

IRupdate

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THE **FOREST** & THE **TREES**

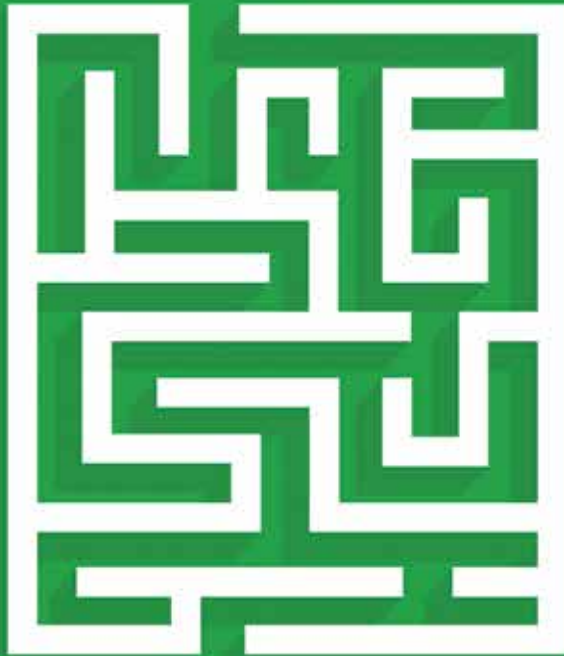
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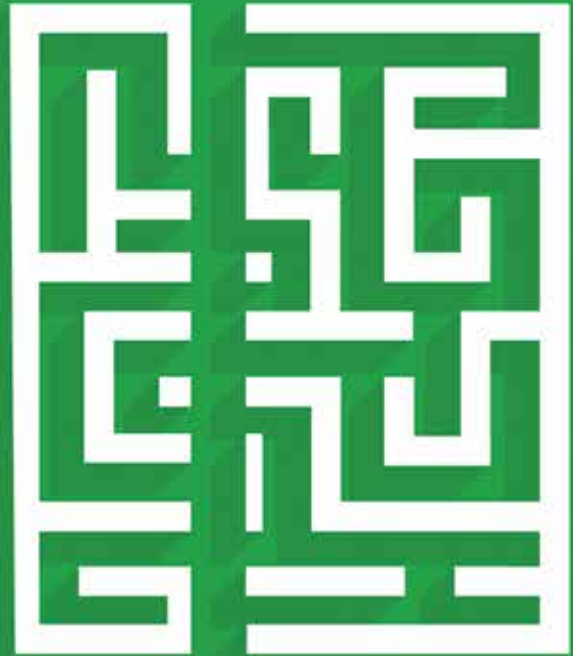
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About NIRI
Founded in 1969, the National Investor Relations Institute (www.niri.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities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

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Mastering IRO Skills for Career Advancement
The NIRI San Francisco chapter hosted a panel of experts to discuss leveraging skill sets to enhance career opportunities.
By Brad Mills

A Compelling Read

Welcome to your May 2014 issue of *IR Update*, which offers an intriguing and educational set of feature articles.

Our cover feature article is a piece focused on the paper and forestry industry. While my company is in the consumer products industry, I enjoy reading about IR in other industries ... learning about the different challenges my IR colleagues face and commiserating with them on the similarities.

Next, there is a unique peek behind the curtain of IR in companies that have gone private. While the ownership structure may change, the challenges of preparing and delivering a transparent and compelling story about the results and prospects of a business remain the same.

Finally, while success in IR certainly requires skills in finance, marketing, and communication, the “sales” aspect of our responsibilities is often an area that isn’t overtly discussed. The article “Stocks for Sale!” includes interesting examples and practical advice that can help you (and me!) make interactions with investors, analysts, and management even more impactful.

Shifting gears, the NIRI Board of Directors had a very productive meeting in early March. We’re making great progress on all of the major initiatives we’ve undertaken, including:

- Research and development of a new NIRI website.
- Significant progress on the creation of the NIRI IR certification program.
- Finalization of NIRI’s advocacy platform related to key topics for issuers and those of the Securities and Exchange Commission (by virtue of the mandates given to the SEC by Congress).
- Our work to define the set of strategic priorities that will be a guide for NIRI for the next three years or more – most of which will be a natural evolution from our current OneNIRI strategic plan.

I hope you’ve made your plans to attend the NIRI Annual Conference in June in Las Vegas. The Annual Conference Committee is preparing an exciting and informative educational program that is sure to deliver on the conference theme: “Extreme IR: Fast, Furious, and Highly Connected!”

As always, please feel free to call or e-mail me with any questions or thoughts you have about NIRI. Also, please know that your board and staff are working hard to further NIRI’s mission of “advancing the practice of investor relations and the professional competency and stature of its members.”

See you soon in Las Vegas!!



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THE **FOREST** AND THE **TREES**

IR professionals in the paper and forestry industry must see the big picture while keeping their eyes on all the little details that go into shaping it.

By Apryl Motley



Just imagine: You and your investors spending time together in the forests of Montana or Missouri. This scenario probably seems unlikely to most IROs.

But it's very much a reality for John B. Hobbs in his role as vice president of investor relations for Plum Creek Timber, one of the largest landowners in the nation with approximately 6.3 million acres in major timber-producing regions.

"Every 24 months or so, we'll do a timber tour, and we'll invite analysts and investors to spend a day in the woods with us," Hobbs says.

These tours, as well as other events, are important for educating investors about the value Plum Creek has to offer. "A lot of investors we work with are used to dealing with depreciating assets like a manufacturing facility," Hobbs says. "Most have never dealt with an asset that physically grows over time without significant reinvestment.

"There are some core concepts that we need to get across to them early on," he continues. "At the end of the day, most investors understand that forestry remains an important part of the economy. They understand that the industry is viable although the uses of products may have changed."

