

Investor Relations 101

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Investor Relations Overview

What Is Investor Relations?

Investor relations is a strategic management responsibility using the disciplines of finance, communication and marketing to manage the content and flow of company information to financial and other constituencies to achieve fair market value for the company's stock.

Source: NIRI

Primary Goals of Investor Relations

1. To ensure a fair and accurate valuation of the company's assets and its expectations of future earnings and cash flow.
2. To maintain access to the capital markets on the most favorable basis.
3. To maintain the most liquid market possible for the company's securities under all market conditions.
4. To provide management and the board of directors with pertinent financial information and investor perceptions for development of the company's long- and short-term practices and policies.
5. To enhance management's understanding of peer company and industry performance, strengths and strategies.
6. To maintain open, credible and consistent communications with all investors, as well as the company's other constituencies.

Responsibilities of an IR Professional

1. Be an integral participant in the evolution of corporate strategy.
 1. Have a seat at the table with senior management
 2. Have full knowledge about the company's strategy, budgets, etc.
 3. Be completely familiar with the company's record of disclosure
 4. Provide information on a fair and impartial basis
2. Provide market intelligence to senior management and the Board of Directors.
3. Keep senior management apprised of publicly disclosed information.
4. Represent the company credibly and objectively.

Corporate Governance &
Disclosure: The New Regulations

Corporate Governance and Disclosure

- The market environment has changed dramatically in recent years, and IROs, together with corporate counsel, must understand and keep senior management informed of new developments, rules and regulations
 - Regulation Full Disclosure
 - Sarbanes-Oxley
 - Regulation G

Corporate Governance and Disclosure

- Regulation Full Disclosure (Reg FD)/Guidance - The goal of Reg. FD is to ensure that all market participants have equal access to market-moving, material news.
 - Materiality
 - Timing of disclosure and differential disclosure
 - Dealing with rumors and leaks
 - Written disclosure policy
 - Managing expectations and forward-looking information
 - Guidance on estimates and declines or improvements in guidance
 - Review of draft reports and models
 - Quiet period

Corporate Governance and Disclosure

- Sarbanes-Oxley (SOX)
 - Enhanced disclosure requirements
 - CEO/CFO certification
 - Employees – whistleblower protections
 - Auditor restrictions – limits to non-audit services
 - Board Independence
- Regulation G/The End of “Pro Forma”
 - Reconciliation of GAAP and non-GAAP financials
 - Definition of “furnish” vs. “file”
 - Affects earnings releases, web site, web casts, investment conferences, group meetings, one on ones

Disclosure Policy

Disclosure Policy

- An essential part of any IR program
 - Transparency Rules
 - Helps build corporate credibility
 - All investors should have equal access to information
- Content:
 - Formation of disclosure policy committee
 - Responsibilities for disclosure
 - Materiality
 - Timing of disclosure
 - Differential versus selective disclosure
 - GAAP versus non-GAAP information
 - Providing guidance and managing expectations

Strategic Investor Relations Plan

Strategic IR Plan

- Purpose is contribute to the achievement of the company's business goal
- Accomplished through “positioning”
 - Determination of company's vision and value creation strategies, and metrics to measure progress
 - Integration of capital markets' perceptions
 - Communication of story and messages
 - Alignment of constituents with goals and expectations
- Benchmarking and constituency research contribute to a more effective IR plan
- IR must be integrated with other corporate communications

Sell-Side Coverage

Sell-Side Coverage

- Strategies for building sell-side research coverage
 - Look at peer group coverage
 - Research analysts at the company's investment banks
 - Attend industry conferences – even if not presenting
 - Hold an analyst day
 - Organize analyst field trips
 - Maintain ongoing phone communication
 - Be an expert in your industry
 - Sell-side visitations
- Pros/cons of paid-for research

Shareholder Base Management

Shareholder Base Management: Pre-IPO

- IR best practices:
 - Management team should strategically develop a picture of the ideal investor
 - Prioritize by purchasing power, peer ownership and investment criteria compatibility
 - Longer-term perspective
 - Mutually-beneficial relationship between the company and the investors
 - Establish a partnership
 - Proactively target investors during the IPO process
- Investment bankers are accustomed to driving the process – they can be helpful, but should be managed

Shareholder Base Management: Post-IPO

- Conduct regular perception studies
 - Periodic qualitative investor research to assess effectiveness of strategies and value proposition
 - Benchmark against prior studies to record progress
- Identify and monitor current “top” holders, current holders with additional purchasing power, current holders who may be “at risk”, strong prospects or targets
- Continue to build relationships with targets and consistently build demand for the stock

Additional IRO Responsibilities

Market Intelligence

- Track industry, company and peer company performance criteria
 - Earnings calls and releases
 - Websites
 - Investor presentations
- Market analysis enables the company to put its performance into a relative framework for analysts, shareholders and portfolio managers
- Utilize databases

Communication: External Constituencies

- Drive valuation: identify the role and mix of the company's value drivers and incorporate value drivers into ongoing investor communication
- Direct contact with shareholders and analysts
 - Phone calls
 - Company HQ or plant visits
 - One-on-one meetings
- Shareholder publications
 - SEC required documents (10-K, 10-Q, 8-K)
 - Annual Reports and Corporate Fact Sheets
 - Investor Information Kits

Communication: External Constituencies

- **Investor Presentations**
 - Road Show (both pre- and post-IPO)
 - Investment bankers provide transaction-oriented content
 - Incorporate strategic IR content
 - Investor and Analyst Conferences

Communication: External Constituencies

- Earnings Releases and Calls
 - Key messages
 - Press releases
 - Script
 - Web cast
 - Q&A development
 - One-on-one's with press, investors and analysts

Communication: External Constituencies

- Website
 - Contact information
 - Archived investor presentations
 - Link to SEC filings
 - Stock price information, current and historical
 - Web casts
 - Press and earnings releases
 - Upcoming events
 - FAQs
 - Directors and Officers information

Communication: Internal Constituencies

- Board of Directors
 - Communicate factors affecting valuation to assist in long-term corporate strategic development
 - Monthly or quarterly reports highlighting recent activities and findings
 - Quantity and results of meetings with shareholders and analysts
 - Stock price activity and factors affecting it
 - Summary of recent analyst reports
 - Competitive trends
 - Peer company performance and stock price information

Communication: Internal Constituencies

- Management
 - Regular reporting on Investor Relations activities
 - Provide a framework for communicating messages
 - Speaker training and content preparation
 - Earnings calls, investor presentations, analyst and shareholder meetings and speaking to press and employees
- Employees
 - IR Section of Corporate Website
 - Annual Report
 - Employee Meetings

A p p e n d i x

Constituencies

- Management
- Board of Directors
- Capital Markets
- Institutional Investors
- Individual Investors
- Employees
- Customers
- Suppliers
- Communities in which the company operates
- Banks
- Rating Agencies
- Investment Bankers
- Trade, financial and general media