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Climbing Out of **CHAPTER 11**



Energy
industry IROs
share their
experiences
as their
companies
work through
bankruptcy
proceedings.

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of IRO Salaries

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About NIRI

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

About IR Update

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All Regulatory Bets Are Off

By now, close readers of *IR Update* already know that we have broken with our tradition of beginning the new year with a regulatory outlook. The reason for this decision isn't due to a lack of material to write about. It's because it's just all too fluid and uncertain.

As I write this column a few days into 2017, the only thing that now seems certain is that the new administration and Congress are committed to effecting substantial regulatory change. The specifics are, however, somewhat unclear.

What you can be certain of is that NIRI will keep you apprised of pertinent regulatory change, and its ramifications on our profession. For the latest on these developments, you should read the "Regulatory Update" and "The Buzz" sections of *IR Weekly*. The NIRI staff will continue to work with our Board, and its Advocacy Committee, to keep our finger on the pulse of NIRI members and bring your voice to decision-makers in Washington, DC as relevant new policy is shaped.

I touched on the idea in a December 2016 *IR Weekly* note that NIRI is here to help navigate through this period of ambiguity. Take advantage of your NIRI community, professional development, and information resources. And there's no better way to efficiently meld all of the benefits together than by attending the NIRI 2017 Annual Conference this June.

Until then, we hope you enjoy every issue of *IR Update*, including this month's edition, which includes articles about practicing IR during bankruptcy, corporate IR compensation trends, advice on appropriate professional attire, and engaging with shareholders on corporate governance issues.

Best regards,



Matthew D. Brusch, CAE

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A portrait of Mark Furlong, a man with short dark hair, smiling. He is wearing a blue blazer over a light blue and white checkered button-down shirt. A small circular IRC pin is visible on his left lapel.

**“The IRC is a differentiator.
Soon it will be the standard for
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Mark Furlong, IRC
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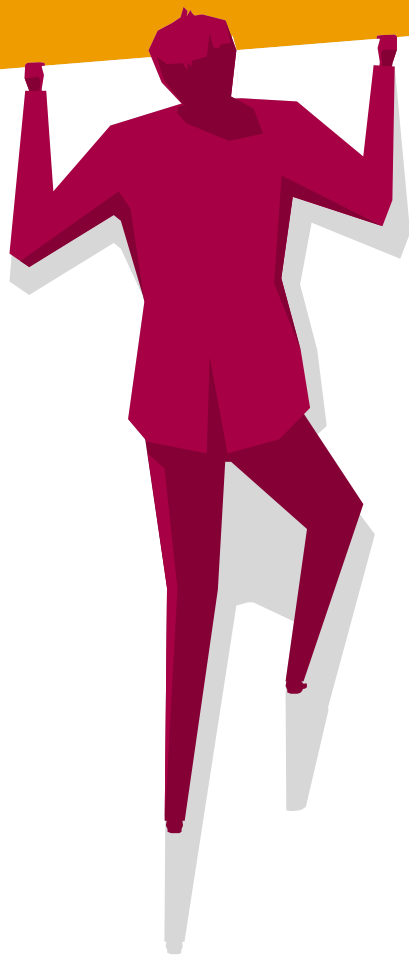
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Climbing Out of **CHAPTER 11**



Energy industry IROs share their experiences as their companies work through bankruptcy proceedings.

By Margo Vanover Porter

When crude oil and natural gas prices began to plummet in late 2014, the earnings of many energy companies mirrored the downward spiral, triggering loan covenant violations, and ultimately leading dozens of firms to reorganize under bankruptcy laws.

IR Update recently interviewed the IROs of three Texas-based companies that are currently down – but not out – and asked each of these professionals about their roles and responsibilities during the Chapter 11 process.

Back to the Drawing Board

Paragon Offshore went public in August 2014, when oil and gas markets were booming and prices high. A spinoff from the parent company, Paragon leases and operates drilling rigs around the world.

“We spun out with a lot of debt, as is common with spinoffs,” recalls Lee Ahlstrom, IRC, senior vice president, investor relations, strategy and planning. “If the business environment had remained consistent, we believe it would have been fine. Of course, in November, the Saudis decided to go for market share versus higher oil prices. As oil prices fell, our customers, who are oil companies, started dialing back their investments.”

Once it became apparent the company would violate the debt covenants in its revolving credit facility, Paragon elected to file for Chapter 11 preemptively. To emerge

from bankruptcy, Ahlstrom helped develop a plan “to eliminate about a billion dollars of debt, along with some \$60 million of interest expense, and keep equity intact for a large percentage of the common shareholders.”

In late October 2016, a bankruptcy judge denied the company’s initial plan. “We are now back at the drawing board with a new plan,” reports Ahlstrom, who also serves on the NIRI Board of Directors.

During this process, Ahlstrom has seen his role evolve over time. “There’s a progression of what happens as you head up to the cliff and jump over,” he emphasizes. “The equity markets and your analysts all start to predict that you’re going to violate covenants and will need to file for Chapter 11 or negotiate some kind of relief with your creditors. At this point, you still have quite a lot of institutional holders, and your role as an IRO hasn’t changed. You’re still going to conferences, doing normal earnings calls with Q&A, trying to manage the process and expectations, and responding to the external markets.

“Once you reach a tipping point where the equity value drops below the magic ongoing listing requirement on one of the exchanges, you are delisted,” he continues. “When that happens, you see a huge number of your institutional holders sell. They either don’t want to take any further risk or they simply can’t hold your stock any longer based on their own internal requirements. Now your share-

holder base starts to shift from mostly institutional to mostly retail individuals, who start buying the equity.”