Within the last few years, change seems to have been the only constant in the forestry and paper sector. When Perry Grueber began his tenure as director, investor relations, at Wausau Paper seven years ago, the company's revenues were close to \$1.2 billion; today, due to purposeful restructuring, they are \$349 million.

"Two of the company's former markets have faced challenges: (1) demand within the printing and writing business has declined significantly due to the [the rise of] electronic distribution and decline in demand for printed materials, and (2) our technical specialty paper business," was impacted by the weakness in the global economy and new competition from Asia, Grueber explains.

Over the last three years, Wausau restructured the company to exit these two market segments and focus on its towel and tissue business, which according to Grueber, is "a highly profitable and growing business."

Before Kathryn McAuley became vice president, investor relations, for Weyerhaeuser Co. in 2001, she spent 14 years as a forest products security analyst covering industry trends like the consolidation of companies. Her time as an analyst provided great background for her current position.

"I had a good understanding of the industry and the players," she says. "I knew how they were viewed by investors."

McAuley says of her current role, "In some ways, I'm still a sell-side analyst, but for one company instead of many companies."

IROs in the paper and forestry industry sometimes take a variety of routes to entering their profession, but once in place, their goal is the same, crafting the messages that best communicate value to their companies' investors.

Rotating Roles

Jay Royalty is the fourth person to serve as vice president, investor relations, at International Paper Co. in the past decade, and he won't be the last.

About 10 years ago, the company, which produces uncoated papers and industrial and consumer packaging, changed its IR model so that executive level managers rotate through the position every two to four years.

"There's really no better role in the company for up-and-coming executives to get familiar with all aspects of the business that we wouldn't have exposure to otherwise," Royalty says.

Having served in a variety of general management positions during his more than two decades at International Paper, Royalty says the experience "brings credibility and depth to the IR role." At the same time, he acknowledges that he "never had any IR experience before coming into this job.

IR INSIGHT

Kathryn McAuley, vice president, investor relations, Weyerhaeuser Co., began her career as deputy director of corporate planning for St. Regis Paper Co. She offers this advice to those interested in IR careers in this sector:

- **Learn about the industry by working in it.** "It's really helpful to have some external experience," she says. "Consider taking a position in a strategic planning area of a company."

"The biggest challenge I faced was getting up to speed quickly on the broader scope of the overall company as well as all the various IR rules and regulations," Royalty says. "I had to quickly learn the boundaries on what I can [say] and how I can say it."

When International Paper's CEO and CFO first approached him a year ago about taking on IR, "it was foreign to me and not something I had thought about before," he admits.

As Royalty has become more comfortable with his position, he finds it "incredibly dynamic. You're in the middle of all the major decisions the company makes, and you get to see all perspectives."

IR INSIGHT

Jay Royalty, vice president, investor relations, International Paper Co., offers two pieces of advice to anyone considering an IR career in the paper and forestry industry:

- **Don't spend too much time behind your desk.** "Engage with stakeholders both internally and externally," he says. "The more perspective you get early on in the job, the more effective you'll be at putting your finger on the pulse of the company."
- **Keep the lines of communication open with shareholders.** "If you're not communicating regularly – at least every three to four weeks – anxiety can creep in," he observes.

A Seat at the Table

"I'm very fortunate in that I've been included in internal meetings and other activities that help me understand the company's strategic direction," McAuley says of her tenure at Weyerhaeuser Co., which is one of the world's largest private owners of timberlands.

"It's important for IR to be privy to what's going on," she continues. "You may not be able to discuss it, but you need to know what's evolving from a strategic perspective, so that you can begin thinking about how to communicate this information to investors."

That's the part of her job she loves: "I find it very rewarding to dialogue with investors as I see them understanding our messages about what we do and why."

McAuley recognizes that everyone wants "more information faster." She says of analysts, "They are doing much more detailed modeling, and some of that is an outgrowth of more information being available to them."

She knows what it's like to be on that side of the fence, so to speak, and feels that her experience as a sell-side analyst has been invaluable in her current position. "Investors have a tough job," McAuley offers. "They are under pressure to get their modeling right. If you've been on that side and seen those pressures, you understand it better."

In fact, she believes that analysts are "a source of IR professionals that's overlooked. You know your industry, so your ramp-up time with the company is faster. You already know the investor base."

Restructuring and Resizing

After being head of IR for three progressively larger companies on the NYSE, as well as experiencing a restructuring-driven

career disruption, Perry Grueber accepted the opportunity to lead IR at the then mid-cap Wausau Paper.

With more than 20 years as an IR professional, he sees the IRO's role as "a unique position within the corporation to provide Street insight into the company and industry and bring diverse information to the company's strategic thought process.

"I appreciate the diversity of opinions and the interaction with people to help improve the performance and prospects of my company," he continues.

Prior to Grueber's arrival, Wausau's CEO and CFO had handled IR interactions with outside investors. However, the company was entering a period of dramatic change, and [executives] realized they "would need more availability from a company representative as that happened," Grueber explains.

"When I came on board, my mandate from the CEO at that time was to make sure all shareholder inquiries were answered promptly," he says, "and increase the pace of distributing information."

During Grueber's tenure, the company has attracted more sell-side coverage and expanded its institutional shareholder base. In addition, he says one of his priorities has been maintaining long-term shareholder positions.

"We have shareholders that have been invested in the company's common stock for well over a decade, and my challenge was to retain those positive relationships while inserting myself into the dialogue between them and the company."

Further, he says that while long-term investors understand the strategic direction of the company, Wausau's pragmatic and appropriate decision to exit two of its business segments had implications to local economies as the company was the largest manufacturing employer in several communities.

