

Investor Relations *Key Do's & Don'ts*

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Panelists

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Best Practices for the Earnings Process

Topic/Reality

- The earnings call has become a critical disclosure vehicle in today's world

Do's

- Ensure proper preparation and use a multi-week process
 - Must state critical disclosures publicly to protect yourself in future one-on-one meetings
- Create a cadence for each call (ideally structured around your business strategy) that both tells the quarterly performance story and supports management's vision
- Read the script out loud in advance and consider pre-recording
- Allocate time to proper Q&A preparation
- Consider periodic inclusion of non-CEO/CFO at appropriate times

Don'ts

- Avoid being defensive, always be passionate
- Never say "we'll just wait for Q&A" on critical issues you know are coming
 - Be proactive and frame in your own words
- Never reference analyst consensus and be careful with valuation opinions (their job, not yours)

Sell-Side Realities & Proper Management

Topic/Reality

- Sell-side model is shifting and many are struggling to make money
- Corporate access only real fees today; hedge fund focus to pay bills

Do's

- Need to manage even more carefully today
 - Estimates and models need to be reviewed in depth each quarter
- Need to make IR communication more thoughtful to help sell-side do their jobs
- Be thoughtful during earnings process to discuss “breadcrumbs” the IR team can use later to guide the Street

Don'ts

- Never want to antagonize (despite shortfalls) as most have long memories
- Can't ignore sell-side; still very important visibility builders

Investor Conference/NDR Challenges

Topic/Reality

- Given the sell-side's challenges, high-turnover hedge funds and traders now dominate investor conferences and non-deal roadshows (NDRs)

Do's

- Aggressively manage sell-side schedules
 - Send focused current holders and long-term target list of investors ahead of time
 - Try to limit involvement with “pure traders” that can perpetuate rumors
- Consider favoring NDRs over conferences as they are more controllable
- Complement sell-side outreach with proactive internal targeting
- Measure the effectiveness of your IR outreach/visibility program annually and tweak as needed to improve

Don'ts

- Give up on the sell-side, their visibility, support and reach are too important
- Underestimate the benefit of the NDR for educating sell-side
- You don't have to say yes to every conference and request; try to balance them across the coverage as best as possible (okay to reward best analysts)

The Guidance Debate

Topic/Reality

- The provision of guidance has always been a controversial topic; some argue it promotes “short-termism” and others believe that it is a critical tool to help manage the Street and level set expectations

Do's

- Even if the Board/Management is against quantitative guidance, directional and qualitative guidance can be extremely helpful
- Favor annual over quarterly guidance if your business model permits it
 - But need to consistently remind Street about seasonality if only annual is used
- Do take the time to understand the Key Performance Indicators (KPIs) most meaningful to the Street and guide on those types of metrics

Don'ts

- Always remember to include forward looking strategic concepts, can't just “stick to the numbers”
 - Credibility is greatly impacted by the Street's perception of the management team's strategic plan, as well as its historical performance
 - Valuations are driven by forward expectations and thus it's the IR team's job to shape them

The Role of IR in Boardroom

Topic/Reality

- Since the recession and with the rise of activism, Boards are much more concerned with investor opinions and share price performance than ever

Do's

- IR needs a seat at the Board table at least annually to share investors' perceptions and ownership trends
 - Should include next year's IR strategy and core objectives of program
- Ideally IR team should be providing quarterly updates on the program through a detailed report
- Third party research can be valuable if conducted by credible/knowledgeable parties

Don'ts

- Board shouldn't be overly involved in day-to-day of IR program, just the big picture strategic direction
 - It's one of the inputs that helps guide a discussion

Investor Access to the Board

Topic/Reality

- More and more, investors (in particular activists) are asking for access to the Board

Do's

- The Board can and should have a role during proxy season, when compensation/proxy issues need explanation
- Otherwise, IR's job to limit direct engagement unless a crisis situation develops: CEO transition, serious activist involvement, etc.
- When naming a chair/lead and staffing committees, consider the potential need to involve a director in engagement

Don'ts

- Overshoot; when a Board decides to get involved in day-to-day IR communication, it's often a signal that the management team is not in control

Non-GAAP Conundrum

Topic/Reality

- “New rules” are just reiterations of past Regulation G guidelines but are being taken much more seriously today

Do's

- Be careful with non-GAAP usage in titles, sub-titles and bullets
- Lead with GAAP always to be safe and avoid a comment letter
- Reconcile to GAAP in key places and make sure legal has reviewed your non-GAAP disclosure language in all critical IR communication outlets

Don'ts

- Don't overthink it, many non-GAAP items are critical to helping an investor understand the drivers and performance of the business; if you lead with GAAP and reconcile appropriately, you can still use many of these items

Other Topics

- What is an Investor Day and how often should we consider such an event?
- Should the IR team perform an investor perception audit?
- What to do when an activist calls?
- Corporate governance, does it matter to the buy-side?
- Should the IR team (and a Board member) talk to Passive/Index investors annually?
- What's the proper structure of your IR team – by background and role?
- What needs to be on the IR website?

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