The turnover in ownership has changed the nature of phone calls from investors. “Callers change from people who run money on a professional basis to individuals who are trying to figure out what’s going on,” he explains. “Institutional folks are generally very knowledgeable about risk. They do this for a living. With some of the individual holders, it’s almost like they’re going to Vegas and betting their retirement on black [on a roulette wheel]. The heart of what they’re seeking is, ‘Will my investment become worthless?’ That’s what they want to know.”

He cautions against making promises to investors who call in and say, “I bet everything I have on your company. Please don’t tell me you’re going to make the stock worthless.”

Even though you may want to be reassuring, you need to stay absolutely factual and within the rules of fair disclosure, he advises. Ahlstrom might reply to indi-

but I can’t tell you where we will come out until we announce the [reorganization] plan and that plan is approved.”

Answering Investor Queries

“Our story started back in the fall of 2015 when natural gas prices began to decline,” recalls Sandi Kraemer, director, investor relations, Ultra Petroleum Corp. “We are a low-cost producer but we are affected by commodity prices. When natural gas prices began to fall, it definitely impacted us from a liquidity perspective – we could still pay our bills – but we were unable to meet some of the covenants in our debt agreements.”

According to Kraemer, it became apparent by January 2016 the company would likely default on at least one of its debt covenants. “We worked through the fall, winter, and spring with the respective lenders and were unable to reach any sort of amendment or compromise. Our company put multiple offers on the table, but the lenders were not responsive to them.”

Just before the first quarter reporting

says. “The most surprising thing: I assumed that it would be quiet in investor relations during the Chapter 11 proceedings, and nobody would be interested in our company. I was wrong because most of our shares turned over quickly and my phone began to ring.”

After being delisted from the New York Stock Exchange, the company began trading over the counter on the pink sheets. “Distressed investors – people who are used to looking at companies in trouble – bought the stock and bonds,” she recalls. “Investors who understand the distressed market, typically hedge funds, know how Chapter 11 works and have the experience and stomach for it.”

She compares this financial sophistication to that of individual investors who don’t fully understand what’s happening to the company or how they should react. “The everyday retail investor who has some shares might ask, ‘Should I keep my shares now that you’re in bankruptcy? Should I sell? What’s going to happen to my shares?’”

Kraemer recounts a recent email she received from a student at San Diego State University, who bought shares in Ultra at 62 cents. The stock in November was trading around \$7 per share. The student said, “This is going to help me pay off my student loans, but I’m wondering: You’re still in Chapter 11. Should I hold my shares or should I sell?”

She responded: “Congratulations on your investment and being able to reduce your student loans. I cannot offer you investment advice. You should contact your investment advisor.”

Because a portion of the company’s debt is also publicly traded, some investors also want detailed information about the public debt outstanding. All of these folks are very interested in learning about the company, not only from an operational standpoint, but to come up with a valuation of what

“If we don’t tell our story, it will take on a life of its own. Our approach: Be transparent. We treat investors like we would want to be treated. We call investors back.”

**Sandi Kraemer, director, investor relations,
Ultra Petroleum Corp.**



vidual investors with something like, “Management certainly has the interests of all stakeholders at heart, and we want to preserve as much optionality as we can,

deadline, Ultra Petroleum filed for Chapter 11 protection. “We’re very good at running our business, but there are a lot of things in the Chapter 11 process to learn,” she

its assets might be worth. She explains that valuation will impact their recovery.

Kraemer emphasizes that companies experiencing bankruptcy must continue to tell their stories. “If we don’t tell our story, it will take on a life of its own. Our approach: Be transparent. We treat investors like we would want to be treated. We call investors back.”

Although still in Chapter 11, the company continues to host earnings calls with Q&A sessions. “Both large and small investors have complimented these actions,” she says. “They want the opportunity to hear from our CEO and CFO on where things stand, what the plans are, and what the leadership is thinking. It’s our story, and we want them to hear it from us.”

Hang in There

C&J Energy Services, Ltd., filed for Chapter 11 on July 20, 2016, after restructuring the covenants around its revolving credit facility and two tranches of term loans going back to September 2015. When the market continued to worsen, the company announced in its first quarter earnings release in May 2016 that it had tripped financial covenants.

“In a restructuring, everyone turns into stakeholders, sometimes with conflicting interests,” reports Daniel Jenkins, vice president of investor relations. “Debt holders, depending on where they are in the capital structure, look to get as much recovery as possible. Unfortunately, equity is at the low end of the totem pole, but our board of directors fought hard to get some recovery for our equity holders, hence the warrant package in our restructuring plan.”

He reports a number of astute credit investors accumulated positions in the term loan, knowing that a restructuring loomed ahead and they would be in a good position. “All of the debt is going to be equitized into the new equity of the company,”

Jenkins says, “so they will be in a position to recover their losses or have a nice investment over the course of several years.”

In many ways, he indicates his responsibilities have remained the same—there’s just

me with previous IR experience.”

His advice for IROs who may be facing a similar upheaval: “Hang in there. Keep an optimistic viewpoint despite the carnage that may be going on around you. You have



“Coming out of this process C&J has the potential to be much stronger and better than ever because of the cost cutting, streamlining, and efficiencies.”

Daniel Jenkins, vice president,
investor relations, C&J Energy Services, Ltd.

more of them. “Obviously, going through a restructuring, everybody has to step up and do more than before,” he says. “I have taken on some communication responsibilities during our restructuring, both internally and externally. My job has been to continue to manage the different stakeholders, whether debt or equity holders. Usually from the IR side, we focus on the equity. The debt side of the capital structure has become more of a focus for me. As the financial situation of company declined, the creditor side has played a bigger role.”

Jenkins points out that a restructuring often leads to changes in the C-suite, which occurred at his firm. In fact, he is now working with a new CEO, CFO, and COO, after the board relieved the previous officers and promoted executives from within to each of those positions.