IR INSIGHT

According to Perry Grueber, director, investor relations, at Wausau Paper, as the paper and forest products industry continues to go through a period of significant consolidation, the number of IR positions has declined and that trend will likely continue. Still, he offers this suggestion to those interested in the sector:

- **Recognize the long history of the market's capital investment in the sector.** "There's a great deal of knowledge on the Street about the paper and forestry products industry," he says. "Often analysts will revert to history, which isn't necessarily the best indicator of the future of the business.

"Spend time understanding not only the recent past, but the deeper history of the industry," he continues. "These trends continue to play a role in how people view and value companies."

"We were often the employer of choice for local residents, and those long connections to these communities made communicating change difficult at times," Grueber notes.

An Intellectual Investment

"Plum Creek's biggest physical asset is a forest," says Hobbs, who has headed up the company's IR effort since 2001. "I am not aware of any other asset that biologically grows over time and operates this way in the market."

During his first few months there, the company doubled in size and was added to the S&P 500. As he was stepping into his new role, Plum Creek was stepping up its visibility.

Hobbs says he is "intellectually challenged on a daily basis" as he talks with potential investors around the world to educate them about how Plum Creek might fit into their view of the investment world.

"I very much view our role as educators," Hobbs says. "We help our shareholder base get the information [it needs] to make informed investment decisions for clients."

In this regard, he believes timeliness is critical. "We track our inbound calls and respond to the vast majority in four

IR INSIGHT

"Like a lot of IR people, I had no plan to be in IR," says John B. Hobbs, vice president of investor relations for Plum Creek Timber. Once he made the decision to enter the field, he recognized a key area that he wanted to improve:

- **Hone your written communication skills.** "That was my big challenge," he says. "I had to get accustomed to producing earnings releases, conference call scripts, [and so forth]."

hours," Hobbs explains. "We respond to every investor inquiry within 24 hours, regardless of size."

From his perspective, if investors allocate their intellectual capital in the same manner as they do their financial capital, indexing is a common practice: "They're interested in Plum Creek and have made a significant investment in learning about us," he says. "It's critical for us to respect their intellectual investment and how valuable their time is." **IRU**

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



Private Lessons

Even when your company is private, investors still need to hear your story. Private company IROs explain how.

By Margo Vanover Porter

Don't go dark.

That's the first lesson that IROs learn when their companies opt to go private.

"There is still the need to communicate to investors, even though they are bond investors," says Mitchell Haws, vice president of investor relations, Freescale Semiconductor. "We wanted to keep the disclosure discipline really tight. We thought, 'Hey, we tried to perfect the dance move when we were public. Let's not get out of practice.' We wanted to make sure all the controls and the mentality of good disclosure and transparency weren't lost."

According to Haws, in the fall of 2006, four private equity sponsors made an offer to buy Freescale from the public market at \$40 a share. "I was very involved in that, working with investors to help them understand the nature of the offer, doing the proxy solicitation to make sure shareholders approved the deal. In addition to raising the funds to go private, you're raising a significant amount of debt, which means you're doing a road show, just like you would for an IPO. The difference is you're dealing with debt investors to raise debt capital."

Freescale's tale is a bit unusual in that this company went full circle – from public to private and then back to public again. "Every buyout is unique with its own personality and set of attributes," Haws says. "We always knew in the back of our minds that we would go public again at some time in the future. Our IR strategy had that in mind. We obviously could have gone in a different direction, but we felt it would be very difficult to go dark and then try to reemerge to go public again."

Andrew Kramer seconds the notion that IROs of private companies need to keep communicating with their constituencies. "While we don't have equity investors any longer, we now have debt holders," says the senior director of investor relations and

corporate development for Interactive Data Corp., which was acquired by Silver Lake and Warburg Pincus in mid-2010.

"We took on a fairly significant level of debt once the transaction was completed," he continues. "We have a new constituency we communicate with on a consistent basis, the debt-holder community."

Interactive Data adheres to a communication and disclosure routine that is similar to that of the firm's publicly held counterparts. For example, the company's debt covenants require voluntary filings with the Securities and Exchange Commission. In conjunction with its quarterly financial results, Interactive Data holds a quarterly conference call with its debt holders.

While a few companies may completely withdraw from the public eye, Haws determined that moving to the dark side was not in his company's best interests. "The cost was way too high," he insists. "We made the decision to continue to be very proactive with all of our audiences."

Why Tell Your Company's Story?

Whether a company is public or private, IROs agree on this truism: If you don't tell your story, someone else will.

Haws recalls the many conversations he had with everyone from investors to the news media in 2009, when the bottom fell out of the stock market and banks tightened lending standards. "It was an interesting time to do IR at a private company because when you go private your capital structure changes. You take on a lot of debt. Leverage goes up.

"It's a different financial model, and you look different as a company in terms of your balance sheet. For many people, that translates into more risk. What we found very quickly is that our competitors tried to use that to their advantage, to use that as a wedge with our customers."

Fortunately, Haws' IR team members could dispel any rumors head-on because they understood the mechanics of the capital structure and could provide insight about the actual situation. "Our guiding philosophy was 'If we don't define Freescale and take our message public, someone will do it for us.'

"In most cases, the outcome is not very good when someone else – whether it's suppliers, debt investors, customers, or even our employees, who were understandably nervous during that cycle – defines the message."

David Mehok, executive director, Dell, adds that not only do you need to tell your own story – but you also need to tell it consistently.

"When you go into a private world, there's a tendency to want to put out information that is all positive," he says. "That may work for a couple of quarters, but in talking to others who have gone through this process, they will tell you it's extremely important to be consistent in messaging.

"If you find a few key metrics that you believe will be good benchmarks for how well you are making progress along your strategic journey, report them every single quarter, good or bad. Otherwise, over a period of time, investors will see that the way you are communicating is self-serving and lacks transparency."

Dell, which in February 2013 announced a deal that closed this past October, continues to ensure its message is widely heard. "You don't want to put yourself in a situation where your competitors are defining who you are because you aren't out in the public marketplace," Mehok emphasizes.

