

Investor Relations Perspective: Fall 2008

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NIRI's Priority: Increasing Member Value

- ✓ Information
- ✓ Professional Development
- ✓ Advocacy
- ✓ Community/Networking











Global Markets Evolution
Perspectives & Trends

1. Capital Markets
2. Exchanges
3. Investors
4. Regulators

Focus On:

1. **IR trends as seen through NIRI research, etc.**
2. Evolving Regulations (SEC)
3. A look forward

Reg FD Today

Corporate Best Practice traits in a Reg FD world (8 yrs +)

- ✓ *Transparency*
- ✓ *Consistency*
- ✓ *Responsiveness*
- ✓ *Credibility*

Source: NIRI Executive Alert, July 2008

Short-termism vs. Guidance

Joint NIRI & CFA Institute Study

Results:

- 64% ('07) gave guidance up from 51% ('06)
- Of the 64% providing guidance:
  - 47% give quarterly **earnings guidance**
  - 71% provide broader **financial guidance**
  - 57% provide **non-financial guidance**

Source: NIRI Executive Alert, May 2008

Earnings Guidance

Frequency	**Desired vs. Provided**
Quarterly Earnings Guidance:	32% vs. 47%
Annually	10% vs. 10%
Annually w/ Updates	27% vs. 35%

Source: NIRI Executive Alert, May 2008

Financial Guidance

Frequency	**Desired vs. Provided**
Quarterly Financial Guidance:	34% vs. 40%
Annually	11% vs. 15%
Annually w/ Updates	26% vs. 33%

Types:

Revenue (86 vs. 68%), Capital Expenditures (84 vs. 66%)

Cash Flow (73 vs. 32%), Gross Margin (71 vs 31%)

Tax Rate (54 vs. 68%)

Source: NIRI Executive Alert, May 2008

Non-Financial Guidance

Frequency	**Desired vs. Provided**
Quarterly Financial Guidance:	35% vs. 50%
Annually	9% vs. 6%
Annually w/ Updates	18% vs. 13%

Types:	**(Desired vs. Provided)**
Trend info impacting Company	(86 vs. 69%)
Industry-specific	(84 vs. 64%)
Estimates of factors driving earnings	(77 vs. 37%)
Qualitative Statements	(76 vs. 76%)
Non-financial KPI's	(57 vs. 32%)
Environmental, society & governance	(37 vs. 17%)

Source: NIRI Executive Alert, May 2008

NIRI's Guidance Statement

- One size does not fit all – no prescribed set of financial information.
- Best to provide a variety of information.
- Internal forecasting abilities, industry practice, the needs of the financial community, etc. drives each company to its own practice.
- Forward-looking information should cover a spectrum of time frames based on circumstances applicable to the company and industry.
- NIRI recommends uniform disclosure to a broad spectrum of financial publics.

Source: NIRI, August 2008

Corporate IR
Activists/Hedge Funds

Know Your Shareholder

- Monitor stock holdings (stock surveillance)
- Understand your institutional investor's investment strategies
- Understand activists tools

  (proxy fights, shareholder alliances, resolutions, stock lending/empty voting)

Source: Conference Board Fall '08

Corporate IR Activists/Hedge Funds

Respond to Requests

- Be proactive
- Don’t assume hostility
- Meet with hedge funds
- Focus on corp. financial performance
- Focus on corp. governance practices

Source: Conference Board Fall ‘08

Corporate IR Activists/Hedge Funds

Board Involvement

- Involve Boards
- Communicate Clearly
- Understand Corp. defense mechanisms
- Open dialogue
- Transparency & Integrity

Source: Conference Board Fall ‘08

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2. **Evolving Regulations (SEC)**

3. A look forward

Regulatory

Notice & Access (E-Proxy)

- Yr. 1 - 2008 Highlights:
  - Some confusion as is new
  - Saves money (printing)
  - Lower retail investor voting in 2008
  - Strict SEC formatting requirements
  - No investor education component

Source: NIRI Executive Alert, Sep 2008

Regulatory

Notice & Access (E-Proxy)

NIRI/Society of Corp. Secretaries Survey

- 70% saved $$ - but the majority was less than 25% - largely as printing savings.
- Service provider fees topped $100k for 35%.
- Quorum achieved, but retail voting dropped.
- Indifference: 75% of respondents reported no or neutral feedback on switch.