“Things get streamlined, and positions get eliminated,” he says. “Change is inevitable in this process. I’m fortunate our new management sees the value I add as we come out of this. They value someone like

to find ways to add value and stay flexible because you will ultimately have new owners. The debt holders will be your new equity holders and will most likely greatly influence the selection of new directors to your new board. You probably already know these people, but if you don’t, get to know them quickly. I was fortunate I already knew them because many were buying positions in the debt.”

When C&J emerges from bankruptcy, the company will have no debt and a new credit facility, according to Jenkins, if all goes according to plan. “The irony for me is that coming out of this process C&J has the potential to be much stronger and better than ever because of the cost cutting, streamlining, and efficiencies, and a completely de-levered balance sheet with ample liquidity will position the company well for the eventual commodity price recovery.” **IRU**

Margo Vanover Porter is a freelance writer in Locust Grove, Virginia.

THE UPWARD TRAJECTORY OF IRO \$ALARIES

IRO SALARIES CONTINUE TO RISE. LEARN WHAT COMPANIES FIND VALUABLE IN THEIR IROS AND WHAT LEADS TO HIGHER COMPENSATION.

By Tammy K. Dang

“**T**he value of the IR profession is being more widely recognized as CFOs and the C-suite see the greater strategic value of these roles,” says Richard Marshall, managing director of the Global Corporate Affairs Practice at Korn Ferry. According to the *2016 NIRI-Korn Ferry Corporate IR Profession and Compensation Study*, corporate IR practitioner salaries increased for the sixth straight year. After adjusting for inflation, salaries ticked upward by about 7 percent from 2014 to 2016.

The survey shows that the average salary was \$201,894 in 2016, which is up from \$187,691 in 2014. In addition, 85 percent of all respondents received a cash bonus, which averaged \$77,335, while 63 percent received a stock bonus that averaged \$110,615. Eighty-six percent of corporate IR professionals reported receiving equity-based compensation. Restricted stock units were the most popular form of equity pay at 61 percent, followed by stock options at 41 percent, and performance stock units at 23 percent.

Smooch Repovich Reynolds, managing director of DHR International’s Global IRO and CCO practice group, agrees that IR has become more prominent in the eyes of

management and corporate boards.

“In the more senior ranks of IROs, talent is a hybrid of finance and IR that offers companies a different value-add because you’re talking about hiring an executive with multiple functional expertise,” she observes. “As companies face head-on increased demands on the part of the investment community, activists, and the oftentimes unpredictable effects of social media, the triumvirate of the CEO-CFO-IRO unit is expanding rapidly to include corporate boards in the relationship – this broader leadership thinking then requires IROs to be more facile across multiple topics rather than fewer – the ‘corporate athlete’ approach.”

Fred Clayton, chief executive officer of Berkhemer Clayton, retained executive search consultants, believes that in recent years, heightened regulatory requirements and shareholder activism have elevated the importance of IR to executive management and their boards.

“Today, more than ever, public companies need a first-rate IRO and team in place to fulfill this high-profit role, so the additional value may account for the increased pay,” he notes. Since IROs typically report to the CFO, Clayton sees a correlation in CFO and IR pay. Clayton cites Equilar’s *2016 CFO*

Pay Trends, which found that the median total compensation for the CFOs of S&P 500 companies increased by 17 percent from 2011 to 2015, which is just a little lower than the compensation growth for IROs tracked by NIRI-Korn Ferry. (See chart on page 12.)

Marshall agrees that companies are operating in a more activist, litigious, and disruptive environment. “Companies must redefine themselves, their value proposition to their investor base,” he declares. “There is a greater need for internal coordination because business models are shifting and things are much more dynamic, so IROs need to be incredibly facile, and especially skilled at translating the outside world in as well as the inside world out.”

IR Challenges

Survey respondents reported that the increased focus on share repurchases over investment and the rise of activism have made their jobs more challenging. Additionally, activists are communicating more through social media.

Lack of investor transparency frustrates IROs because they cannot figure out in a timely manner who is buying, selling, and shorting their stock, especially the long wait for Form 13-F filings, which institutional



investors don't have to file until 45 days after the end of each quarter. Dealing with hedge funds that are shorting a company's stock is another headache for IROs, especially since specific short-sales are not disclosed through SEC filings.

The NIRI survey showed that keeping pace with institutional investor expectations, the perpetual challenge of how best to represent the company to the financial markets, and finding the ideal way to convey market feedback to the CEO and CFO all add to the complexity of the position.

Time management, especially in a one-person IR department serving constituents that include the executives, board of directors, investors, analysts, governance and sustainability audiences, media, and employees is always top of mind, according to the NIRI survey.

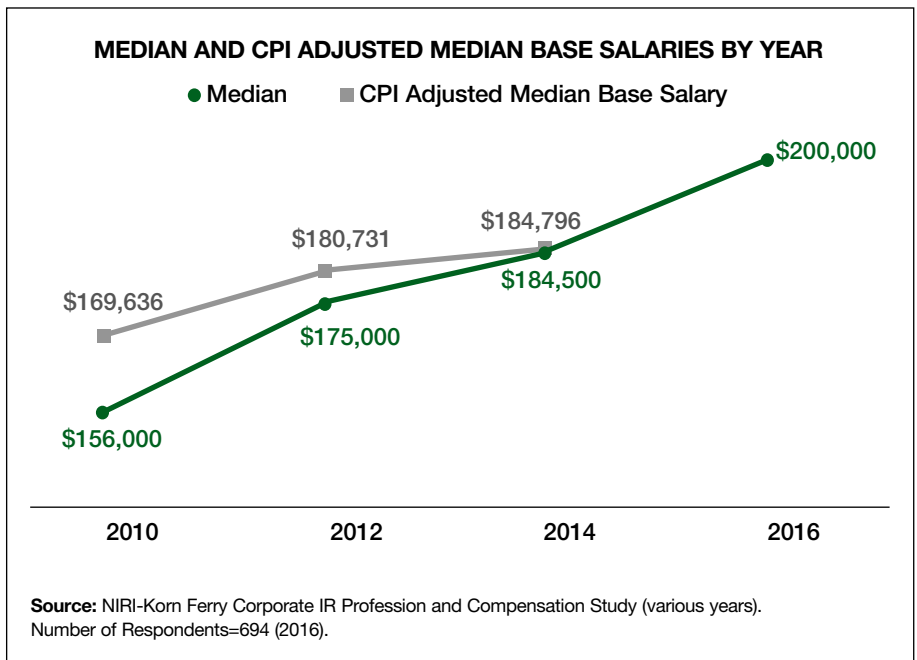
However, "do more with less, and do it better," is the advice Clayton gives because as a "staff" function, IR has been, and always will be, resource constrained. Be clear on what management's objectives are for IR to prioritize time and resources.