"While Dell may not be talking about our financial results going forward, we are certainly going to be out there as an IR team talking about key areas of technology and being very proactive in making sure the marketplace hears our message."

Determine Your Own Destiny

Another lesson for IROs whose companies are going private: Determine how – or perhaps if – you will fit into the company’s new capital structure.

“When the company was acquired and went private, my role changed,” Kramer says. “I was fortunate that management thought enough of me to find a position where I could add value. That may not be the case for all IR professionals, regardless of how talented they are. While I’m still the point person for all of our investor communication, my role has broadened to include regulatory affairs, competitive intelligence, partnerships and alliances, and industry research relations. It’s a much broader arena.”

Kramer, whose tenure as a NIRI board member just ended, adds that the scope of IR enables individuals to acquire knowledge and competencies beyond their specific domain to truly understand what the company is about. “When you get to that point, you are able to contribute in a variety of ways.”

When Dell went private, Mehok’s IR team assumed responsibility for servicing debt constituents, partnering with communication, and developing competitive intelligence. “The relationships we have established with the equity and debt communities allow us to have a good understanding of how those parties are perceiving the competitive marketplace and give us insights that a lot of others don’t have,” he says. “We focus on taking in that information and distilling it down to key actionable analysis.”

Because of his company’s corporate culture, Mehok finds his new tasks refreshing, rather than intimidating. “One of the benefits of working with Dell is the challenges always change,” he says. “It’s not a situation where you’re sitting at your desk and doing the same thing for 10 years. In my 17 years with Dell, I’ve had 11 different roles. I’ve been in IR almost three years.”

When a company goes private, one of the first steps an IRO should take is to get to know his or her new constituents. “You need to understand the way debt investors think about leverage and different debt ratios,” Haws says. “It’s a cash-flow-driven world. When you have bonds, it’s a different structure than having only equity. Debt investors look at the company differently than an equity investor might.”

Tips to Consider

Other steps suggested by IROs include:

Network with NIRI members to discover best practices. “In addition to equity issuers, there are many NIRI members with a significant debt-holder constituency,” Kramer says. He suggests tapping into their knowledge for ideas on how to proceed.

Mehok agrees. In fact, the first thing he did when he realized Dell was on the path of going private was to reach out to about two dozen peers who had gone through similar processes. “A few of the people I talked to said they initially cut significantly out of IR, and it ended up being a mistake,” he says. “They came to the realization that servicing the debt community is more complex than they imagined.”

Conduct a self-assessment. Are you the type of person who is open to new challenges? If so, venturing into the private world might be a good fit for you. “You may be taken out of your comfort zone,” Kramer warns. “You will get exposure to different types of events. I’ve been doing investor relations on the equity side for 15-plus years. In the three years we have been private, we’ve done two refinancings of the existing debt and funded a dividend by completing a \$350 million debt offering. Now I have a broader base of experience.”

Understand that your shareholder base will start fluctuating immediately. “When your company is being acquired, whether by another public company or a financial interest, your shareholder base


will change,” Kramer emphasizes. “The change will start the moment you issue the announcement that you’re going to be acquired, and it will continue until the day the acquisition is completed. Arbitrageurs will speculate on the likelihood of the acquisition being successful. You need to be adept and responsive and nimble to deal with that change.”

Be ready with Plan B, C, or even D.

Even as Interactive Data was going through its strategic review, Kramer understood that there was a chance that it would not result in an acquisition. In addition, the volatile nature of the capital and financial markets can add further complexity in terms of securing adequate financing for a go-private transaction. “As you go through the process, realize it’s not a done deal until it’s a done deal,” he cautions. “Put contingency plans in place.”

Expect your company to encounter shareholder litigation. When it comes to buyouts, Kramer believes shareholder lawsuits are par for the course. “Your company will likely be sued by a plaintiff who says the valuation was too low,” he says.

Examine your long-term career potential. Should you stick around or start shopping your resume? Will you even have a job? In the case of Freescale, Haws knew that the company planned to go public again, which helped him in making his decision to stay put. “You need to understand your company’s life cycle and what’s most likely to happen,” he says.

“You have to ask yourself, ‘Is it worth me not being involved in the public market awhile? Can I keep my skills relevant and stay abreast of what’s happening in IR?’ What intrigued me was the idea of going public a second time. I told myself, ‘Even if it takes some time, it will be a fascinating journey going full circle.’” 

Margo Vanover Porter is a freelance writer based in Locust Grove, Virginia; m.v.porter@comcast.net.

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STOCKS FOR SALE!

IROs are typically not salespeople. Yet there are reasons to consider incorporating a sales approach into investor relations.

By Sallie Hyman



ARE YOU A SALESPERSON?

Most investor relations officers would probably answer “no” to that question.

After all, the profession of investor relations as defined by the NIRI Board of Directors says nothing about sales. It reads:

“Investor relations is a strategic management responsibility that integrates finance, communication, marketing, and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation.”

IROs are typically trained in communication and finance and usually have little or no sales training. But understanding and using some proven sales techniques can be an important arrow in the quiver of effective IROs. After all, effective selling is based on establishing strong relationships – a core function of IROs.

Promoting Sales

One of the biggest proponents of using sales techniques as a key component of your IR approach is Don De Laria, vice

president, investor relations and communications, at Zep Inc. While De Laria believes honesty, integrity and transparency are the cornerstones of any world-class IR program, he once believed that IR was more about marketing but now decidedly believes that utilizing a variety of sales techniques can help investors match their needs to your company’s strategy more decisively.

“Many IR practitioners are marketers of their story,” says De Laria. “While they may know their company well, utilizing marketing techniques is dramatically different than engaging investors as part of a methodical sales process. IROs should



be spending time to learn about investors and helping them understand how their investment style might be a fit with the company's strategy."

