketing  
Investor Days | Specialized Research | Retainer & Event-driven Consulting