Marshall agrees that the smart and savvy IROs take their positions beyond being a skilled tradesperson by taking on additional special projects important to the c-suite to deal with managing the corporate reputation, strategy, and activist shareholders. Some IROs have responsibilities for treasury, corporate strategy, or media relations, and many IROs have an opportunity to expand their roles.

Building Business Acumen

Reynolds suggests IROs focus on developing a portfolio of skills to become increasingly valuable over the course of one's career rather than using money as the driver of skill development.

"They should identify opportunities within their current company to work on a corporate development project, mergers and acquisition activities, strategic planning proj-



ects, or a project with the marketing team," she recommends. "Part of becoming a corporate athlete is gaining the knowledge and business acumen across an enterprise."

Reynolds says that there are all kinds of ways to gain business acumen. "For more seasoned IROs, if the global economy is a challenge, be more conversant about the global economy by taking an economics class in the evenings at a university," she says. "One of the other things IROs can do is work with their CFO to map out a pathway to becoming a part of the quarterly board meetings."

According to Reynolds, the profession continues to grow and evolve, acquiring added dimensions of responsibilities and subject matter. "The concept of understanding the global economy is more of a concrete expectation on the part of management teams of IR talent," she notes. Whether you are a mid-level or senior level IRO, management and the board of directors expect you to have more than a fundamental understanding of the global economy, and you might be tapped for that knowledge now or in two years at your next job.

Some of the key compensation drivers continue to be a company's market capitalization, industry, and region of the country. The utilities sector reported the lowest media base salary and total compensation while the healthcare and consumer staples reported the highest. For the past two years, the largest salary increase came from the East North and East South Central regions, with the smallest salary increase from the Middle Atlantic and Mountain regions. Factors that also lead to higher pay include years of IR work experience, type of graduate degree, certifications, and job title.

"The more you know and contribute, the more you are worth," Clayton says. "The annual bonus and long-term incentive awards are the key levers to increasing personal wealth, so if you are not already a vice president, learn what it will take to become one and develop a plan with your boss to get there." Annual merit and cost-of-living raises to one's base salary does not translate into long-term riches.

"Money will follow if you add greater skill and incremental value," Marshall reports. He says that there is no perfect model

that exists for the IR profession. “It’s at a pivotal point in terms of forces out there challenging the old dogma and the tremendously talented ones are figuring out ways to create new models and help their companies prosper through it.”

Gender Pay Disparity

One ongoing trend found in the NIRI-Korn Ferry report was the disparity between the compensation for male and female IROs. According to Reynolds, there is no simple explanation for the disparity in compensation among the genders.

“There are too many individual and disparate factors in analyzing the gender gap,” she observes. Male IR professionals have been out-earning female IR professionals since 1995, when NIRI first began collecting compensation data. The average for men in the survey was \$213,368 as compared with \$186,509 for women. There was a 14 percent difference in the average base salary between men and women.

“A 14 percent difference in annual base

salary is one thing, but the larger issue is the disparity in annual bonus and stock awards which, according to the survey, is a difference between men and women of 30 percent and 25 percent, respectively,” Clayton notes.

The survey found that considerably more men than women came into IR from careers in the corporate finance and securities industries, which typically pay higher. According to Clayton, to attract these people, companies had to pay more – if not in salary, then in total compensation with regards to the annual bonus and equity components. In the survey, 42 percent of men hold a vice president title, whereas 33 percent of women reported senior director or director titles.

“In large companies, it is not unusual to find that a vice president and a director have the same salary range (minimum, midpoint, and maximum),” Clayton says, meaning the range for the IRO position is fixed, regardless of whether the position is occupied by a vice president or a director. However, vice presidents typically are eli-

gible for a higher target annual bonus than directors, and qualify for more restricted stock units.

“More women need to be appointed vice president in their current positions,” Clayton believes. “I think this would go a long way toward changing the dynamic and leveling the playing field in terms of total compensation as compared to men.”

According to Clayton, compensation experts assert that, regardless of how exceptional the incumbent, each position in a company is worth only so much. That is why each has a designated salary range, including a maximum. IROs of mega-cap companies have excellent earning power, but over time IROs at smaller companies will find themselves running out of salary room. To achieve higher earning potential, they must aspire to, and qualify to be considered for, higher-paid positions in executive management, which applies to both men and women. Clayton points out that 70 percent of women surveyed viewed IR as their career destination, whereas 41 percent of men were undecided and thought IR might be a transitional role for them.