Source: NIRI Executive Alert, Sep 2008

Regulatory–CIFiR Recommendations

- **CIFiR** – SEC Advisory **C**ommittee on **I**mprovements to **Fi**nancial **R**eporting

- IR Focus is Subcommittee #4

  Delivery of Financial Information

Regulatory–CIFiR Recommendations

CIFiR Recommendations

- 4.1 XBRL implementation
- 4.2 Corporate websites
- 4.3 Key Performance Indicators (KPI)
- 4.4 Earnings Release Best Practice
- 4.5 Executive Summary (10-k & 10-Q)

Regulatory–CIFiR Recommendations

4.1 XBRL implementation

- Implementation:
  - 2009: top 500 companies ($5+ billion float)
  - 2010: All accelerated filers
  - 2011: all others
- Goodbye EDGAR, Hello IDEA

  Interactive Data Electronic Applications

Regulatory–CIFiR Recommendations

4.1 XBRL implementation (IR focus)

- Understand Tags
- Understand Peer Use
- Understand Analysts and Investor Use
- Understand how you can use XBRL to communicate with investors

Regulatory–CIFiR Recommendations

4.2 Corporate websites - SEC interpretative release

1. When information posted on website is *public*
   - ✓ **Recognized channel of distribution**
   - ✓ **Posted and accessible**
   - ✓ **A reasonable waiting period**
2. Liability of 3rd party links
3. Controls and procedures for web content (SOX)
4. Formatting of web (readable vs. printable)

Website Practices

Largest 100 Do's

- Provide Contact info to IR team
- Disclose corporate governance docs
- Provide ability to communicate with Board
- Identify external hyperlinks
- Design with dynamic tree structures
- Be careful of noise (i.e.: auto video)
- Use common names for standard pieces
  - Direct Stock Purchase Plan vs. Co. Investment Plan
- Provide current & historical info

Source: NIRI Executive Alert, Sep 2008

Website Practices

Largest 100 Don’ts

- Don’t use FAQ’s as a catch all
- Avoid launching/generating new windows
- Avoid the appearance of inactivity or lack of maintenance (updated calendar, contacts, etc.)
- Consider activities that may dissuade investor use
  - Requiring investor registration

Source: NIRI Executive Alert, Sep 2008

Regulatory–CIFiR Recommendations

- 4.3 Key Performance Indicators (KPI)
- 4.4 Earnings Release Best Practice
  - NIRI Standards of Practice effort
  - Earnings standard – late Sep 2008
- 4.5 Executive Summary (10-k & 10-Q)

Regulatory

IFRS

- ✓US GAAP – Goodbye (thru 2016)
- ✓Goodbye IFRS - Hello one single set of high quality global accepted accounting standards

Regulatory

SEC's 21st Century Disclosure Initiative

- ✓ Improving usefulness and timeliness of disclosure for investors
- ✓ Modernizing collection of disclosure

Expected direction: *Focus on continuous disclosure via web using interactive data*

Regulatory

What is happening in Washington?

- Elections
- Elections
- Elections
- Positioning for next Administration

Regulatory

What is happening in Washington?

- Congress
  - Financial markets focus as it relates to elections
  - Crisis Management
    - Gas/Oil Speculators
    - Hedge Funds

Regulatory

What is happening in Washington?

- SEC (thru election)
  - COX Legacy
    - IFRS, Mutual Recognition, XBRL
  - CIFiR Report Recommendations
  - Full Commissioners = Proxy Reform?
  - Crisis Management
    - Short Sellers & Hedge Funds

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Regulatory

Presidential Election Impact

1. *House/Senate Majority*
2. *New Cabinet (Treasury Secretary)*
3. *New SEC Chair*
4. *Administration priorities*

NIRI's Fall Focus

- Short selling
- Notice & Access
- Standards of Practice
  - Financial Disclosure
  - Earnings Releases
  - Websites
- XBRL
- Research Agenda
  - Hedge Funds
  - IR operations (budgets, services, etc)
  - Annual Reports
  - C. D. & A.

NIRI's Larger Focus

- Information (Research)
- Professional Development
- Advocacy (SEC, FASB, Peers)
- Networking (Industry Group)

Open Discussion

Questions & Answers









