TOP TAKEAWAYS

INVESTOR RELATIONS KEY DO'S AND DON'TS

1. **The earnings call is a critical disclosure vehicle; adequate preparation is crucial.**

   Consider a multi-week formal process that allows for full preparation and key theme development. Weave key themes that you want to communicate to investors into your release and script, as making these disclosures will offer protection from a Reg. FD perspective in individual meetings with investors over the next quarter. The 10-Q and 10-K complete the earnings release process and questions may stem from these filings. Be proactive by addressing key issues up-front rather than waiting for the Q&A portion; frame the discussion in your own words. Never reference analysts' consensus, and be careful with valuation opinions (that is not your job).

2. **The Sell-side model is shifting; many are struggling to make money.**

   You need to manage the sell-side even more carefully today as they cover twice as many companies as they used to, and their business model is transforming. Do not antagonize the sell-side despite shortfalls; most of them have long memories. Do not ignore the sell-side, as they are still very important visibility builders.

3. **High-turnover hedge funds and traders now dominate investor conferences and non-deal roadshows.**

   Consider favoring more controllable non-deal roadshows over conferences to better control the quality of the investor meetings. Complement sell-side outreach with proactive internal targeting. Measure the effectiveness of your IR outreach annually and tweak as needed to improve. Remember that you do not need to accept every conference and request. Try to balance them across the analyst coverage as much as possible (it is okay to reward the best analysts).

4. **Failing to provide any guidance at all is risky.**

   Almost every company provides at least some guidance, and most companies are forced into some form of directional or qualitative guidance regardless of policy. Take control of the process by creating a formal, strategic approach to guidance. Even if the Board/management is against quantitative guidance, qualitative guidance can still be very helpful. Favor annual over quarterly guidance if your business model permits (if you take this approach, remind investors of the seasonality factor). Do not merely stick to the numbers; always include forward-looking strategic concepts.

5. **Boards are much more concerned with investor opinions and share price performance than ever before.**

Shareholder activism and great recession weigh on the minds of Boards today. The IR leader needs a seat at the Board table at least annually to convey investor perceptions and ownership trends. Ideally, the IR team should provide quarterly updates to the Board via detailed reports. Companies should consider getting research and other support from credible and knowledgeable third parties.

6. **Investors (especially activists) are increasingly requesting Board access.**

The Board is more likely to have a role during proxy season when compensation/proxy issues need explanation. Outside of that, IR should limit the Board's engagement with shareholders unless a crisis situation arises (e.g., new CEO, serious activist involvement, etc.). Do not involve the Board in day-to-day IR program issues. That may signal that management is not in control. The Board's focus on IR matters should be on high-level strategic direction.

7. **Recent SEC guidance has increased the spotlight on usage of non-GAAP measures, and the rules about non-GAAP measures are being taken much more seriously than they were in the past, but non-GAAP measures are still useful.**

Always lead with GAAP measures to avoid SEC comment letters. Be careful with non-GAAP usage in titles, subtitles and bullets. Reconcile to GAAP measures in key places and always make sure counsel has reviewed your non-GAAP disclosure language in all critical IR communication outlets. Do not completely avoid the use of non-GAAP measures; these can help an investor understand the key business drivers. Just make sure to reconcile the non-GAAP measures appropriately.

8. **Be mindful not only of what you say, but how you say it.**

Investors focus on your tone as much as they focus on the content of the discussion. Avoid being defensive and always be passionate.

9. **Maintain a short list of investors that have a history of starting rumors and restrict communications with them.**

Try to limit the involvement of "pure traders," as they are more likely to start rumors.

10. **Always be mindful of Regulation FD during meetings with analysts.**

State critical disclosures publicly so you can discuss them candidly in one-on-one meetings. Prepare key talking points with help from counsel to ensure Reg. FD compliance, and remember to stick to those points during the conversation. Take notes to bolster evidence of Reg. FD compliance. Finally, be aware of what peer companies practice in this context.

For more information on Investor Relations - Key Dos and Don'ts, please feel free to contact the moderator directly:

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