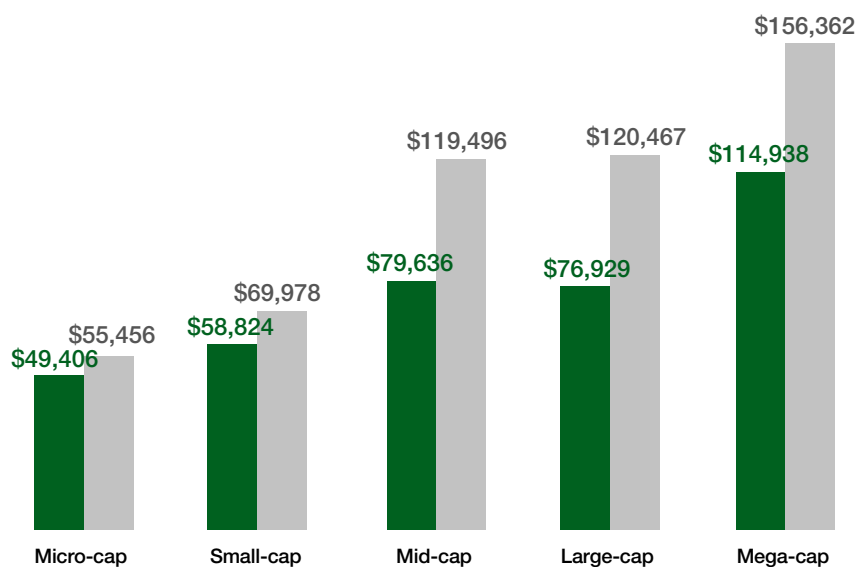
In Marshall’s practice of IR and corporate communications recruitment, where about half of executives his company places are female chief communications officers, his theory on the gender pay disparity is the legacy of IR being more finance-based. However, he believes that it is trending in the direction of greater equality across genders.

Finally, Reynolds shares words of wisdom from her father in dealing with challenges: “Every time you look over your shoulder at the other guy, you are losing time, energy, and speed getting where you want to go and what you want to achieve,” she says. “Focus on what you need to focus on, and your aspirations will become realities.” **IRU**

Tammy K. Dang is a freelance writer in Washington, DC.

AVERAGE CASH BONUS AND STOCK BONUS RECEIVED BY MARKET CAP

■ Average cash bonus ■ Average stock bonus



Source: NIRI-Korn Ferry Corporate IR Profession and Compensation Study (2016).
Number of Respondents=705.



DRESSING *the* PART

The fashion choices of senior executives can have implications for a company's performance and its IR messaging.

By Evan Pondel

T-Mobile's head of investor relations remembers an investor conference where the telecom analyst decided to wear a dress that matched the color of each presenting company.

"She wore a blue dress for AT&T's presentation, a red dress for Verizon, a yellow dress for Sprint, and a magenta dress for T-Mobile," Nils Paellmann recalled.

There may have been more subtle accents of each color in what the presenting telecom executives wore, with the exception of one: John Legere, the president and chief executive officer of T-Mobile, who has cultivated a rock-star following by wearing magenta-colored t-shirts and other branded clothing, including magenta sneakers that say "CEO T-Mobile" on the side).

"John has always had a natural proclivity for fashion, but wearing the color magenta has emerged as a strategy over time," said Paellmann, who dons the same color on earnings day. "If you don't wear magenta, John will poke fun at you."

T-Mobile's dress code appears to be working. Legere ranked No. 1 in *Institutional Investor's* 2016 rankings of top CEOs in telecommunications. Paellmann also ranked No. 1 among investor relations professionals in telecommunications.

It's hard to know just how much T-Mobile's aesthetic affects the Street's perception of management and IR, but Paellmann said there have been instances when investors have worn magenta to their meetings, and Legere even wears the company's colors in his private life.

Fashion, as it relates to investor relations, has long consisted of management teams asking IROs if it's appropriate to wear a blazer and open-collared shirt on a non-deal roadshow or khakis to a Friday morning breakfast meeting with a buy-side analyst.

But fashion for business leaders can also be more nuanced. Consider Mark

Zuckerberg's hoodie and t-shirt combination, or Steve Jobs' Levi's jeans and Issey Miyake black turtleneck.

The bottom line: What an executive is wearing says a lot about management's style in a business sense, which has implications for a company's performance.

First Impressions

"Appearance, much like a handshake, is all part of the first impression," said Paula Torch, senior healthcare analyst with Avondale. "Management should think about what kind of impression they want to make, and then dress accordingly."

Torch believes dress codes among the corporate set are much more casual today. Certainly, management from a fashion company may take more liberties with less conformity, although more bankers have also ditched conventional mainstays by wearing tieless suits.

And then there are accessories, such as handkerchiefs and cufflinks. A crisply folded white handkerchief can convey confidence, while diamond-encrusted cufflinks may be indicative of a spendthrift.

Richard Woolcott, the former chief executive officer of surf wear company Volcom, shunned looking too (in his words) "corpo," preferring to retain the laidback ethos of his life as a surfer, which resonated with shareholders.

Torch, who covered Volcom for Needham & Company, said what CEOs wear really depends on what type of company the executive is representing.

As for Torch's fashion pet peeves: poorly fitted or oversized suits and clothing. Not that Torch would ding a company's stock rating for an executive dressed like a hack, but she said there should be some forethought on what to wear before engaging with the Street.

Torch offered the following tips on how to dress from an IR perspective:



T-Mobile CEO John Legere takes pride in wearing magenta to highlight the company's well-established brand color.

- Ringing the bell on the stock exchange – suits (and ties for men).
- Conferences – again, suits and ties are appropriate.
- Marketing meetings – look your best in a suit for women and suit and tie for men.
- IR fashion staples for women – pencil skirts and a well-fitted jacket, subtle accessories.
- IR fashion staples for men – blazers with a great pattern, paired with a tie, a sweater vest and pair of slacks. This look is chic without being too formal.

Investing in Footwear

Shoes are another important article in the fashion ecosystem for executives. A lot can be said about a scuff here and there, or heels that are too high. The general rule is that conservative shoes are preferred when juxtaposed with exotic leathers.