Deborah Pawlowski, president and CEO, Kei Advisors LLC, has been in IR for over 20 years and recalls that sales has always been part of the job. "In the beginning we had to be very careful never to use the word 'sales,' because we are not registered to sell," she says. "But we are using a sales approach – providing information to someone to make a decision regarding what they should do." Just like salespeople in other industries, Pawlowski sees part of the IR role as being

able to recognize unrecognized needs of investors and to match needs where no needs were initially seen.

It's About Relationships

De Laria believes that as an IR professional you need to be a salesperson and in being such, it will change the way you conduct a meeting. De Laria likes to use question-based selling tactics to frame his meetings and interactions with investors.

One of the best ways to start out using your questions is to get to know your investors. "You need to get to know someone to be able to sell to them," says De Laria. This

means collecting data on them and incorporating it into a database.

Maili Bergman, senior vice president, investor relations at Live Nation Entertainment in Beverly Hills, California, agrees. Having come from a background of financial marketing that had a substantial database on clients, Bergman felt at a disadvantage in her first IR position without one.

She recommends keeping detailed notes on investor interaction. "Building relationships with the Street requires getting to know individuals personally and professionally. The only way to keep track of the multitude of these interactions is to

take notes,” says Bergman. “The goal is to have continuity in the conversation as the relationship develops to better understand your ‘customer.’”

De Laria also keeps a database. He suggests spending the first 25 percent of a meeting learning about the investor. “People like to talk about themselves and you will quickly learn their investing styles and how they manage their portfolios from these conversations,” says De Laria. You might learn that you are not a good fit with an investor in those first 15 minutes as well.

Pawlowski sees this time as a way to understand her audience to see if what her companies have to offer fits with an investor. Once you have asked questions of your investors and have it in a database, the information is there at your fingertips when you do follow-up calls and visits.

Bergman does caution that there are those IR professionals who have concerns about taking notes and keeping a database. “Some IROs have expressed a concern that notes could be subpoenaed,” she says. Bergman and Pawlowski both say that they are comfortable with what information they are taking down and would not worry if it were ever subpoenaed. Bergman explains, “We are learning about the investors’ preferences, such as what sectors they are active in and what they consider to be their investment style. All compliant with Reg FD.”

Even though there may be some controversy over taking notes and keeping a database, how you learn this information – by asking questions, by getting to know the investors and analysts, and building relationships – is the payoff of being a good salesperson. The relationships are what help to drive sales and give one IRO an advantage over another.

The relationships also help an IRO to maximize and manage the effective use of executive time. By having built such strong relationships, investors are often more

willing to communicate difficult issues with the IRO that they may not be comfortable or willing to share with the C-suite executives. This knowledge can be invaluable to IROs. It allows them to communicate to management what the Street cares about. They are able to uncover hot-button issues and be able to address them and prepare their executives before they walk into a room full of investors and analysts.

Sales Skills: Rejecting Rejection

Rejection is the biggest risk in sales. Pawlowski believes that IROs need to keep in mind that it is not a personal rejection, though. It usually means that the offering doesn’t fit. However, knowing that the greatest risk in sales is rejection, the question-based selling strategy starts the conversation between seller (IRO) and buyer (investor) through a series of questions designed to mitigate that risk of rejection.

Start by using the “Single Ping” theory – send out feelers and wait to see what kind of response you get. This can mean asking a simple question such as, “When is a good time to reach you?” or “Can I ask you a question?” This will give you an idea if there is merit in trying to pursue the relationship.

Rejection is not the only risk that salespeople face during the sales process. Mismatching – the tendency of people to automatically contradict what someone says – is another barrier to success.

Starting the conversation with, “Is this a bad time to catch you?” is more likely to get you talking with that person. This is a technique known as “reversing the positive.” By framing the question negatively, you put mismatchers in the position of responding in a positive manner.

Maybe as you are leaving your meeting you ask, “Is there any reason not to call your trader to start investing?” as De

Laria once did at the end of a first-time meeting (and got the investor to buy). De Laria is not content to sit back and let the investment managers contemplate a buy. He operates by the philosophy, “Always Be Closing.” Closing the sale, that is. Investment managers need to buy stocks and they need to beat an average. De Laria believes it is IROs’ responsibility to make sure that their company meets the investor’s needs after the sale is closed.

Ask more questions and make fewer statements. Questions are much harder to mismatch than statements because they invite people to contribute to the conversation. This reduces your risk by helping to expand your dialogue with the client.

Next, build your credibility. Prospects will naturally be cautious with IROs they don’t know. As you build your credibility with them, you will reduce their need to resist. De Laria points out that investors buy from people they know and like.

Building credibility and establishing a relationship will enhance your position to sell. Pawlowski agrees that this relationship is critical. “Thirty to 40 percent of why investors choose your company is the intangible human factor. It helps to reduce the sense of risk to them,” she says.

Finally, question-based selling uses a conversational layering that builds relationships that result in closing deals. This involves creating the relationship through slowly channeling questions from a broad focus to a narrow one based on knowing what each investor needs, what you can present to them in terms of solutions, and showing a commitment to the relationship.

Once it comes times to really focus the deal, De Laria is adamant: “If you can’t sit in front of the decision maker, don’t waste your time. A decision maker can amend the ‘rules’ if you are a good fit but not exactly a fit with their investing rules.”

And that is how you close a deal.



Develop Seven Sales Habits

Question-based selling is not the only sales strategy in use in the IR world.

Bergman likes to use the Seven Habits of Successful Salespeople. These seven habits, much like question-based selling, help build strong relationships.

1. Make a good first impression. IR people are often the first point of human contact with a company. They represent the company to investors and media and how they dress and present themselves is very important. Beyond the visual first impression, it is also important to be accessible, such as returning messages within 24 hours.