At the same time, pricier shoe brands, such as Salvatore Ferragamo, may be harder on the pocketbook up front, and yet worth the long-term investment. Quality is imperative, particularly for road-weary executives. There is a lot of walking between meetings in New York, Boston, Chicago, and San Francisco, and shoes that generally cost more also support feet much better in the long run.

Keemia Ferasat, founder and CEO of digital lifestyle company Style Salute, said many executives are so busy that it is easy for them to lose sight of how influential higher quality fashion items may be in the corporate world.

“What you wear needs to match your desired impact,” she said. “And whatever you wear should be consistent and shouldn’t distract your audience.”

In one such instance, a CEO didn’t consider the implications of wearing smiley-face socks to an investor conference until nearly two-thirds of the analysts and portfolio managers meeting with the executive said, “Nice socks.” The problem was that the conference occurred after the company experienced three consecutive quarters of lackluster results.

Ferasat offered the following tips to ensure tactful apparel choices:

- Keep your color palettes to beiges and blacks. Creative types can go a little bolder, but again be careful to not attract too much attention.
- Don’t wear clothing that makes you think too much about it. Managing your company is what matters, not necessarily the clothes you are wearing that particular day.
- Think about etiquette when deciding what to wear. Would your mother be happy with that outfit? Would you hire someone wearing what you’re wearing?
- Ditch those tight-fitting muscle shirts, even if they have buttons and could be concealed by a blazer. You shouldn’t have to prove your power with bulging biceps.
- Do not wear tight skirts, and never wear heels higher than 2.5 inches.



Again, let your mind impress your audience.

There has also been a movement in corporate circles to “dress as you are,” which means wearing clothes that embody the spirit and personality of who you are inside and outside the office. Authenticity is key when attempting to appeal to millennials, and silk shirts and fine imported wools aren’t necessary.

Matthew Sandschafer, a senior research analyst for a Los Angeles-based buy-side firm, said there is a misconception that people who work at hedge funds care about fancy clothes.

“There is a wide range of acceptable business attire on the buy-side now, and we hedge fund types in particular dress like slob. So it really doesn’t make sense to judge,” Sandschafer said. “Secondly, I personally am old school by nature and prefer dressing up to down (or at least I did before I had kids). These are obviously in conflict.”

Fashion Red Flags

Sandschafer offered the following points on his perception of fashion in the context of IR:

- The whole point of my job, ostensibly, is to be able to see past superficial posturing. So I’m not supposed to care (about what management teams are wearing) and for the most part I don’t. I mostly notice whether a guy looks like he is focused on work, and dressed in a way that is appropriate for the industry.
- Flashy or overly dandified attire, especially in an industry that doesn’t call for it, is definitely a red flag for me. I don’t think of that as a pet peeve so much as an actual warning sign: Management’s vanity is large enough that I really need to worry about the principal-agent risk (i.e., they like the title and the perks more than they

like creating shareholder value and making money). Also, if someone’s dressed like a total slob, I wonder about their seriousness and competence – but error in this direction is quite rare.

• In this day and age, I would say ties really aren’t ever necessary anymore, as much as it saddens me to say. They look good but no one is going to think twice about their absence. In general, I think management should still wear a jacket when presenting to a room, but even that’s unnecessary when sitting across a table.

• The median buy-side uniform is a button-up shirt, plus chinos or slacks. For conferences, SNT (suit no tie) is about as dressy as a hedge fund guy gets. Long-only shops and older guys are more likely to wear suits out in public. Sell-side tends to wear suits in public, but even that is fading.

There was a time when suits and ties (SAT) were standard attire for Nils Paellmann, but that was pre-T-Mobile during the Deutsche Telecom days, he said. Europe still tends to lean more toward formal corporate wear, although that, too, is fading.

In T-Mobile’s case, the company is trying to distinguish itself from other carriers, and magenta tends to stand out in a sector awash with basic colors. Investors have also taken notice of the magenta cowboy hat the CFO wears during earnings calls. Paellmann said the hat took on a life of its own when the company launched a campaign to demonstrate its “un-carrier-like” persona.

For now, it appears the company’s solid financial performance and flamboyant dress code go hand-in-hand. When asked if T-Mobile’s CFO will still wear a magenta cowboy hat if the company’s results start to slip, “that could get a little tricky and hopefully we won’t be in that situation,” Paellmann said. **IRU**

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Breaking the Mold in Orlando

The 2017 NIRI Annual Conference co-chairs share details on the fresh content and innovations that attendees will find at the conference.



The 2017 NIRI Annual Conference is just around the corner. The largest gathering of IR professionals in the world will take place June 4-7 at the JW Marriott Grande Lakes, Orlando,

Florida. To get the inside scoop on what's in store this year, *IR Update* reached out to Conference Co-Chairs Karen Fisher, senior vice president, FSW Communications; and Dennis Walsh, senior manager, investor relations, at Zillow Group.

With a theme of “Breaking the Mold,” what should attendees expect?

Dennis: As investor relations professionals, we must adapt to the rapidly changing landscape of the profession. We're faced with strict regulations, a 24-hour news cycle, increasingly engaged investors, and many more challenges that pop up almost daily. In addition, the IR community itself is evolving given the varied professional backgrounds of those serving in IR positions. The Annual Conference Committee has been diligently researching how to bring fresh content and speakers to the conference to provide insight and solutions for solving the challenges that face today's IR professionals and that aren't found in the old IR playbook.

Should we expect any changes or new additions to the conference format?

Karen: Yes! We want attendees of the conference to come away with new experiences each year. You can expect to see innovative session formats, including smaller group sessions that take a deeper dive into niche topics, such as changes

to market structure or debt IR, as well as case studies on topics like responding to shareholder activism. And we listened to past conference attendees. Many of the ideas for this year's conference are based on this feedback. For example, on Sunday, June 4, there will be a first-timers' session to help those individuals attending the conference for the first time get the most out of their participation.

The general session keynote speakers are always a highlight of the conference. Who will we see this year?

Dennis: This year will be no exception! We've got a lineup of stellar keynote speakers, including executive coach Connie Dieken who'll share insights on communicating change and being more influential; Elisse Walter, former SEC chairman and commissioner and current board member with the Sustainability Accounting Standards Board, who will discuss the disclosure of material non-financial information; and representatives from some of the world's largest asset managers who signed the Commonsense Corporate

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Governance Principles. (For more details on the general sessions, please visit the NIRI website at www.niri.org/conference.)

What can we expect from the breakout sessions?

Karen: The breakout sessions will cover all of the latest trends facing IR professionals today. In addition to the returning tracks of “Marketing Outreach & Stakeholder Communications,” “Corporate Governance & Regulatory,” “Economics & Marketing,” and “Career Development,” we've added a new “Innovations in IR” track. The sessions under each track are comprehensive and some of the industry's top experts have already been secured as speakers. Attendees will have a variety of sessions to choose from with content developed to meet every level of experience.

Finally, aside from all the professional development sessions, what else is in store?

Dennis: Lots! The networking sessions at the NIRI Annual Conference are invaluable. There will be ample opportunities for attendees from all experience levels to mingle with some of the world's top IR professionals from companies large and small and across all industries and geographic regions.

To register for the 2017 Annual Conference, please visit www.niri.org/conference. The advance registration deadline is February 27, and attendees can save hundreds of dollars by registering by that date.

Quick Takes

When did you know IR could be a good career path for you?



Derek Cole

President
IR Advisory

► “When I needed help at my first IR job and found the wonderful community of people that is NIRI.”



Alexandra Deignan

Vice President, Investor Relations
Schnitzer Steel Industries

► “When I realized I was bored just looking at spreadsheets all day. I love to visit the operations and kick the tires, find an anecdote that makes a business relatable, and provide a balanced perspective that translates into valuable dialogue.”



Eileen Gannon

Vice President of Corporate Communication and
Investor Relations
Workiva

► “When I would get in trouble as a child, my punishment was to read a corporate annual report or the front page of The Wall Street Journal and then report my findings to my father. So I have been interested in capital markets since I was a child.”



Heather Kos

Vice President, Investor Relations and Corporate
Communications
Ingredion Incorporated

► “When I realized that every day could bring a new challenge and you get to travel.”

On the Move



Warren Kneeshaw was named executive vice president of investor relations at Mastercard. He succeeds Barbara Gasper, who retired from

Mastercard at the end of 2016. He was previously at Qualcomm, where he was vice president of investor relations. Under his leadership, the investor relations team was ranked among “America’s Best IR Teams” by *Institutional Investor* magazine. During his 13-year career with Qualcomm, Kneeshaw served in several additional roles, including vice president of finance for Qualcomm Technology Licensing. Prior to that, he was responsible for financial oversight of the company’s global business development group. Earlier in his career Kneeshaw held various finance roles at Tempo Textron, Nortel Networks, and Procter & Gamble.



Eric Salander was appointed vice president, investor relations, at Textron, Inc. He succeeds Doug Wilburne, who retired from Textron

at the end of 2016. He is a member of the Textron Executive Leadership Team and serves on Textron’s enterprise-wide Finance Council. Salander was previously senior vice president and chief financial officer for Textron Aviation. He joined Cessna Aircraft Company (now Textron Aviation) in February 2010 after serving as executive director of financial planning and analysis for Textron Inc. Salander previously served as senior vice president of finance for Textron Financial. He was also an audit manager with Ernst & Young earlier in his career.

Please send “On the Move” announcements to *IR Update* Editor Al Rickard at arickard@assocvision.com.

SENIOR ROUNDTABLE CONNECTS IN THE DESERT

Members of the NIRI Senior Roundtable gathered at the J.W. Marriott Camelback Inn Resort & Spa in Scottsdale, Arizona in early December 2016 to learn from a range of exceptional speakers and to network with their peers. Senior Roundtable members have a minimum of ten years of experience in IR and typically are the senior-most investor relations professional at their companies. For more information, please visit the Senior Roundtable page on the NIRI website at: <https://www.niri.org/srt>.



▲ NIRI leaders at the 2016 Senior Roundtable included 2016 NIRI Board Chair Felise Glantz Kissell (left) of HSN, Inc.; 2016 NIRI Senior Roundtable Chair Margo Happer (center) of Wyndham Worldwide; and 2017 NIRI Board Chair Valerie Haertel, IRC (right) of BNY Mellon.



▲ Camelback Mountain, which resembles the humps on a camel's back, is the inspiration for the name of the J.W. Marriott Camelback Inn Resort & Spa, which is nestled at the foot of the mountain. Early guests at the resort, built in 1926, included celebrities and business leaders including Mrs. Dwight D. Eisenhower, Clark Gable, Jimmy Stewart, Bette Davis, and J.W. Marriott, Sr. The Marriott family made the Camelback Inn their first resort in 1967.



▲ Organizational change expert Dr. Nadya Zhexembayeva (right), a business owner and author, talked about how the typical company lifecycle has been compressed from 75 years down to 15 years, with a corporate half-life of just seven years. She gave advice on the role that IROs can play in organizational transformations. She was interviewed after her talk by NIRI Board Member and Fellow Carol Murray-Negron (left) of Equanimity, Inc.



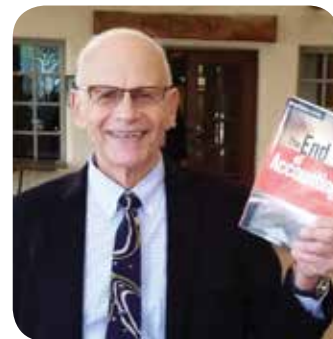
▲ Frank Luntz (left), founder and chairman of Luntz Global; Cardinal Health Chairman and CEO George Barrett (center); and Sally Curley, IRC, senior vice president, investor relations, Cardinal Health. Luntz, a political analyst and Emmy Award-winning broadcast journalist, analyzed the messaging and advertising in the recent U.S. presidential election and was interviewed by Curley. Luntz then interviewed Barrett, who provided excellent insights on CEO strategy options and how they relate to investor relations.