2. Have a positive attitude. Research shows that people can tell if we are smiling or not when we answer the phone because a smile affects the tone of our voice. So smile when talking to clients. Bergman knows that investors might read into your attitude that something is wrong with your company, jumping to a wrong conclusion, even if your bad attitude was due to traffic that morning. “Our attitude is in our control and very impactful,” she says.

3. Take notes. This relates back to what De Laria and Pawlowski suggest. It is critical to know your clients, and the only way to remember the likes, dislikes, and styles of various investors is to take notes and maintain a database. “There is power in getting to know the client,” says Bergman. She says it is also important to take notes on your C-suite so you know what matters to them.

4. Keep your commitments. Return calls within 24 hours. Answer questions honestly. Sometimes that means saying you don’t know the answer, but that you will find it and get back to them. Keeping commitments helps protect your reputation and that of your organization.

5. Know your stuff. Bergman, De Laria, and Pawlowski see this point as essential. You need to know your company inside and out, including the products, services, and people, especially the C-suite. “Really know your stuff,” says Bergman. “All it takes is one time of uncertainty to be perceived as not in sync with the C-suite and investors won’t want to talk to you.” A particular challenge for IROs is making sure that

what you say in an answer is in the public domain. By really knowing your stuff, you will know what is safe to say.

6. Welcome complaints. Having relationships with investors makes them willing to open up to IROs. “This is where, if you look from the right perspective, you can be even more valuable to the C-suite. They [investors] may be more willing to voice complaints to you, because they are not willing to criticize the C-suite,” says Bergman.

7. Never give up. No need to say more.

IROs need to be the most knowledgeable person in the company so they can manage the credibility of the organization and management team. This leaves them wearing many hats as they present financials and communicate to and between the C-suite and investors. Proponents believe that incorporating a sales approach in the IR role can help professionals build better relationships, find the right fits, and close the deals. **IRU**

Sallie Hyman is a consultant with Association Vision, the company that produces IR Update; shyman@associationvision.com.



Activist Storms

How to prepare for and weather activist turbulence.

By Tammy K. Dang

“We’re seeing a lot more activist campaigns,” said Derek Cole, president of Investor Relations Advisory Solutions, in a recent NIRI webinar. “There are a greater number of activists and people becoming more involved in this type of investment strategy.”

Cole moderated a February 2014 NIRI-sponsored two-part webinar series -- “Activists Part I: Your Company is the Target” and “Activists Part II: Managing the Activists.” Richard Grubaugh, senior vice president at D.F. King & Co., a proxy solicitation firm, and Cynthia Skoglund, senior manager of corporate business development and alliance management at Beckman Coulter, participated in the first webinar. Brian Turcotte, vice president of investor relations at The Servicemaster Co., and Mary Beth Kissane, communication consultant, participated in the second webinar.

“There are analysts at dozens and dozens of activist hedge funds that are screening every company, looking for any type of value disconnect that, using their strategy,

they think they may be able to close the gap,” said Grubaugh.

These types of investors make up a small minority of shareholders, according to *Activist Insight*, a global information source on activist investments. They own an estimated 1 percent of equities in the United States, but target every industry.

According to Grubaugh, activism has become an asset class attracting new money because of the investment performance and the success rates of activists. In 2013, activists won typically at a 60 percent rate during a proxy fight. “That doesn’t include all of the settlements that took place way before it went to a full-fledged proxy battle,” he said.

According to the Shareholder-Director Exchange, a group of directors and long-term shareholders of publicly traded companies, these funds have amassed an estimated \$100 billion war chest. Some plain hedge funds are creating activist funds because they are going to get money thrown at it. Some are going to the media because more attention will garner more money and

it is cheaper than going through the proxy voting process.

“These have always been persuasion campaigns,” Kissane said. “Today’s activists aren’t viewed with as jaundiced an eye as many were in the past.”

Companies with years of underperformance used to be targets. Ones with great performance can show up on the radar now.

Preparing for Activists

In his career, Turcotte has had two encounters with activists. He said the key is to act before you have an activist in your stock. Communicate your story early.

“Address any elephants in the room that could make your company vulnerable to an activist,” he advised. Problematic issues include your share price underperforming relative to your peers, sector, and the broader market; significant management turnover and controversy surrounding the board of directors; recent financial restatements; abundance of cash on the balance sheet with no well-articulated message to

enhance shareholder value; and any attractive monetizable assets that may not appear to be strategic.

With the economy recovering, activists are seeking more financial engineering, share buybacks, increased dividends, and operational-type contests where a number of activist investors pride themselves in rolling up their sleeves and changing business lines.

“If your company is experiencing any kind of issues – product delay, crisis management situation, anything that makes your company have a weak spot – they may start looking at you as an attractive asset position,” Skoglund said. Not all activists are bad and they are very smart individuals.

“All of these themes wrap themselves in the cloak of good corporate governance,” Grubaugh said. “So no matter what, an activist investor is going to bring in, and use against you, all of your corporate governance sins.” He recommended that companies understand how they are viewed through the corporate governance lens.

Everyone should understand what their takeover defenses are, where ISS and Glass Lewis are positioned on issues such as compensation and pay-for-performance, among a myriad of other issues. Otherwise, companies risk possibly losing institutional support in the event of an activist campaign. Institutional investors have limited bandwidth so they’re going to rely on proxy advisors and media sound bites, the panelists said.

Turcotte recommended building good working relationships with the sell side and shareholders, including the governance teams at index funds because they have a lot of votes when it comes to proxy time. “They can really be an ally to you if they believe in your story, your management team, and your governance practices because they typically have a longer term view than an activist would,” he said. The sell side will often know if an activist is snooping around in your stock coming to attack you.

“So no matter what, an activist investor is going to bring in, and use against you, all of your corporate governance sins.”