▲ Former Director of the SEC Division of Corporate Finance Meredith Cross (left), now a partner with WimerHale, gave an insightful look into the current regulatory environment for investor relations and offered her views on what companies can expect as the SEC leadership changes. She was interviewed by former NIRI Chair and Fellow John Chevalier of The Procter & Gamble Company.



▲ Retirement is sweet for NIRI Fellows Barbara Gasper, who retired from Mastercard, and Doug Wilburne, who retired from Textron. Both made the transition in December 2016. Gasper joined Mastercard in March 2006 to create the company's investor relations department ahead of its initial public offering. She led the IR team as the company grew from a \$4 billion market cap to more than \$100 billion. Wilburne joined Textron in 2000, and restored investor confidence in the company after it nearly went bankrupt in 2009, helping its stock price recover from a low of \$3.50 to \$48.50 per share. He was also the 2011 chair of the NIRI Board of Directors, served as a co-chair of the NIRI Annual Conference, and was honored as a top IRO several times by *Institutional Investor* magazine.



▲ Baruch Lev, professor of accounting and finance at the New York University Stern School of Business, spoke about his new book, *The End of Accounting*. While he noted that accounting still has its place in corporate finance, he proposed an alternate set of metrics not found in financial reports that he believes would be more useful and relevant to analysts.



▲ Proving that Senior Roundtable members have a wide range of skills, the Table 7 Team at the opening reception prepared a "Too Hot and Blue" concoction in the margarita-making competition that won runner-up honors. Mixologists (left to right) included Rich Yerganian, David Calusdian, Maureen Wolff, Brian Matt, Liz Kluge, Hala Elsherbini, and Jason Landkamer.



▲ Several corporate board members participated in a panel discussion led by NIRI Fellow Maureen Wolff of Sharon Merrill Associates and then each of them led small breakout group discussions on topics ranging from corporate governance culture to IRO participation in board meetings.



▲ Senior Roundtable members honed their dance skills at one of the evening events.



◀ NIRI Board Member Greg Secord of Open Text Corporation tried his hand at the ring toss at an evening party that included some carnival-style games.

Successful Engagement on Corporate Governance

Panelists at a NIRI Orange County event addressed key issues ranging from shareholder rights to compensation.

By Jeanie D. Herbert

During its October 2016 program on corporate governance and shareholder engagement, members of NIRI Orange County heard panelists address the top ten corporate governance issues, review a case study on how to engage shareholders, and report top-line voting results from the 2016 proxy season.

Stephen D. Cooke, partner at Paul Hastings LLC, noted there are underlying tensions in the separation between corporate ownership and control, which leaves many investors with inadequate remedies and frustration when it comes to governance matters. This has resulted in a contentious corporate governance climate. He outlined what he currently sees as the top 10 key governance issues, including:

- Social issues
- Corporate responsibility
- Enterprise risk management
- Cybersecurity
- Shareholder rights
- Leadership structures
- Boardroom
- Shareholder engagement/communications
- Compensation
- Proxy access

Cooke emphasized of the importance of “getting out in front of corporate governance matters” by employing a proactive strategy.

As an example of a successful approach


to engagement, Efie Protopappas, securities counsel at Edwards Lifesciences, shared a case study about the company’s response to a written consent shareholder proposal that gained majority support at the company’s 2015 annual meeting. The company started by engaging its top institutional shareholders in the second half of 2015 and tried to understand their views on written consent rights and why specific institutional investors supported the proposal.

Edwards learned that its shareholders strongly favored the right to call a special meeting over the ability to act by written consent, but some expressed concern that Edwards’ threshold for calling a special meeting was too high. Based on this feedback, Edwards determined that a broad group of shareholders would prefer lowering the threshold to call a special meeting rather than adopting a right to act by written consent. Edwards then initiated a second round of outreach to shareholders and also to the proxy advisory firms – ISS and Glass Lewis – in early 2016 to “lay out our position and approach to get their support,” said Protopappas. The engagement for the second round was led by the presiding board member, with the CFO, IRO, securities counsel, and corporate secretary also participating.

Edwards also described its outreach process in great detail in the proxy statement to

demonstrate the seriousness with which the company took this matter. The results? The outreach and description in the proxy statement were highly valued by shareholders with all directors receiving close to 100 percent support at the 2016 annual meeting.

Derek Zaba, principal at CamberView Partners, said, “Edwards was successful due to the significant planning and thorough engagement process the team underwent to truly understand investor viewpoints and incorporate the feedback into the Board’s decision-making process.” Zaba continued, “A well-prepared and thoughtful director leading the second round of engagement was a key component of this process.”

To close out the chapter meeting, Matt McKay, a corporate governance executive from IPREO, shared a preliminary analysis of 2016 proxy voting results. “As a whole, S&P 500 companies received greater support from investors across most categories so far in 2016, with the notable exceptions of say-on-pay and voting-related proposals,” he said. Those are specific areas where investor relations officers might consider shareholder engagement for the 2017 proxy season. 



Panelists (left to right) Stephen D. Cooke of Paul Hastings LLC, Efie Protopappas of Edwards Lifesciences, and Derek Zaba of CamberView Partners agree shareholder outreach can be key to favorable proxy outcomes.

Jeanie D. Herbert is senior director, investor relations and corporate communications, Revance Therapeutics, Inc. She also is a director at large for NIRI Orange County; jh4ir@yahoo.com.

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