— Richard Grubaugh, senior vice president,
D.F. King & Co.

“Every IRO should have the top 50 activist investor profiles on [his or her] desk and ready,” Grubaugh said. Some of the most aggressive activists are very respectful of the process. Carl Icahn may tweet, but there are other activist hedge funds that try to work with management, call first to arrange a meeting, and make no demands to meet the CEO.

Fighting the Activists

Act quickly when activists arrive at your doorstep, advised Turcotte. Engage them early to understand their goals and communicate that information to your board. Assemble a strong team that will include PR, IR firms, a proxy solicitor, legal team, and investment bankers well-versed in these types of activities. Keep the board informed.

During Turcotte’s second encounter with an activist, the company found out about it when the head of public relations received a phone call at 8 p.m. on a Sunday night from a *Wall Street Journal* reporter letting him know that they were publishing a story about the activist launching a campaign. It was an odd way to find out. The company never received the e-mail that the activist claimed had been sent on the previous Friday about the campaign. The activists Turcotte dealt with had previously gone through the process 90 times.

Take the high road and focus on the company’s strengths in these situations, observed Turcotte, who urged: “Don’t get into the mud. The goal is to win share-

holder votes and their confidence when dealing with an activist.”

Make sure you define and enunciate quickly your core messages and positioning. Maintain a stance of business as usual. Keep your shareholders close and com-

municate because the activists will be communicating with them as well.

The lead director or CEO will respond if you get a letter or call. “It’s critically important, as the IRO, that you have a seat at the table,” Turcotte said. “No one knows your shareholders better than you do, so make sure you’re sitting there with your advisors, your board, and your management team while talking about strategies for dealing with an activist.” Be ready with filings and press releases because it can spiral out of control quickly.

“If you’ve got good relationships with your shareholders, know what they think, and can communicate that effectively internally, you’ve got a leg up,” Kissane said. “One clear way to lose favor with your broader investor base is to tell an activist that you just refuse to entertain [his or her] thoughts and questions, and that you won’t provide access.”

IROs should keep the big-picture perspective and help their management team do the same. All your current and potential shareholders, regardless of their opinions, will certainly pay attention to how you and the company treat and interact with the activist.

“Know your company, know its weaknesses,” Skoglund said. “You are the asset to your management team in the eyes of an activist campaign.”

For more information about future webinars, please visit www.niri.org/webinars.

Tammy K. Dang is manager, professional development, NIRI; tdang@niri.org.

Quick Takes

What's your best advice on preparing and delivering road-show presentations?



Marj Charlier
President
Sunacumen IR

▶ “Recently, we discontinued carrying paper copies on non-deal road shows. I carry a stash of thumb drives with our company logo on trips, and if an investor wants a copy of the presentation after our meeting, I load a copy of the presentation on one. They like the freebie, and it both saves paper and lightens my briefcase.”



Elizabeth R. Allen, CFA
Manager
FedEx Corporation

▶ “Get your own show on the road! You should travel without senior management – lots of investors will meet with investor relations people without management.”

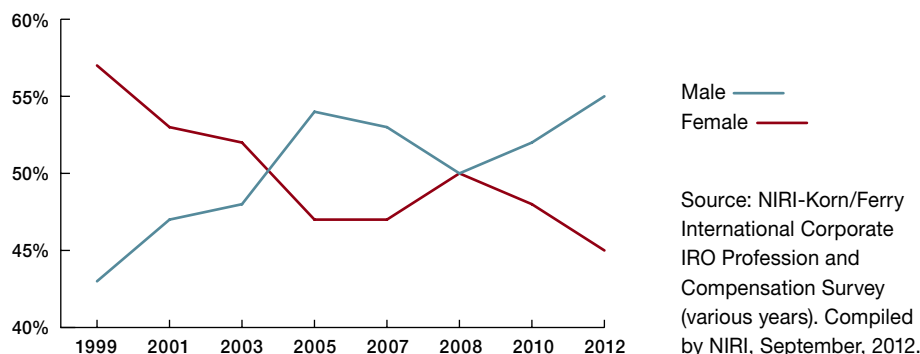


Muriel S. Lange
Principal Member
Lange Ventures, LLC

▶ “Establish multiple relationships with the managers behind the businesses so you get access to the changes that investors want to know about. This keeps your data fresh – also include the working managers interested in the investor relations part of the business. We always have new developments to share.

IR Research at a Glance

Gender of Investor Relations Officers 1999-2012



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Professional Development Calendar

May 2014

- 6** Investors Part I: Sell-Side Coverage webinar
- 20** Investors Part II: Targeting the Buy Side webinar

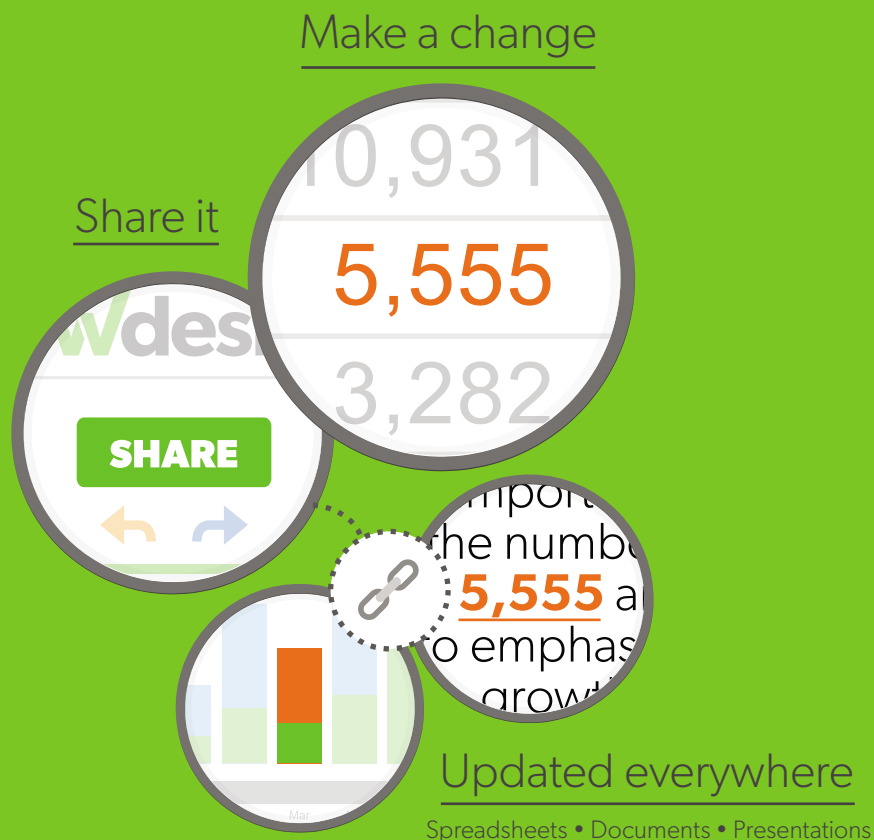
June 2014

- 7** Finance 101 seminar, Las Vegas, NV
- 7** Managing Shareholder Activism seminar, Las Vegas, NV
- 8-11** 2014 NIRI Annual Conference, Las Vegas, NV
- 17** IR Plan & Budgeting webinar
- 23-25** Finance Essentials Intensive seminar, New York, NY
- 26** Managing the Earnings Process seminar, New York, NY

July 2014

- 8** 2014 Proxy Season: Lessons Learned webinar

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—Sanjiv Shah, Rand Logistics

Mastering IRO Skills for Career Advancement

The NIRI San Francisco chapter hosted a panel of experts to discuss leveraging skill sets to enhance career opportunities.

By Brad Mills

Every day as an investor relations professional, you are required to demonstrate a comprehensive knowledge of finance, communication, marketing, sales, project management, and many other skills.

These skills can also be applied to move up the ladder at your own company or another organization, or even to move into another career field. Knowing how to recognize and market critical skills can make the difference for your next career move.

NIRI San Francisco recently hosted a panel discussion, “Leverage Your Investor Relations Skill Set to Enhance Career Opportunities” to offer insights into career development. Panelists included:

- Mike Canady, senior vice president, financial planning and analysis, at Charles Schwab, whose 22-year career at the financial services company includes previous roles as vice president, investor relations, and chief of staff.
- Karen Quint, executive recruiter in the financial services practice at Spencer Stuart, specializing in senior financial executive searches for CFOs, corporate controllers, investor relations officers, and other positions.
- Paul Warburg, CFO for Contour, who moved from a position as an IRO at a small-cap firm to an IRO at a mid-cap firm, to a position as CFO, and later, president of a private company.
- David Havlek, former vice president of investor relations and current senior vice president of finance, Salesforce.com.

The IRO Skill Set

Transitional skills (also known as cross-over skills) are those skills you can utilize no matter what specific career path you follow. Traditionally, these “soft skills” include interpersonal, organizational, lead-

The skills that come from experience on the job and the subtleties that aren’t found in the numbers are invaluable.

ership, and communication skills – all integral parts of an IRO’s job description.

The panelists offered several insights into key characteristics of successful IROs:

Enthusiasm: Have a passion for your work. If you can’t be passionate about the work itself, be passionate about the reason you do it.

Authentic voice: You know the company as well as anyone. Your insight and informed opinion will help your CEO, CFO, and board better understand what is and is not working within the enterprise and will help you get recognized as a key member of the team.

Dedication: Work hard and show a willingness to get the job done well. In this business and others, effort often trumps experience because at this level everyone is expected to have talent.

Personal development: Don’t be satisfied with holes in your knowledge, skills,

or abilities. Grow by insisting on getting exposure to skill sets that are not familiar to you. If you do not have a background in a certain area, explain to your boss that you want to be closely involved in that area for a period of time to gain that knowledge.

Communication: As an

IRO, you must be able to synthesize your business into succinct sound bites.

Concise communication shows the ability to analyze and integrate information, shows self-discipline, and is clear and unambiguous. This

is an immensely important communication and marketing skill – leverage it.

Moving Up or On

These traits can carry over into other positions within the company, a move to a new one, or even into a new career. The key is to identify and market these skills.

In today’s competitive job world, employers want to know if you can “get the job done.” The skills that come from experience on the job and the subtleties that aren’t found in the numbers are invaluable. They can be the difference between hires. Whether you are moving up into the C-suite or onto another career path, the skills in which IROs are in solid command will serve them well wherever they may land.

Brad Mills is CEO of Valuation Metrics and director of the NIRI San Francisco chapter; brad@valuationmetricsinc.com.

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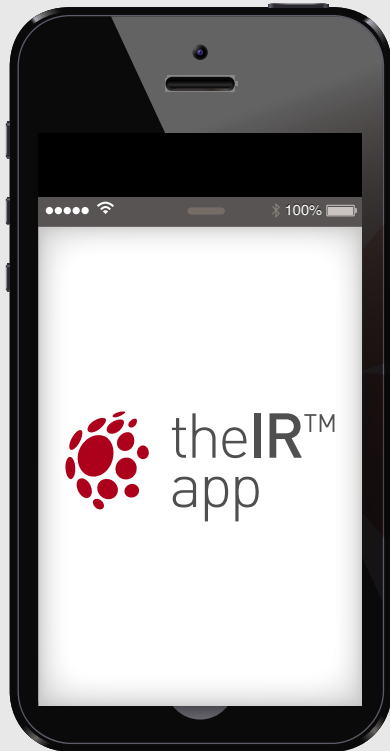




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